



WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

Markets have climbed a wall of worries

Financial markets have our clients nonplussed. They've watched the US President aggressively push the limits of power for what appears to be power's sake. They've noted the Reality TV firehose of Washington vitriol, chaotic economic policies, tariffs that clearly harm US consumers enacted on thin legal grounds, upended immigration necessary for labor growth, attacks on expertise within US Fed Government bureaucracies, openly stated weaponization of branches of government used in revenge for perceived slights, US Congressional leaders playing a game of Government shutdown chicken. They've read redictions of skyrocket government deficits and debts. Yet markets shrugged it all off? How is this so? This is the theme of our semi-annual October Reviews next week in Duncan and the following week in Comox. We're providing some teasers this Weekend.

US Fed Govt borrowing costs aren't rising

The longer the term of a bond, the more risks can pop up. 30 years is a looong time to wait for repayment. June 1914, an investor lending money to the US Fed Govt or 30 years waited through WW1 1914-18, the Russian Revolution of 1917, Spanish Flue pandemic of 1918-19, the Black Monday 1929 stock market crash, the Dirty Thirty's Great Depression, the 1939 onset WW2. They would have finally received payment in June of 1944 during the Normandy Landings. The outcome was not certain. WW2 finally ended the following year, with Nazi Germany's surrender in May, Japan's surrender Aug, 1945.

The US Fed Govt began issuing 30-year term bonds in 1977. [History of US Fed Govt Treasury Bond issuance](#)

History of US interest rates 1900 to 2002: [US Lending Rates 1900 to 2002](#)

30 years is indeed a long-time to wait. The 30-year T-Bond is largely an institutional tool. The professional Big Money has the resources to price their risks. If these investors were concerned about repayment, the yield on the 30-year bond would climb.

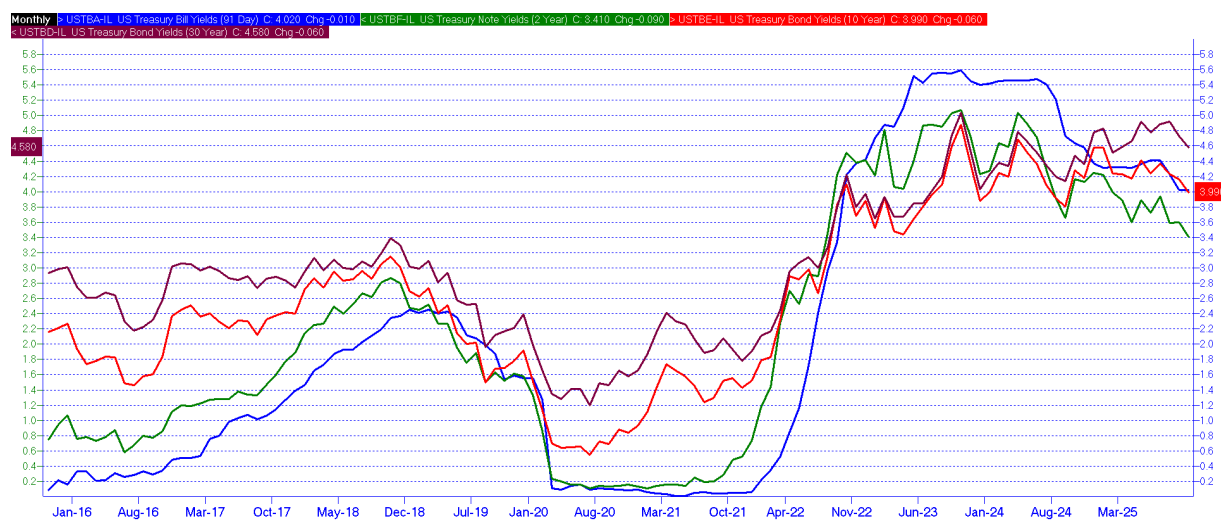
US Fed 30 year Treasury bond yield – 4.58%: Nov 1, 2024 to date



Source: LSEG, NBF, Hilberry

Big Money lenders aren't pricing in significant repayment risk.

US Lending Rates are pricing in lower inflation



Source: LSEG, NBF, Hilberry

US bond investors are demanding less returns. This implies A) they're not worried about repayment and B) the US Economy may be slowing down. We see this as potentially an early signal of a recession. Very early...



US Equity markets aren't pricing in political upheaval or a decline in earnings.

S&P500 Total Return Index Nov 1/2024 to date (SPX-14702) +17.2%.



Source: LSEG, NBF, Hilberry

The Broker Dealers aren't crashing

When it comes to financial risk, the 'smartest folks in the room' are the Investment Bankers. With earnings hypersensitive to trading risk in the financial markets, and significant insider holdings, we watch the share prices of the big brokers. Since the election of Donald Trump, the Broker Dealer stock prices have not predicted a US Fed Govt coup, a collapse in the US Financial system or a spectacular market crash.

US Securities Dealers (XBD-1018.63) Nov 1, 2024 to date: +35.7%



Source: LSEG, NBF, Hilberry

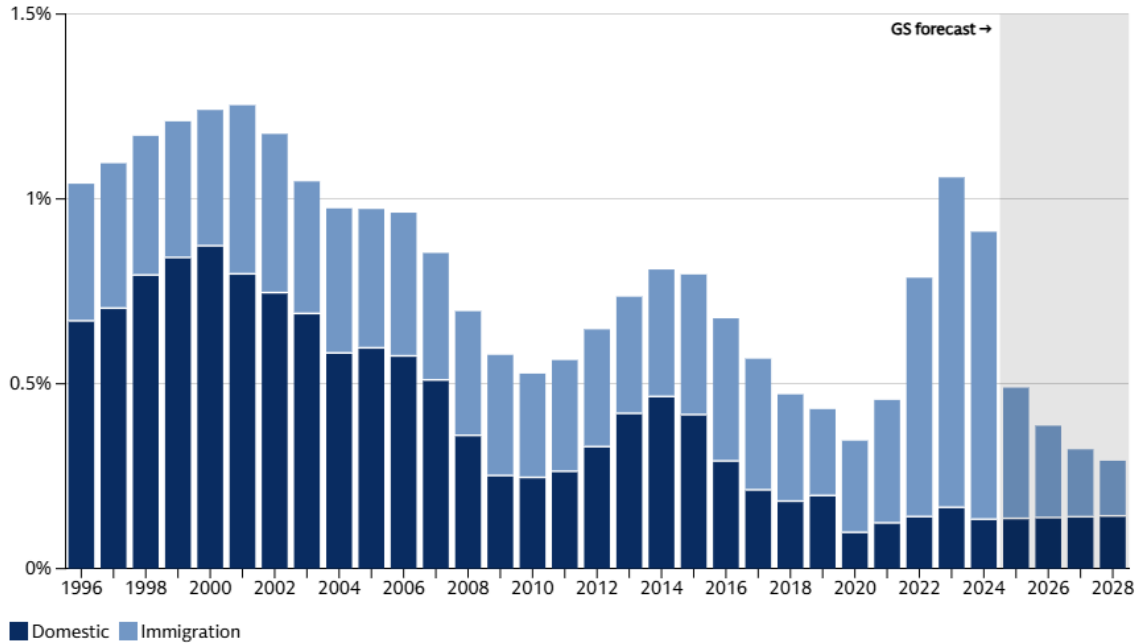
So far, on balance, Wall Street likes what it sees.



US labor force growth may decline...can't be good.

Labor force growth is forecast to decelerate

US annual potential labor force growth

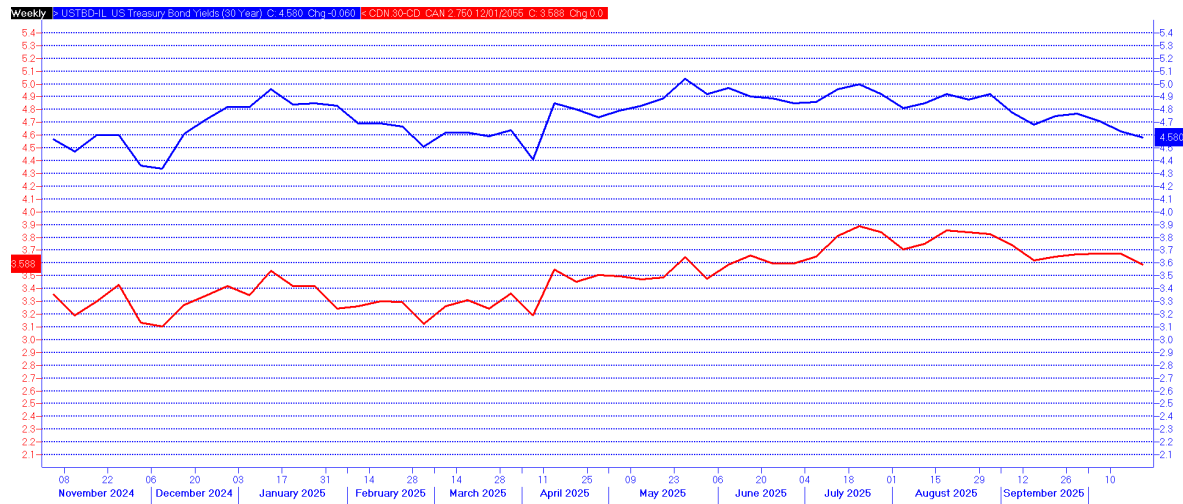


Source: Department of Commerce, Department of Labor, Goldman Sachs Research

Goldman Sachs

If lenders aren't worried about the US, what about Canada?

30-year yields Nov, 2024 to date: US Fed Govt (4.58%) vs Canada (3.58%)



Source: LSEG, NBF, Hilberry

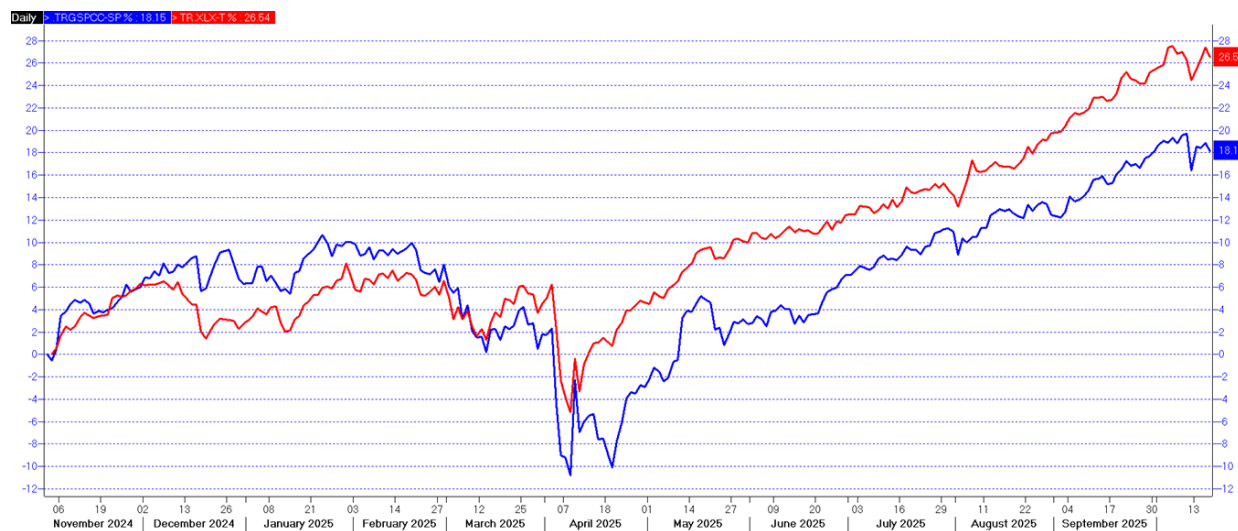


If the US government was on the verge of a coup, about to make a military incursion into Quebec from Buffalo, NY, was minutes away from nuclear holocaust with China or is on the cusp of financial ruin, one would think US and International lenders would be even less willing to lend to Canada than to the US. Canadian yields would soar. This isn't happening. Canada's borrowing cost remain well be the US.

Has Donald Trump made Wall Street Great Again at Canada's expense?

\$CDN Total returns: Friday Nov 1, 2024 to date.

Toronto Stock Exchange Composite Total Return (red +26.5%) vs S&P500 (blue +18.1%).

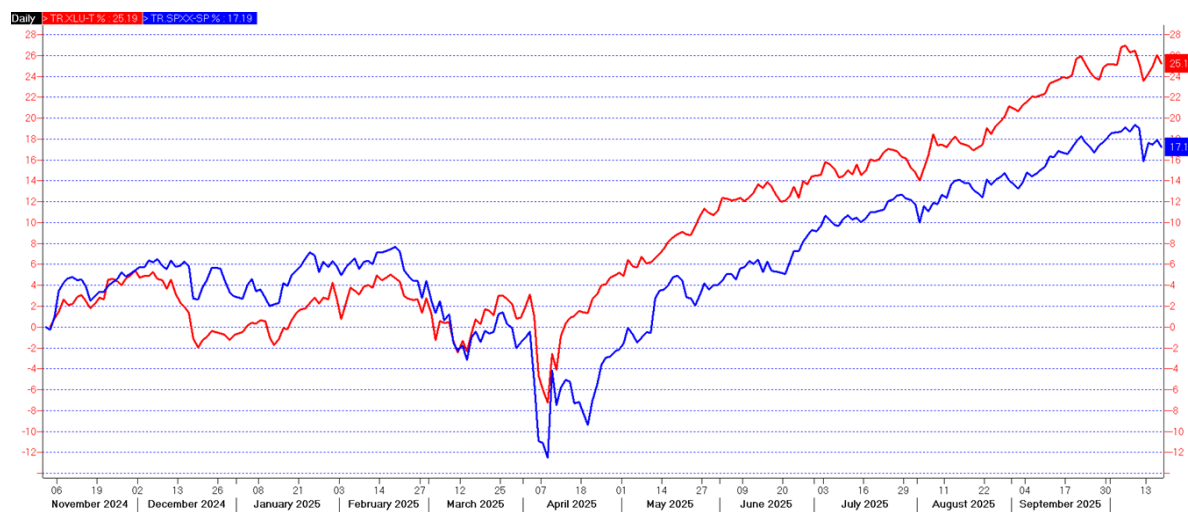


Source: LSEG, NBF, Hilberry

In Canadian dollars, Canadian stocks have increased more than US stocks. So far investors in Canadian equity markets like what they see. Money has been flowing into Canada.

America First? The TSX 60 has gained more than the S&P500 in US dollars.

\$USD Total Returns Nov 1, 2024 to date: S&P500 +17.2% vs TSX 60 +25.2%



Source: LSEG, NBF, Hilberry

With the recent runup in share prices, are US equity markets now in a bubble?

'A "Fairly Highly Valued" Market: A Fed Chair Opines on Stocks, but should we listen' Aswath Damodaran Oct 6, 2025

"In December 1996, Alan Greenspan used the words "irrational exuberance" to describe the stock market at the time, and those words not only became the title of Robert Shiller's cautionary book on market bubbles, but also the beginnings of the belief that central bankers had the wisdom to be market timers and the power to bend the economy to their views. I think that Greenspan's words seem prophetic, only with the benefit of hindsight, and I believe that central bankers have neither the power nor the tools to move the economy in significant ways. I was reminded of that episode when I read that Jerome Powell, the current Fed chair, had described the market as "fairly highly valued". In market strategy speak, these are words that are at war with each other, since markets can either be "fairly valued" or "highly valued", but not both, but I don't blame Powell for being evasive. For much of this year, and especially since April, the question that market observers and investors have faced is whether stocks, especially in the United States, are pushing into "bubble" territory and headed for a correction. As someone who buys into the notion that market timing is the impossible dream, you may find it surprising that I think that Powell is right in his assessment that stocks are richly priced, but that said, I will try to explain why making the leap into concluding that stocks are in a bubble, and acting on that conclusion are much more difficult to do.

Financial Markets in 2025

It has, to put it mildly, been an interesting year for stocks, as economic headwinds and shocks have mounted, with tariffs, wars and politics all adding to the mix. After a first quarter, where it looked like financial markets would succumb to the pressure of bad news, stock markets have come roaring back, surprising market experts and economists. As a precursor to answering the question of whether stocks are "fairly highly valued" today, let's take a look at how we got to where we are on September 30, 2025"

[A fairly highly valued market Aswath Damodaran Blog Oct 2025](#)

Are we in an AI led Market Bubble?

Equity market 'bubbles' tend to see above-average Bullish retail investor sentiment. We're seeing the opposite.

'AAII Sentiment Survey: Optimism Sinks' October 16, 2025

[AAII Blog: Investor Optimism Sinks](#)

Finally, the elephant in the room for many of these queries. What about an authoritarian regime taking over the United States Fed Government? Any thing is always possible, but is it likely? Markets don't think so and neither do we. History says being a dictator is risky...for the oppressor. How do dictators seize, attempt to retain and eventually lose power? Why to they often pay with their lives? What happens afterwards? We'll assign Marcel Dirsus excellent primer: *'How Tyrants Fall: And How Nation's Survive'* (available for E-reader)

[How Tyrants Fall and how Nations Survive - Marcel Dirsus](#)



CONCLUSION: Bond and equity markets are not pricing in disaster. Mr. Trump's policies appear to have induced investors to favor Canada over the US. Investors are conflicted and confused. Can't blame 'em! We are on watch for a recession. We've been trimming equities, placing the proceeds in cash. While this has been a drag on performance, we're happy with double digit rolling 12 mos. returns.

See you at the seminars.

Have a Great Weekend

Steve & Anna Hilberry



FOR THE RECORD Oct. 16, 2025 close

DOW INDUSTRIALS:	45,952
S&P 500:	6,629
S&P/TSX COMP:	30,458
WTI:	\$57.45
LOONIE IN \$USD:	\$0.7125 \$US

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Sent by
Montreal Office
National Bank Financial
Wealth Management
800 Saint-Jacques Street
Office 79721
Montreal, QC H3C 1A3
Ph: 514-879-2222

Toronto Office
National Bank Financial
Wealth Management
130 King Street West
Suite 3200
Toronto, ON M5X 1J9
Ph: 416-869-3707



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