

WIMAN & WONG

Wealth Management Group

Monthly Newsletter

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The Other Day I Got a Haircut!

You know what it's like; you saddle up at the barber to get your hair cut and you look in the mirror and everything looks pretty decent. Once the cut is finished the barber pulls out the mirror so they can show you all the other parts you can't see (sides and back) and all of a sudden, the bald spot is revealed (full disclosure 😊)!

The world these days and most seem to operate like this to various degrees. Things seem ok or good and at some point, the truth is revealed and sometimes it can be disappointing (balding – not that there is anything wrong with that) or a surprise, sometimes the news is great, sometimes it's a lie. The last 30 or 45 days were full of surprises. Consider that for a moment the US Treasuries and bonds were somewhat questionable at a point (Trump response – retreat comments on tariffs) than in another moment the stock market was teetering on a major sell off or correction (Trump response – retreat comments on tariffs). I think he looked in the mirror and saw the bald spot! Sometime later while on a business vacation it appears that leaders of the free world are receiving planes as gifts (or just one). Does that now mean everyone gets a plane? I guess this is ok what could possibly go wrong. 😊 It's a new world and free planes now fall inside the gift giving policies of major countries. Clearly no favors have been received. Anyways easy to digress in the current climate.

So, what's next?

It appears the world is currently, course correcting from fear and panic to some other posturing on more positive footing. The noise almost daily now is of tariffs being pushed out and or all but forgotten. The penguins and seals on Heard and McDonald Islands are flush with relief that the tariffs have been dropped. The impact on the fish food count could have been devastating 😊! Sorry it's just one of those days.

On a more serious note, bullish spirits have returned to the markets and the animal spirits are joining in, in some sectors. We believe that this is just part of the volatility cycle we are now in. The outcome currently is more positive. Another issue that arose though this period was that rates in the bond market moved higher. Typically, this is bad news for stocks and bonds and for a moment it was. The market typically quotes and keeps its eye on the 10 year US Treasury Yield, the current rate on the 10 year is just below 4.5%. Consider or remember that it was just before the election that we had yields down below 3.7%!!!! This is a very big move in rates.... See chart

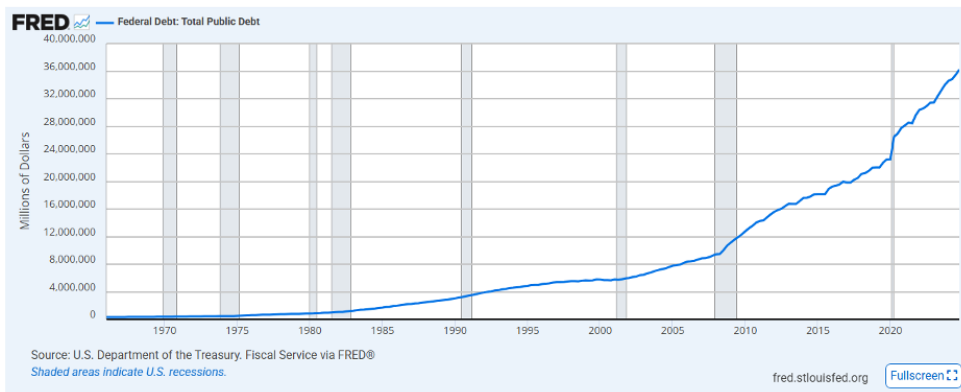


Source: LESG, Wiman Wong Wealth

The reasons for this are numerous and beyond the scope of this writing but the overriding theme seems to be concerns about tariff related inflation.

Why is this important?

This suddenly seems to be the multi trillion dollar question or concern. For many years we have touched on the US Debt level and what might come of this run away number. Maybe it's the world now taking note of the bully in the sandbox and calling him out? Maybe it is a shift of consumerism because the world no longer trusts the Greenback and or the debt attached to it? Personally, I don't believe in my lifetime we ever see this start to go down. Here is the chart for reference:



Source: St Louis FED

Now we know that this clock ticks along at breakneck speed and referencing US debt Clock. Org we see this number just shy of \$37 trillion. Which is \$107k per US person or \$323k per US taxpayer, that is still a lot of Benjamin's. Now the Trump Big Beautiful Bill is expected to add on another \$3.8 TRILLION in debt. Folks that will take us over \$40 trillion in a blink of an eye. YET the market rolls higher. For some context in 2020 pandemic the US basically restarted a shortened recessionary economy with an increase in debt from \$23 trillion and added on \$3 trillion getting the debt level to over \$26 trillion (insert Austin Powers Dr Evil voice). So, what does another \$3.8 trillion do for the markets????? The guess would be higher or at a minimum of observation, that is what happened historically when \$3 trillion was dropped into the economy back in 2020. Remember MMT – Modern Monetary Theory – or as we like to call it the Magical Money Tree. The basis of this theory is that you can basically print money forever BECAUSE you can print more money to pay the interest. Home Depot has Magical Money Trees on sale this weekend isle 9....

SORRY

Like a good Canadians we need to say sorry. We catch ourselves sometimes ranting about what seems obvious but every now and then we must put on Fox news to understand what the other side of the world is listening to. It helps us provide some perspective and calm. Sorry 😊

Bottom Lines

There are some truths that if you have ear plugs in seem relevant. Energy infrastructure is alive and well, in many cases it can't be replaced or duplicated. Businesses find a way around and or thru the rhetoric. Apple for example will continue to operate, the future price of iPhones we don't know for sure but for some it is likely higher? But maybe not? Companies will continue to grow and do deals – Definity just announced a transformative purchase. Basically, the world will continue to spin, and Harvard will likely continue to prove to be a smarter institution than the White House, but once again maybe not??? The final thought is that as information comes at us we will continue to distill it in the most common form and hopefully this provides for measured and reasonable outcomes in the context. From one balding investor to another..... Not all of us, of course 😊

Enjoy the start of summer and thanks for listening in 😊!



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