

RealGrowth Investment Counsel

SINCE 1981

NOVEMBER 2024

Our Current Stance

EQUITIES: Post-election, bullish stock market sentiment according to Investors Intelligence, which seems logical, is back to extreme volatility.

What we do know with certainty, however, is that the world is marching toward over \$340T in global debt, with GDP numbers at less than 1/3 that figure.

What that means for equities, in general, is that a correction may not be far off. The unknown part of this is not if, but when, and by how much and for how long.

We believe, however, that most of the equities we hold will either be affected little by a market downturn or will counter it by moving higher. This is especially true of our core holdings.

COP29 Climate Summit in Baku, Azerbaijan that finished at the end of November gave less developed nations \$300 billion to help to wean themselves off of coal and oil, and gas they need to live, and function economically.

Open lockdowns, from the days of Covid, might not ultimately be the tool that globalists use to reach net zero, but carbon taxation, on oppressive scales, could end up having the same effect. Carbon taxes could act like steep interest rate increases commonly used by central banks to slow economic activity during inflation. An indirect economic shut down of this magnitude would be absolutely devastating for western nations in particular, resulting in crippling energy shortages, food shortages, job losses, and eventually total collapse and a population plunge.

Net zero is not possible otherwise, and the time horizons discussed are equally unattainable. If governments continue to intervene in free markets there could be a recession.

(Continued on page 2)

Month in Review

TO OUR CLIENTS: Your portfolios have performed well this year, outpacing the general marketplace. Since the U.S. election, the volatility of the general markets has increased with some industries benefiting the Trump win and others not so much.

It will probably take a few months to determine which, if any, real changes will affect the economy and geopolitics and ultimately the markets. Those potential changes are really an unknown and because of that we are holding onto our key positions until things become clearer, probably in early 2025.

POLITICS, DEBT AND THE ECONOMY: The U.S. House is in the hands of the Republicans, and that will determine the destiny of the legislative deadlines of the expiring Trump tax cuts at the end of 2025. The high U.S. budget deficits are because of the spending side which is about 23% of GDP vs the tax revenue component which typically hovers around 17% regardless of tax rates. Either way, at best, U.S. tax policy will not likely change all that much in the near term.

On the potential for a ramp up in the tariff war, we worry about an indiscriminate approach. We will have to wait for that eventuality and how other countries, like China, react.

Many U.S. companies, which manufacture in the U.S., are happy with the Trump win, as are all those companies that will likely see an easing of the regulatory pressures on businesses. For those CEOs that were blaming the election for hesitancy regarding capital investment, we will have to wait to see.



For stocks, the key from here is at what point does the recent rise in bond and mortgage rates matter as the 10-yr yield is approaching 4.50% and the S&P 500

(Continued on page 2)

CLOSING STOCK MARKET AVERAGES AS AT MONTH END

	29/11/2024	31/10/2024	Change (1 Month)	Change (Dec 31/23)
Dow Jones Industrial Average (DJ)	44,910.65	41,763.46	7.54%	19.16%
Standard & Poor's 500	6,032.38	5,705.45	5.73%	26.47%
NASDAQ	19,218.17	18,095.15	6.21%	28.02%
Toronto Stock Exchange	25,648.00	24,156.90	6.17%	22.55%
London FT100	8,287.30	8,110.10	2.18%	7.17%
USD/CAD \$	0.7139¢	0.7190¢	(0.71%)	(5.56%)
EUR/CAD \$	0.6759¢	0.6593¢	2.52%	(1.01%)
Natural Gas	\$3.36	\$2.71	24.32%	33.77%
Oil West Texas	\$68.00	\$69.26	(1.82%)	(5.09%)
Gold	\$2,657	\$2,738.00	(2.97%)	28.83%

Our Current Stance

(Continued from page 1)

sion on the horizon. We don't think that is what will happen because the consequences for the world population would be untenable.

INFLATION: With the average price of a new car spiking some 30 percent since politicians launched the COVID War in 2020, it is no wonder younger adults have less interest in owning a car and are calling Uber and other ride-hire services instead.

China could always deliver electric vehicles (EVs) to the U.S. with sticker prices below \$30,000. However, President Joe Biden has proposed to hang tariffs as high as 102 percent on Chinese EVs and the new White House head Donald Trump will keep raising the tariffs on a number of countries including China as they stand presently. Indeed his selections of Secretary of State Marco Rubio and National Security Advisor Mike Waltz are very anti-China. President-elect Trump on November 25th pledged large tariffs on the United States' three largest trading partners - Canada, Mexico and China. He detailed how he would fulfill campaign promises that could trigger trade wars.

He said a 25% tariff on imports from Canada and Mexico would be imposed until each clamped down on drugs (particularly fentanyl) and migrants crossing the border (not sure how much of that happens via Canada). Those moves that would violate our free-trade deal, but that hasn't stopped him before.

U.S.-China relations are shaping up to be as adversarial as expected, with President-elect Donald Trump poised to appoint two well-known China hawks for key roles as he starts to form his "America First" cabinet. Senator Marco Rubio, who has taken a particularly aggressive approach to China's economic rise and is one of several U.S. officials barred from entering the country, will likely be secretary of state. Representative Mike Waltz, who also views China as a "greater threat" to the U.S. than any other nation, appears to be headed for the influential role of national security advisor.

(Continued on page 3)

Month in Review

(Continued from page 1)

now trades at over 25x 2024 earnings estimates. With another jump in mortgage rates to 6.81% (according to Freddie Mac) for the average 30 yr term, purchase applications fell 5.1% w/o/w and refinancings were down by 18.5%. The Federal Reserve may need a gut check.



First Home Savings Account (FHSA), One of the newest tax breaks available - IS HERE!

1) Annual contributions to an FHSA up to \$8,000, with a lifetime max. contribution of \$40,000.

2) Contributions can be claimed as a deduction against taxable income. Investments grow in the account without being subject to tax.

3) Income and withdrawals aren't taxable, if they are used for a home purchase. No repayment is required on withdrawals.

4) Withdrawals not made to purchase a qualifying home are taxable income. HOWEVER, if the clients decide to use the funds for something else, they can transfer the money to an RRSP or RRIF without affecting their contribution room.

By taking advantage of both the FHSA and the Home Buyers Plan (which allows to withdraw up to \$35,000 from an RRSP tax-free for a home purchase) the Client could save up to \$75,000 to use toward a first home, plus any growth in the FHSA.



As for the Federal Reserve, we heard a lot before the first rate cut in September from Jay Powell & Co about needing 'confidence' that inflation was falling in a sustainable fashion, in order to start cutting rates. While in the coming months the inflation statistics could continue to dis-inflate that outcome, for inflation to stay low, it has yet to have a foothold on the world economy. That level of confidence did trigger another rate cut, of a quarter of a point, on November 7th, which was meaningful especially consid-

ering and including the 50 bps in September. We'll have to wait to see what they do in late December, and 4 weeks after that, and another 4 weeks after that, etc...to decide. On a separate note, J. Powell said, rather bluntly, that he would not resign if Trump asked him to. He said it wasn't legal. Now, he is a lawyer (not an economist) and should know, about law that is, but we believe that Trump's wishes would be the more likely outcome.

Rents are a big part of the consumer price index (CPI). The following is a comment from a company called AvalonBay Communities (a large U.S. multifamily real estate investment trust).

It is noteworthy that they do not have much Sunbelt exposure where most of the rent pressure is taking place: "...during our mid-year earnings call, I mentioned the possibility of a reacceleration in asking rent and rent change... We're now starting to see that trend come to fruition...asking rent growth during the year has followed traditional seasonal curves and outperformed our experience throughout 2023. Recently, the level of outperformance has widened, and as of November 1, the average asking rent for our same store portfolio was approximately 3% greater than the same date last year with the East Coast roughly 4% higher and the West Coast above 2%. The higher average asking rent will flow through to improved rent change, particularly for new move-ins as we look forward. Currently we're forecasting rent change in November to be stronger than October and increase further as we move through December."

I will reiterate my belief again that we are NOT magically going back to a 1-2% inflation rate and STAYING there. Inflation volatility is the new normal."

(Continued on page 3)

Our Current Stance

Continued from page 2)

Beyond China, Donald Trump's promise to increase tariffs across a wide spectrum of products coming from other nations will keep auto prices high and out of reach for many... and especially young Americans. In addition, a move away from the U.S. dollar as the world's reserve currency by the BRICS+ and a continual devaluation of the dollar will lead to higher inflation. That seems like an inevitable outcome regardless of how much the U.S. Federal Reserve talks the talk about squeezing the money supply to preserve the value of the dollar. They won't have a choice but to print money to buy the U.S. debts, especially because of less and less foreign buying of those debts.

FIAT CURRENCIES: If foreign countries are going to get hit by U.S. tariffs on their exports, the only way to compensate would be for their currencies to weaken. That would offset any potential pain for them and allow them to sell their goods. The Chinese offshore yuan in particular is at the weakest level vs the U.S. dollar since late July.

The relative dollar rally, though, is getting stretched short-term as the 14 day Relative Strength Index in the DXY is at the highest level since September 2023 at 75. The U.S. will have to watch the strength of their currency, however, and may have to take active steps to stop its strength and possibly weaken it from these higher levels. That would mean lower interest rates. However, the conundrum is that to attract foreigners to buy the ever growing U.S. debts, interest rates would have to rise to compensate them for the devaluing U.S. dollar.

INTEREST RATES: With inflation easing, the U.S. Fed has been able to cut rates for the first time in years. But in an interesting twist, while the Fed lowered rates, mortgage rates did not follow suit. Instead, both the 10 yr treasury yield and the 30 yr fixed mortgage rate actually increased.

Friday's (November 15th) stronger-than-expected economic data, combined with fresh remarks from Federal Reserve Chair Jerome Powell on Thursday, were adding up to a shift in market participants' thinking about how much lower interest rates can go starting next year.

The shift tilted toward the view that borrowing costs won't likely come down as quickly as many had hoped — a view reinforced by Powell's remarks on Thursday to business leaders in Dallas, in which he stated that policymakers do not need to be in a hurry to cut rates.

OIL AND GAS: The U.S. natural gas market is poised to enter a new cycle of demand growth thanks to surging LNG exports and rising electricity demand.

Last year, the power sector consulting firm Grid Strategies published a report titled "The
(Continued on page 4)

Month in Review

Continued from page 2)

LOOKING FORWARD: There has been quite a lot of positive market response to Trump's successful bid to be president again. In addition, he's already been taking about how he will be ending the war in Ukraine and possibly the Middle East, and putting China in their geopolitical place may benefit U.S. companies.

In our opinion, Russia has already won the war in Ukraine. Geopolitically, China must see any "deal" from the U.S. as weakness. There's nothing Trump, or anyone else, can do to stop this. Russia has been clear that if the West wants to escalate, then Russia will feel backed up against the wall and their response could be a nuclear war. With all of Trump's business and political savvy, we don't believe he has the strength, or lack of compassion, to enter a larger war that would likely cost a great deal more lives and possibly hurt the economy. In an

historical viewpoint, regaining full control of Ukraine would be the right thing to do, however, the costs would be enormous. On the other hand, from Russia's vantage point, it has to keep Crimea, and some sort of buffer zone to NATO, for its survival.

Tax Free Savings Account (TFSA)

2024 TFSA Contribution:
\$7,000

Cumulative Contribution
2009 - 2024: \$95,000

What has this got to do with the markets you may ask? We believe this could be an existential development. If Trump makes a "bad" deal (any deal really), then the West will look frail in the eyes of the BRICs countries. If that happens, if the U.S. doesn't show absolute strength, then the power that has been shifting east, will gain momentum. The strength of the U.S. dollar, as the world's reserve currency, is critical for the ongoing economic dominance of the world economic and moral direction by the West. Without it, their sway over the rest of the larger world won't be so clear cut, and the East won't be as quick to acquiesce to Western economic and military pressures.

The bottom line is that although Trump's domestic policies may help their companies, coercing others to buy their debt may not be smooth sailing. If that puts further downward pressure on the U.S. dollar, then interest rates may have to rise to attract foreigners to fund those higher deficits and debts. That in turn could hurt the economy. Possibly one would balance the other, so we will have to stay vigilant as subtle changes affect the eventual outcome of market values.

(Continued from page 3)

Era of Flat Power Demand is Over," which pointed out that United States grid planners—utilities and regional transmission operators (RTOs)—had nearly doubled growth projections in their five-year demand forecasts. For the first time in decades, demand for electricity in the U.S. is projected to grow by as much as 15% over the next decade driven by the Artificial Intelligence (AI), clean energy manufacturing and cryptocurrencies boom.

PRECIOUS METALS: Gold is money — everything else is credit!!!

Gold bullion, and particularly the miners, is now the most oversold since October 2023. We remain bullish and long.

We are not seeing a gold bull market, but simply a bear market in fiat currencies.

The additional facts speak for themselves, namely that the BIS, along with a rising and de-dollarizing BRICS+ membership and the slow but steady dilution of the petrodollar are all flashing neon signposts of a world openly favoring gold over the US 10Y (and hence USD) as a strategic Tier-1 reserve (and energy asset).

Political Shorts

THE TRUMP

What will the Trump win mean for us?

Bottom line: 1) U.S. dollar falls in value. 2) Government debts continue to rise. 3) Wars may not be resolved. If so, geopolitical unrest could get a whole lot worse. 4) Gold bullion rises.

The U.S. dollar index (DXY) is a measure of the value of the U.S. dollar relative to a basket of foreign currencies. The DXY was established by the U.S. Federal Reserve in 1973 after the dissolution of the Bretton Woods Agreement.

What we know is that change is coming. Despite the DXY's knee-jerk climb immediately after the election of Trump, as president of the United States (which does matter), we believe the U.S. dollar will trend weaker rather than stronger in the next four years.

What does this mean? Despite U.S. Federal Reserve Chair. Powell's aborted "higher-for-longer" tight money policy (i.e., pro-DXY) campaign of 2022-2023, other im-

portant players such as Janet Yellen and Jake Sullivan have been pushing openly and covertly for a weaker USD. A weaker dollar is the only real pragmatic political way out of the United States' sovereign "debt trap." Trump has tasked Elon Musk with the job of cutting the fat from the U.S. government. However, that may be something that even the very dynamic entrepreneur will be unable to do. The record deficits and debts that face most nations are quickly becoming harmful to their respective Gross domestic productions. This is at a time coming off of record economic growth. When the long overdue recession hits the world economy, those deficits will balloon higher and any cuts that Trump and Musk were hoping to make would be but a drop in the proverbial bucket.

Throughout history and without exception, whenever a recession hit and debt-corned nation is forced to choose between its currency, and subsequently its economic survival, its currency has always been sacrificed. Always. In other words, the U.S. must have a weaker dollar... or war. Or, both because the outcome of any war is unknown and they are very-very expensive.

Trump has said he wants a stronger dollar, to cut government deficits and would negotiate an end to the Ukraine war. The Biden administration, against a backdrop amid concerns about a potential decrease in U.S. support for Ukraine under a new Trump administration, recently turned that upside down and granted Ukraine permission to use long-range missiles for strikes inside Russia. It is a move that could significantly impact the war's trajectory. In response, Putin repeated his warning to Western countries that Russia is prepared to launch a nuclear strike against the West if pushed any further.

This is no small threat. The New York Times, citing the Russian military, reported that the Yars intercontinental ballistic missile (ICBM) was fired from a military base on the Kamchatka Peninsula—which is

near Alaska—and from warships located in the Arctic Ocean. Additional ICBMs were launched from the Novomoskovsk and Knyaz Oleg nuclear submarines.

EuroNews noted that the Russian military also carried out practice launches of long-range cruise missiles from Tu-95 strategic bombers.

Moscow said all missiles hit their intended targets.

Putin said the decision to start the drills was because of the "emergence of new external threats and risks."

From historic perspective, Russia has likely already won this war. There's nothing the west can do to stop this, and the BRIC + nations see the west's weakness in this conflict and will take continued steps to further the advantage of their growing power, their slice of the world's economic pie. But if the west does want to escalate, which seems the case with Biden still in office, then Russia has already told us what the price of escalation will be. And that will be a nuclear war.

Gold rising from these already record high levels is a sure-fire reaction to devalued fiat currencies, increasing and unsustainable deficits and debts and war.

There are other assets and non-assets that global funds can go to, however, the only real base of the global trading system's upside down pyramid is gold bullion held by central banks. Because of this, because of bullion being the only real place of safety, its price will reflect the downward spiral of the value of real – not nominal – gross domestic product and value of fiat currencies.

RealGrowth Investment Counsel

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We offer Personalized, Independent and Pro-Active Wealth Management.

Our Clients include: Individuals, Families, Estates and smaller Corporate and Registered (RRSP, RESP, RIF, TFSA) accounts.

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