

A View From Here

February 2025

"It's tough to make predictions, especially about the future." Yogi Berra

T is for....

Trade, Trump, Tariffs & Trudeau has enveloped the Canadian mindset as no sooner did the president elect accepted his victory, he threatened to impose steep tariffs on Canada and Mexico. Interestingly, the TSX stock index ultimately responded by increasing in value, even as these threats have been reiterated. Even the Canadian dollar, which has been weak before these threats, has held up better than I would have expected given the severity of a 25% tariff. It is reasonable to assume that this has serious implications for the Canadian economy and by extension, the dollar and the stock market. So why are these two most indicative signposts, namely the TSX, moving higher, not lower? Well perhaps, and this seems hard to figure, but the market is saying that this is much to do about nothing. In my experience, markets tend to get these things right. This is a good sign. In the weeks ahead, we'll hear more information about the nature of these tariffs and perhaps the markets will take a different view, but for the time being, onward and upward.

It doesn't stop with the tariffs, our government is essentially shut down, our Prime Minister has stepped aside, and no one knows which Liberal leader will emerge or when a new election will occur. Still, the stock market is looking (dare I say) upwards. I have been told early on in my career, that markets digest all information that is currently the '*concern du jour*' and adjusts appropriately. It's a sort of "shoot first, ask questions later" thing, which has proven to be accurate. The thing which is yet unknown has the power to shock value. Celestica, one of our holdings, saw the emergence of a Chinese AI solution that took the shares down almost 30% in one day only to recover to higher levels 2 days later. The financial crisis that seemingly came out of nowhere in 2008. Markets were weakening, but this was like hurricane. From my perspective, it was not on the top of anyone's lists of

concerns, so when it hit in the fall of 2008, markets scrambled to adjust to the possibility that the financial system has frayed. Most investors don't understand that every headline gets immediately factored into the stock market, the sectors affected and the companies specific to any change, whether it's good or bad. Perhaps another example to consider was the weak stock market that started in late fall of 2021 when the US Federal Reserve said that they were going to fight inflation with a swift series of interest rate increases. Markets digested this by consolidating and by late 2022, stock market indices were over 20% lower. As we moved into 2023, most investors feared the recession to follow from higher prices, and higher interest rates that failed to materialize. Many expressed the concern that the next shoe would drop. By then however, the market had digested about as much negative news as it could and started to look forward and began an ascension that I believe we are still in today.

It is important to remember that it is what we don't know that has the power to change and that nobody knows what and when this will be and how much damage or positivity it can deliver. Think of the Pandemic scare of 2020, which had the capacity to shock the world into a depression. Markets dropped in the first months of 2020 as this possibility crept into the news fabric and bottomed in April when we were all still at home buying stuff online. Interest rates lowered, governments gave out cash, and we had an amazing rise in assets including the stock market. If I had told you that the pandemic would shut down the world, would you have believed that the future would include substantial increases in the value of businesses, house prices and goods and services? I wouldn't have made that bet.

Given that we live in a seemingly dystopian world of constant uncertainties mixed with the powerful performance of our investment accounts, we have taken a direction of building a cash reserve to protect elevated performance that has occurred in our investment accounts.

For our investment accounts in general, T has been for Triumph. No one knows the future, and we'll continue to look for the best investments that can enhance our wealth in the years to come. Our motto for Hennick Wealth is "Your Future is Worth More." Let's hope that our past speaks to our future.

Thanks for taking a look, and as always,

All Good Things

Adam Hennick