



A Conspiracy for Christmas? December 2024 - Client Update

Well, the U.S. Election came and went, and the response to the Trump election victory has most definitely been one of confidence in business growth, capital markets and the economy. There has been a flurry of soundbites regarding the tariff threats, appointments by the Trump transition team to certain roles within government who are ready to attack overspending and inefficiency (Musk & Ramaswamy) as well as to clean up the health care and food industry in the U.S.A (RFK Jr). In addition, announcements of great business investment into the U.S. by several companies has started. Most recent was this weeks' announcement by **Japanese tech conglomerate Softbank**, with a pledge to invest \$100 billion into the United States and create 100,000+ jobs in artificial intelligence and technology! This is a good start for the next 4 years, at least as markets and your money is concerned.

However, as mentioned in the November report, the typical seasonal decline was postponed and is waiting in the shadows. It just needed a reason to begin. The **U.S. election** would have been the easy bet on what tipped the market into a downward trend. But it wasn't. Then you would think that the continued military engagement in **Russia and Ukraine** would spook the markets. But it hasn't. If you had told me that **Syria's President, Bashar al-Assad** would be ousted from power, I would have said "that should do it!" Even that hasn't been a large topic in the news since occurring December 8th.

So, where has the focus been? What could be more important to focus on than geopolitical events risking World War III? It seems it's been the **attention and confusion building around the UAP/UFO phenomenon** showing up around the world! Are we being invaded? Is there really "Alien" craft and lifeforms? Or possibly these are a man-made distraction of technologies we didn't know exist (that would be cool!). There has been so much going on around the world that I am not surprised in what we are witnessing with the "drones". It makes for a great conspiracy and is doing a heck of a job causing a distraction as we head into Christmas!



Image generated by Grok2 AI

What has finally caused the market to crack this week?

Joking aside, we finally witnessed what looks to be the “kicker” to the markets that should complete the temporary broad market dip that I have been waiting for. I am certain many of the happenings on the first page are causing concern and confusion for investors, but for as long as markets rise, people tend to push their concerns aside. “Markets” don’t like confusion, but there hasn’t been enough to tip to the point where the market decline catches people attention.

So why not talk about Interest Rates?

On December 18th, **the Federal Reserve reduced the overnight rate by 0.25% as expected**. But the DOW fell over 1100 points (2.58% decline) and the Tech heavy Nasdaq fell 3.56%! In fact, this was the **10th straight down day for the DOW Jones. The last time this happened was 50 years ago in 1974!**

If the market expected the rate cut, then why did everyone “Sell”?

It was the communication on the **planned pace of rate cuts into 2025**. As of September, the “market” was expecting a total of 1% in further rate cuts in 2025. This has now been reduced and is expected by the FED to be just 0.50% in total cuts. The FED also announced that they would “further reduce their balance sheet”, which simply means they will be rolling over less of their U.S. Treasury bonds going forward. This will put downward pressure on U.S. Bond prices and upward pressure on rates in the bond market, which is more important for fixed rate lending such as mortgages. They cut short term rates but announced they would cut less in the future and cause longer term rates to rise in 2025.

Normally the Central Bank will cut rates to help a weakening economy. Therefore, not needing to cut as much is partially a sign of better expected economic conditions. It is also based on potentially better employment conditions. Inflation seems to have slowed, but prices have not come down. This would also be a reason for reducing the planned rate cuts and could be seen as a negative by the markets today, but I believe will play out nicely in 2025. I see it as a sign there is strength to the economy.

The opposite is occurring in Canada unfortunately

The Canadian Central Bank is leading all Western economies with 5 consecutive rate cuts since June, (amounting to a total of 1.75% in cuts), and in that time the **Canadian Loonie has been punished**. Recently, after Canada’s second 0.50% rate cut, the discussion leaned towards less rate cuts in the new year than previously expected. This did help the Loonie bounce for a day, but its decline continued shortly after. As highlighted in the summer report, confidence in Canada is at its lowest point in decades and we need something significant to occur to turn sentiment around and lead us into the back half of this decade on a better footing.

With upheaval within the Liberal Party (**Chrystia Freeland resigning unexpectedly**), it’s easy to see there is pretty much no one left with confidence in the Federal Government. We have cracked below 70 cents on the CDN Dollar with lower targets likely to come. I am hoping that this event is the low point for the country, and the pendulum is ready to swing the other way starting with 2025!

What should we focus on then, to keep a positive view into 2025?

We can't control the external world events that lead to market declines. We also know that it's impossible to be a consistent market timer. Therefore, the best we can do is acknowledge events that are likely to shift investor sentiment at times. Once that is complete, bring everything back to the basics.

When things get confusing and market direction becomes unclear, it's **best to always bring your view down to the portfolio level**. **Understand what you are invested in**, so that when the market takes a dip you have the confidence to hold tight, throw away your statement and carry on with your day-to-day. During the holiday season I would recommend this strategy and tune out things until the New Year arrives!

It's been some time since I focused on the "**things you own**" inside the portfolio I manage. I felt it would be good to highlight some of the companies you own. Many of these companies should benefit from the season, and while the names on the statement may not all be recognizable, I am sure you will be familiar with many of their products or services.

Holiday Party Portfolio Prep:

- **Ross Stores, Ralph Lauren, Aritzia, Apple, Electronic Arts** (video game maker), and **T-mobile** are all holdings in the portfolio with a strong consumer discretionary tailwind this time of year.
- **National Bank** and **JP Morgan** are sure to make money on the "ringing of the registers."
- **Gold Bullion** has been rising for most of the year. While jewelry drives less of the price movement, Christmas doesn't hurt gold. All that glitters is gold!
- An investment in **Stryker**, which makes hip and other joint replacements, is likely to correlate to a topic over the holidays for many as it seems almost everyone knows someone with a hip or knee replacement surgery booked!
- **ResMed** makes the most widely used sleep apnea machines. If your snoring uncle is sleeping over for the holidays, you might sleep better knowing you are invested in this company!
- **Allegion Public** is a security and lock company (i.e. Schlage deadbolts), which is always good to have during the holidays. Just ask Kevin McCallister!
- **Walmart** is where many of us will end up getting last minute items for the family dinner when all other stores are closed. **Clorox** will be used to wipe the germs away when your guests head home!
- **Uber** will be your safest ride home from a holiday party, and someday soon you may be riding home in a driverless **Tesla**. Who knows, by next Christmas many may be asking for a Tesla Robot!
- **Tractor Supply Company** and **Deere Co** are likely to be the recipients of many of our rural clients' dollars. In Canada it was Peavey Mart that acquired the chain and brand for Tractor Supply Co.

The list of companies expands greater than this, to include oil and gas, uranium, coal, steel, data centres, AI, computer software, cloud computing and more.

I would make a wager however, that the most likely investment conversation around the holidays this year will be about **Bitcoin. Having Bitcoin in your investment portfolio, as you do, is still rare. Most people haven't invested in it yet. Have fun if the topic comes up to be able to say, "**I have exposure!**"**

I hope that you have a wonderful Christmas and wish everyone a safe and healthy New Year!

We have had one of the best years on record in the portfolio in 2024, and I am looking forward to another great year in 2025! We may experience further market pressure, but I don't expect it to last too long.

There is the well-known "**Santa Claus Rally**" which refers to the last 5 trading days of the year and the first two days of the New Year. This year (U.S. specifically) the **Santa Claus trading window begins on December 24th and ends on January 3rd.**

Let's see if we get that rally into the end of the year!



Image generated by Grok2 AI

As always, we appreciate your trust in our team to help manage your financial affairs.

I have mentioned to many clients over the years that I subscribe to research from many sources outside of what is provided from BMO. I make sure the spectrum of information and viewpoints are great enough to make it difficult to be surprised by much that is thrown our way. With all that I try to digest and understand about what could impact the markets currently, I feel confident in how you are invested at this time.

Take care and all the best to you this season,

Ryan, Jocelyn and Brittany

Disclaimers:

The opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of BMO Nesbitt Burns Inc. (“BMO NBI”). Every effort has been made to ensure that the contents have been compiled or derived from sources believed to be reliable and contain information and opinions that are accurate and complete. Information may be available to BMO NBI or its affiliates that is not reflected herein. However, neither the author nor BMO NBI makes any representation or warranty, expressed or implied, in respect thereof, takes any responsibility for any errors or omissions which may be contained herein or accepts any liability whatsoever for any loss arising from any use of or reliance on this report or its contents. This report is not to be construed as an offer to sell or a solicitation for or any offer to buy any securities. BMO NBI, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. BMO NBI will buy from or sell to customer securities of issuers mentioned herein on a principal basis. BMO NBI, its affiliates, officers, directors or employees may have a long or short position in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. BMO NBI or its affiliates may act as financial advisor and/or underwriter for the issuers mentioned herein and may receive remuneration for the same. A significant lending relationship may exist between Bank of Montreal, or its affiliates, and certain of the issuers mentioned herein. BMO NBI is a wholly owned subsidiary of the Bank of Montreal. Any U.S. Person wishing to effect transactions in any security discussed herein should do so through BMO Nesbitt Burns Corp. Member – Canadian Investor Protection Fund

BMO Private Wealth is the brand name for a business group consisting of Bank of Montreal and certain of its affiliates, including BMO Nesbitt Burns Inc., providing wealth management products and services.

Commissions, trailing commissions management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in share and unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any investor that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

“BMO (M-bar Roundel symbol)” is a registered trademark of Bank of Montreal, used under licence. “Nesbitt Burns” is a registered trademark of BMO Nesbitt Burns Inc., used under licence. NBSL is a member of the Securities Investor Protection Corporation (SIPC) and the Financial Industry Regulatory Authority (FINRA), offering securities products. NBSL is registered with the Securities and Exchange Commission (SEC) as an Investment Adviser. Securities offered are: Not a deposit – Not insured by the FDIC or any Federal Government Agency – Not guaranteed by any Bank – And may decline in value.

All information is based on sources that we believe to be reliable, but is not guaranteed by us, may be incomplete or may change without notice. The comments included in this document are general in nature, and investment advice regarding an individual’s particular position should be obtained from their Registered Representative or Investment Adviser Representative.