

Hassan Fox Wealth Management

Market Commentary

Portfolio Strategy

Any concerns for the market about a Trump election win turned out to be unfounded as broad-based indices in Canada and the US posted their strongest monthly rally of the year in November. US President-elect Donald Trump's largest announcement thus far has been his plan to impose 25% tariffs on all imports from Canada or Mexico in January. Much depends on the details; however, this could simply be early posturing and negotiation tactics to prompt changes at border controls for each country.

A positive long-term tailwind for markets is continued productivity growth in the U.S., but Canada is also able to benefit from this assuming better policies and incentives to increase capital investments (particularly in Technology). While productivity acceleration gets less attention than other major macro variables (because it can move slowly and with a considerable lag following investments), it remains crucial as it increases long-term economic and corporate margin growth potential without creating dangerous inflationary pressures. In the current context, significant investments into artificial intelligence, cloud computing, autonomous vehicles, etc. is expected to have substantial and permanent real-world productivity impact.

Another important theme is that of the re-industrialization of America where hundreds of companies have either moved factories back to the U.S. or have decided to build additional factories there. Trump's tariff threats could accelerate this trend and "encourage" more U.S. based manufacturing with positive implications for factory automation companies, railroads, and housing plays among several others.

In November we made one change in our North American equity portfolio, increasing our US exposure selling Canadian Natural Resources (CNQ) and using the proceeds to purchase Dupont de Nemours, a US-based materials and solutions company. Due to the cross-listing of CNQ on both the Canadian and US markets, we were able to trade our positions in US dollars for both sides of the trade. On an asset-mix basis, we remain fully invested with an overweight position to equity and corresponding underweight to fixed income.

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As the year-end approaches, all of us at Hassan Fox Wealth Management wish you and your family a magical holiday season and a prosperous New Year!

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