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INSIGHTS & OBSERVATIONS

YOUR GUIDE TO FINANCIAL MARKETS AND INVESTMENTS

November 2024

Welcome back. By the time you read this newsletter we'll likely (hopefully) have a conclusion to the US presidential race. Coupled with the recent BC election drama resulting in a near tie, either way it will be nice to have politics off the front burner for at least a little while.

Voters worldwide are understandably weary of most established political parties and almost all politicians. This type of unsettled environment has occurred in the past and it has frequently led to some truly controversial people gaining power. Understandably, investors will continue to keep a close eye on the voting results and will react accordingly.

Turning back to markets and the economy, we are enjoying a fairly strong move higher in many stocks as the latest declines to interest rates have boosted dividend paying stocks by easing borrowing costs. We're also noticing Canadian rates falling faster and likely further than US ones, reflecting our weaker economy and more unfriendly business environment. Rate cuts have occurred in Europe as well, although in the UK their recent budget proposal actually pushed rates up as their financial condition has worsened significantly. At some point the more indebted countries will be forced to offer higher interest rates on the bonds they need to sell to finance themselves, and perhaps Britain's current dilemma is an omen for the

many other countries which face similar hard decisions in the months and years ahead. This includes Japan, France, Italy, Canada and potentially the US.

That said, we are beginning to wonder if the predictions for much lower rates next year are overdone, and feel if there is a surprise on interest rates in the upcoming months it will be they stop falling sooner than anticipated. This thought comes from a sense inflation

may prove stubborn and could easily rebound higher next year, which would put a quick end to additional rate cuts. A recession would prevent this outcome, but since we appear to be enjoying an economic 'soft landing', the lack of recession also boosts the likelihood of inflation.

In the US recent union contract negotiations have seen labor forces sign deals with 5-8% pay hikes built in over the next few years. If more workers realize these levels of pay raises, then their spending and companies' costs will rise, driving inflation

back up again. While its too soon to conclusively say rates are at their lows now, we definitely think the falling rates optimism has been taken too far.

Have a fine month and take care.

Philip



November's Articles

The first article this month revisits a topic we haven't featured in some time, yet it is one which all long-term investors should take into consideration: Demographics.

Way back in 1996 a Canadian demographer named David Foote wrote what became a very popular book titled "*Boom, Bust and Echo*," which captured investor's attention and made him famous (by demographer standards). The message of the book was birth rates and population trends determine much of what happens in society, from spending habits to crime to real estate prices.

While not all of his predictions based on this data came to pass, many did and they proved the value of incorporating population statistics into an outlook for various investment vehicles. By knowing a country's average age for example, you can understand the influences this has on incoming tax receipts and social program payouts. The best aspect of using this data is how predictable and unchanging it is. If we know how many 30-year-olds a country has today for example, we also have a very good idea of how many pensioners it will have 35 years from now.

In the linked article below by **Dr. Vivekanand Jayakumar**, we take a closer look at demographic trends worldwide and in various countries to see where populations are headed. Readers who recall the 1970s will remember the alarmism then about overpopulation and future mass starvation as a result. Today the predictions are for earth's population to peak in about 50 years and then go into a gradual decline. While these clearly are long-term issues, it is interesting to revisit them.

<https://thehill.com/opinion/4954154-falling-birth-rates-global-economy/>

One advantage of reading many newsletters and a wide variety of sources of investment commentary, is the volume of things you learn. You never know when or where something profitable will be found, and even the odd random fact can later prove useful.

In the following article linked below we have a very brief blog comment published by author and investment strategist **Scott Grannis**. Living in what looks like retirement in southern California, he publishes whenever he feels like it, and I always read his thoughts and any comments. Since his is a blog publication the comments section can be a minefield at times, however Scott's analysis and observations are always worth consideration.

In this post he makes several interesting points about the financial strength of the US consumer and the private sector in the states. While I have not seen comparable numbers for Canada, it is very clear US citizens have a huge lead over us and likely the vast majority of other countries around the world, in financial terms at least.

As always, his writing provides food for thought and often uncovers interesting perspectives.

<https://scottgrannis.blogspot.com/2024/10/the-enormous-net-worth-of-us-private.html>

WHAT THEY SAID

"Everything feels unprecedented if you haven't engaged with history."

Kelly Hayes