



Wealth Management
Dominion Securities

Suite 3200 Royal Centre
 1055 West Georgia Street
 Vancouver, BC V6E 3P3

Telephone: (604) 257-7380
 Fax: (604) 235-9950

www.philipflostrand.com



Philip Flostrand
 B.A. (Econ.), CIM

philip.flostrand@rbc.com

INSIGHTS & OBSERVATIONS

YOUR GUIDE TO FINANCIAL MARKETS AND INVESTMENTS

September/October 2024

Welcome back. With summer drawing to a close and professional investors returning to their desks, markets are getting back to normal while entering the fall stretch, traditionally a period of heightened volatility.

We've become a little more cautious over the past few months and boosted cash reserves to be ready if the usual pullbacks occur this fall. Considering various geopolitical tensions and the upcoming elections it definitely feels prudent to expect a few bumps soon. We're also watching the economy as interest rates are now falling and many indicators are pointing to slower activity and reduced growth. Overall, we're ready for whatever occurs between now and yearend.

Sharing our caution is a distinguished investor who also recently upped his cash reserves as well. Warren Buffett's cash holdings are now well over 20%, after the world's most famous investor sold about half of his huge Apple position and reduced others, including long term hold Bank of America. What does this mean?

By virtue of its enormous size, Buffett's Berkshire Hathaway cannot invest in anything other than the world's largest companies in order to make meaningful returns. Buffett himself has said recently that there are very few companies which would be considered 'investable' for the

amounts he needs to deploy, including almost none outside of the US. Enormous success creates its own enormous 'problems'.

Like ourselves Buffett is not afraid to hold cash when he feels uncomfortable buying stocks, as he knows when an infrequent moment of panicky selling occurs, one should buy quality and aggressively spend their cash reserves as others are blindly selling. At his scale these events may only occur once a decade or so, happily for us we can easily buy the more minor dips which normally happen every year or two.

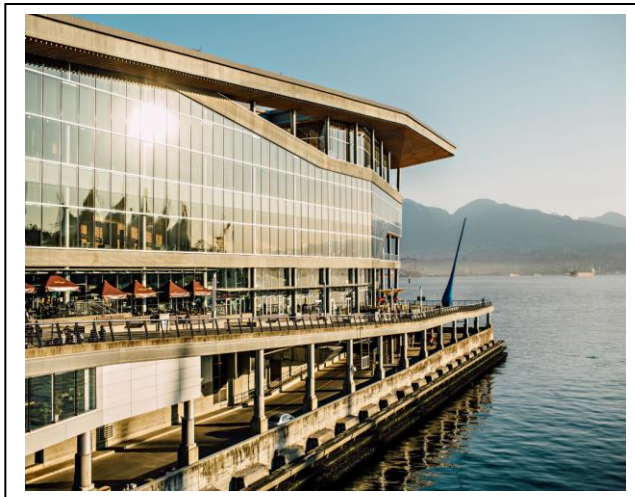
We've seen a few bigger down days in the market over the past few weeks, along with much greater volatility in places like Japan, so as investors end vacations and refocus on markets, we expect things to become more interesting soon.

As you see in this month's title, this will be a double issue as I am away from September 16th to October 4th on a vacation

to Italy and Turkey. As always Charlie and Yuki (who just returned from Japan) will be here watching things for you, so feel free to touch base with anything you may need.

Have a fine month and take care.

Philip



September's Articles

The US election this fall continues to attract too much investor attention especially in Canada. We've seen many dramatic claims on both sides with dire and exuberant forecasts being made far too often.

Many issues are being debated as candidates are presenting platforms and proposals on topics both big and small. The ever-shortening public attention span means if you wait awhile, pretty much every issue will be mentioned except the most important one – the sorry state of US finances.

The huge increase in government debt isn't unique to America, here in Canada we also spent far too much through and after the pandemic, and both countries do not seem to care about becoming more prudent with their taxpayers' dollars.

The election campaign south of the border hasn't changed this omission and we seldom hear any politician admitting that spending must slow down. However the arithmetic and the power of compounding are hard to deny forever so at some point things will change, perhaps after the election?

In the article we've linked below by **Desmond Lachman**, this reality is covered with a quick summary of both party's spending and trade policies, along with the damage each party is likely to cause if they win and follow through with their promises. Sadly all this confirms the 2023 opinion of my politically astute friend who last year said 'it really doesn't matter' who wins the race in November 2024. Under either party the mismanagement of the countries' finances will continue until something breaks.

His comment was made over a year ago and unfortunately it seems even more true now as we head toward November.

<https://www.aei.org/economics/choose-your-economic-poison/>

In a brave attempt to counter the dour tone of the first article this month, included below is another essay from hedge fund manager **Ray Dalio**.

Dalio has conducted enormous amounts of research looking back at economic and stock market cycles over several hundred years. With substantial resources behind him, the outcome of this work has led to his book, *Principals for Dealing with the Changing World Order*, and many articles and presentations.

In this article he has attempted to put recent political conventions and campaign promises into a long-term context, and then compare them with other eras and stages from history.

Taking this very 'big picture' approach is useful for investors because we see so many parallels throughout history, particularly in stock markets. Human nature never changes and we can all learn from it to help make smarter decisions and in order to better understand the behaviour and motivations of other people.

We're expecting things to remain 'interesting' for the rest of this year as history has shown during other similar eras from the past.

<https://ca.finance.yahoo.com/news/ray-dalio-commentary-where-money-204840242.html>

WHAT THEY SAID

"Somebody asked me about the current choice we're being given in the presidential election. I said, well it's like the two scariest movies I can imagine."

Bestselling thriller novelist **Dean Koontz**