



Wealth Management
Dominion Securities

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Year-End 2024

Last year was the second year in a row that the S&P 500 gained more than 20%. That was the best two-year period since the 1990's. It has now more than made up for the atrocious 2022. The mania about artificial intelligence and the rise of the Magnificent Seven giant tech stocks account for most of the gains. The S&P 500 is now at 21.9 times projected earnings over the next 12-months, above the 10-year average of 18.5 times, according to Factset. By many measures, stocks have been similarly expensive only once, during the internet stock craze of the late 1990s.

Stocks rallied after the November Republican sweep. The outcome removed uncertainty about the election. Also, the prospect of Trump's promised tax cuts and looser regulation have so far 'trumped' the prospect of higher taxes on imports (tariffs) and mass deportations. Tariffs and deportations equal inflation risk. The US 10-year bond yield has been moving up since September, when betting markets started to project a Trump victory, from 3.6% then to 4.68% today, the highest since April 2024. The rise in bond yields really picked up in early December when the Federal Reserve signaled that policy interest rates would remain higher for longer.

Let's talk stocks, with apologies to the Globe and Mail's popular weekly column, here are our Stars and Dogs of 2024:

Stars:

Amazon was up 44.7%, which was the best of the Mag 7 stocks we own. Retail related revenue is about 75% of the total, followed by Amazon Web Services at 15%. All 3 of the largest cloud service providers (Amazon, Alphabet and Microsoft) did well for us in 2024.

Corning Inc. was up 55.1%. Corning Glass Works made light bulbs in 1879. Today Optical Communications are 30% of revenues. Optical fiber/cable is in great demand in the datacenters needed for artificial intelligence.

Dollarama, up 46.8%, like Loblaws, up 47%, appealed to price sensitive shoppers. Both are family run businesses. Galen Weston is no longer CEO of Loblaws but is still in control. My neighbour Neil Rossy was named by the Globe and Mail Report on Business as the CEO of the year 2024.

TC Energy Corp., formerly TransCanada Pipelines, was up 41.6%. TRP successfully spun off its oil pipeline business in 2024. Natural gas pipelines have emerged as datacenter plays as they transport the gas that makes the electricity that powers AI.

Dogs:

BCE Inc. hasn't cut its dividend yet, but the dividend is higher than its profits. BCE is suffering from slowing population growth and increasing competition. For the year BCE fell 30.4% but was sold in the spring.

Nike, Inc, did great for 20 years but over the last couple of years their shoes fell out of fashion. Newer running wear companies out innovated Nike and their retailers resented their focus on on-line sales. By the end of the year Nike was down 36%.

The wonderful thing about investing is that everything is easy and obvious in hindsight. It is the future that is hard.

I hope you had a nice holiday. Elena, Margarita, Kristin, and I wish you all the best for the New Year.

Thanks for reading.

Sincerely,

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