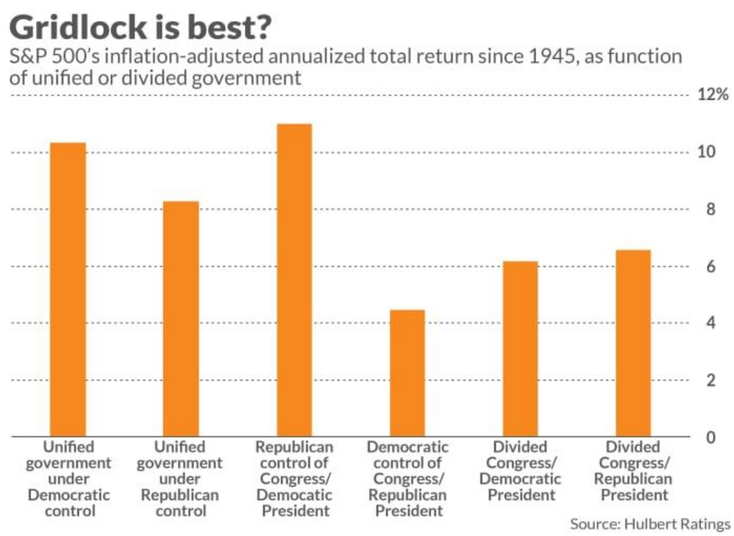
Global Macro News & Views

- Elected for the second time, Trump ranks among the biggest comeback politician in U.S. history following his defeat of Kamala Harris this week. Republicans also recaptured the U.S. Senate and, in all probability, the House of Reps. Markets in the United States and worldwide soared with stocks posting big gains, but bond prices fell sharply as interest rate spiked higher on the expectations of more government spending and the future prospect of larger deficits. The USD also surged this week. Gold, silver and most other commodities declined;
- The S&P 500's annualized total return has been 11.0% when a Democrat is president and Congress is Republican-controlled. That mix has historically delivered the best outcome for stocks. The market has fared worst since 1945 when Democrats control Congress and there's a Republican president:



- Consumer sentiment rallied for the third straight month. Consumer sentiment climbed from 66.4 in July to a six-month high of 70.5 in October. Sentiment is now more than 40% above June 2022's trough, reflecting modest improvements in buying conditions and an easing in interest rates. However, interest rates have surged 78 basis points since the Federal Reserve's rate cut in September. The U.S. consumer is responsible for approximately 66% of GDP. Spending continues to tilt towards services, but has broadened lately to specialty retailers;
- Trump's campaign promised to impose a universal baseline tariff of 10% or 20% on all imports to the United States, plus a 60% import tax on China goods. Tariffs do not work and only raise prices for manufacturers and consumers. They also raise inflation. Despite harboring generally educated advisors, Trump is wrong on slapping huge import taxes because the consumer ends up paying more, not less, for cheap good made abroad, including China. Mr. Trump's overall economic plan is superior to Kamala Harris's socialist model of tax, spend and choke corporate America. But his tariff model is anti-growth and inflationary. According to *The Wall Street Journal* and the *Tax Foundation*, the average tariff rate on all American imports is currently about 2%. Trump's plan would raise tariffs to their highest levels since the 1930 Smoot-Hawley tariff;

- United Kingdom to borrow big. UK gilts got clobbered last month on expectations of a borrowing binge soon to be announced by the Labour government. *The Financial Times* estimates about £300 billion ($390 bill.) – the second highest on record – will be financed this year. Benchmark ten-year UK gilts yield 4.46%, up sharply from 3.55% last winter and now at their highest levels since 2008 (see chart). Two years ago, former PM, Liz Truss, tried to pass an expensive budget and markets backfired;

- The International Monetary Fund or IMF recently warned that global debt will match global economic output for the first time by 2030. The IMF report recommended spending cuts coupled with tax hikes of an 'unprecedented' size to stabilize or reduce debt levels. If budget policies are left unchanged, the agency estimates large increases in borrowing by the United States, China, and others will drive a rise in government debt to $100 trillion this year, equivalent to roughly 93% of the world's GDP output;
- U.S. households rose to a record $163.8 trillion in Q2-2024. Almost half of that sum ($79.8 trillion) was held by the Baby Boom generation in Q2-2024. During Q2-2024, Baby Boomers held a record $23.0 trillion in corporate equities and mutual fund shares, up a whopping $6.9 trillion since just before the start of the pandemic. One of the great enigmas surrounding this consumption boom since Covid is the vast savings accumulated by the Boomers. For the most part, this generation is no longer supporting children or, if they are, families have sufficient funds to spare. Boomers are mostly debt-free, mortgage-free, and spend mostly on services;
- China's drive to stimulate lethargic economy. China's GDP expanded 4.6% year-over-year in the third quarter. The economic growth data is the lowest in 18 months, below the government's full year target of 5% amid sluggish consumption and a property slump. In late September, the Chinese government announced plans to boost economic growth by ramping up debt issuance; the government plans to raise $284 billion (2 trillion yuan) in special sovereign bonds this fall. This is in addition to 1 trillion yuan of market liquidity injected into the financial system, lower interest rates and focus on arresting the deflation underway in real estate;

Global Equities & Real Estate

- The S&P 500 equal-weighted index has trailed the S&P 500 market-cap index since the Fed cut rates in mid-September. Also, small-caps have trailed large-caps again as the rally stopped broadening about six weeks ago. Once again, tech stocks dominate benchmarks;
- The rally in non-U.S. equities stalled in September, too. The MSCI EAFE Index (ex. USA major markets) is down 6% from its high; a surging dollar is also a factor adversely affecting foreign shares. The USD Index has gained 3.5% off its low recently;
- According to *Rosenberg Research* and *Haver Analytics*, the S&P 500 Shiller CAPE Ratio at 35x inflation-adjusted earnings is the second-highest on record after hitting 41x in the 1999 dot.com mania. In each of the prior stock market bubbles (see table below), a reckoning always followed by means of major price adjustments accompanied by deep economic recessions and severe bear markets;

	CAPE Multiple
July 1929 (Rampant Bubble in Margin Debt)	30x
May 1971 (Nifty Fifty)	18x
April 1981 (Oil/ Commodities)	9x
August 1989 (Commercial Real Estate/LBOs)	18x
September 1999 (Tech Bubble)	41x
July 2007 (Housing/Subprime Mortgage)	27x
Average	24x
Today (Passive Index Investing)	36x
Source: Haver Analytics, Rosenberg Research	

- Germany's **SAP AG** (Frankfurt-SAP) passed Holland's **ASML NV** (Amsterdam-ASML) in stock market value last month as the German business-software giant hiked its revenue and earnings forecasts for the year amid strong demand for AI. ASML, a high-flying tech company over the past ten years, tumbled in October on poor guidance. SAP now holds a $272 billion market-cap compared to $265 billion for ASML. The largest company in Europe based on public stock market value remains Paris-based **LVMH Moet Hennessy Louis Vuitton** (Paris-MC) at $330 billion;
- Still in Germany, deal volumes are surging as bargain prices lure investors. According to *7Square*, international companies purchased $47.2 billion on German assets, a 70% increase compared to 2020. The German market isn't cheap at 19.3x trailing earnings coupled with a decline of 2.9% per annum in corporate earnings since 2021. The automotive industry has been especially challenged as Chinese EVs penetrate domestic markets, and German carmakers were late to the electric car transition. According to *Simplywallst.com*, the cheapest parts of the German stock market (DAX Index) are consumer discretionary (7.7x P/E), financials (12x) and industrials (16.7x). Compared to the S&P 500 Index, the DAX trades at a 40% discount based on the relative price to earnings.

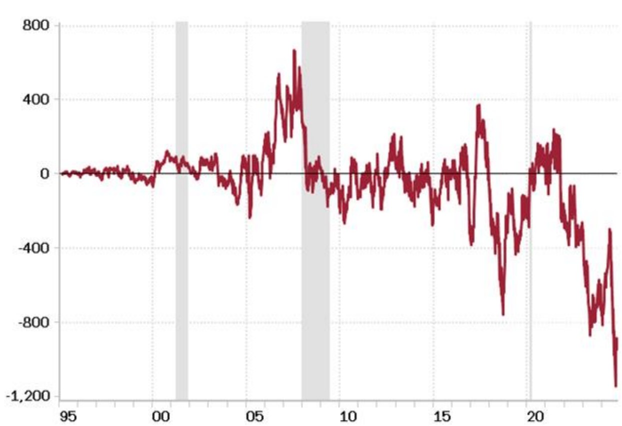
Fixed-Income

- Bonds are getting crushed since the Fed eased on September 18. In the span of about six weeks, bond prices have plunged. After hitting the lowest yield level of the year at 3.62% in September, the benchmark 10-year U.S. Treasury has seen its yield climb to 4.42% the day following Trump's victory. That's the steepest increase in yield (80 basis points) since 2022. The **iShares Core U.S. Aggregate Bond ETF** (NYSE-AGG), investing in investment-grade U.S. debt securities, is up 1.4% this year;

- One of the finest veteran economists on Wall Street for decades is Ed Yardeni. He thinks the Fed cut too much in September. According to Dr. Ed Yardeni of *Yardeni Research* (NOV 4):

  > *Stronger U.S. economic data and the prospects of a Trump presidency accompanied by big spending plans have quashed the euphoria on bonds so prevalent this past summer. Investors often hear "Don't fight the Fed," but perhaps it's the Fed that shouldn't be fighting the Bond Vigilantes. The bond market could easily nullify the impact of another rate cut. That's because the bond market believes the Fed is cutting rates too much, too soon, and is therefore raising long-term inflation expectations. These expectations are heightened by concerns about more fiscal excesses from the next administration.*

Near Record Net Speculative Short Positions on the 10-Year T-Note Yield



- With bonds taking a drubbing over the past month, investors or traders might take a punt at a trading opportunity because the market is deeply oversold. Even with the Fed cutting rates, bond prices are falling. Also, any hint of economic weakness or a slowdown in consumer spending can send yields down again;
- Meanwhile, the chart at the bottom of page 4 depicts the potential for a massive, short-covering rally if economic data weakens. The market has re-priced Fed interest rate expectations and has started to discount a deluge of fresh Treasury auctions following Trump's election win;

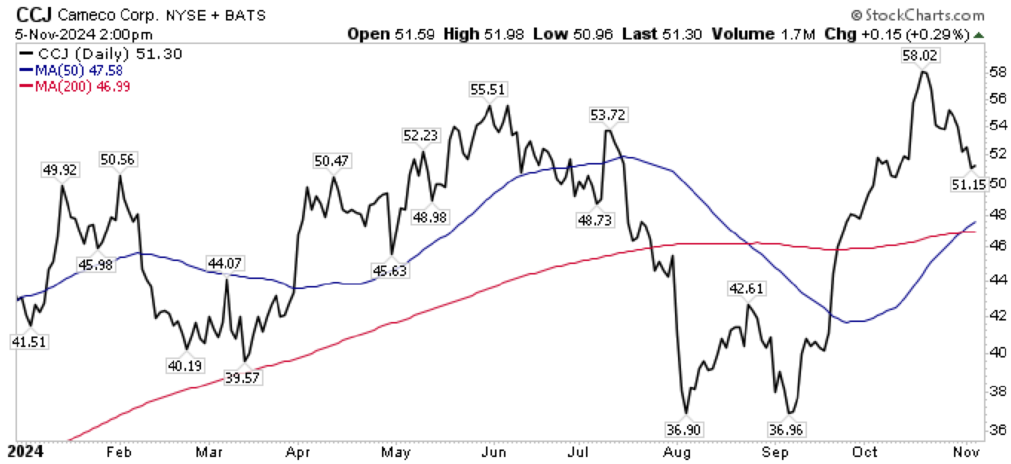
Currencies

- The **ENR Global Currency Sandwich**, investing equally in gold, the Japanese yen, Brazilian real, Singapore dollar, and the Norwegian krone, is down 1.2% in 2024 after suffering a big loss over the past four weeks. In October, the basket tanked almost 4%, mainly due to a feracious USD rally that clobbered our positions in Brazilian real, then yen and the NOK. If not for gold bullion, up 32%, we would be down much more this year. The USD Index is up 2.4% in 2024;
- Along with a spike in bond yields, the dollar has rallied sharply since late September. Economic data, including consumer spending, don't warrant aggressive Fed interest rate cuts. The Fed is likely to cut 25 basis points this week;

- The Canadian dollar got blasted over the past several weeks, plunging 3% and approaching its lowest level in almost four years versus the American dollar. Trump isn't Canuck buck friendly. Fresh tariffs and a USMC redesign on the trade accord between the United States, Mexico and Canada isn't bullish for the CAD or MXP;
- In October, the Bank of Canada cut rates again to 3.75%. So far, the BOC has reduced rates by 125 basis points this year – the most by a large, developed world central bank. Canadian households carry some of the heaviest debt burdens in the developed world, including the highest debt-to-income ratios, mostly tied to mortgage debt. Canada's household debt-to-income ratio as of Q1 2024 was 176.4%. The ratio hit an all-time high of 184.5% in Q3 2022. The all-time low was 86% in 1990. According to Wellington-Altus Private Wealth, 80% of GDP growth in Q2 was attributed to government spending.

Commodities

- Most commodity benchmarks are dominated by the energy complex. With the world well supplied and a raging Middle East conflict unable to keep prices high, oil has declined this year. Natural gas, however, has recovered, up 14% YTD. In precious metals, gold and silver continue to dominate, up 33% and 37%, respectively. Among industrial metals, only a few are in the green this year led by tin (+26%), zinc (+17%), and aluminum (+11%). The best performing commodity this year, according to *Trading Economics*, are U.S. eggs, up 101%;



- Uranium prices are cooling off, down 14% in 2024. Rising demand for nuclear energy and the resulting demand-supply imbalance for uranium has been one of my long-standing favored themes. It received a shot in the arm as **Amazon.com** announced it would invest $500 million in nuclear power and signed an agreement with **Dominion Energy** to develop small modular reactors. This is after **Constellation Energy** agreed to sell power to **Microsoft** by restarting the Three Mile Island Nuclear Plant, and **Alphabet** agreed to buy nuclear power from **Kairos Power** (again sourced from small modular reactors) earlier this fall;
- Gold prices skirted above $2,800 an ounce recently as new heights are met regularly. The value of global demand passed $100 billion for the first time in Q3, according to the *World Gold Council*, driven mainly by investor purchases. The volume of global gold demand also rose to a record in the same period, up 5% to 1,313 tons. Total demand for investments, such as bars, coins or backing for ETFs in physical gold, more than doubled to reach 364 million tons in Q3. Inflows into gold ETFs hit 94 tons, a reversal after nine straight quarters of outflows. Central banks, a key demand driver, slowed their gold purchases during late summer with buying falling 49% year-over-year to 186 tons – the lowest quarterly level in two years, according to the WGC.

ENR Model Portfolio

- The Trump Trade is now in full swing. Already discounted ahead of November 5th, stocks in general should benefit with less regulation, an extension of the Trump tax cuts next December, and a Federal Reserve bullied by a pro-business President. More specifically, U.S. smaller companies should benefit because of insignificant international exposure plus the absence of tariffs on small-cap revenues. Domestic commodity producers, including oil and steel, Tesla (Musk is close to Trump), financial services, and crypto are also potential winners. The big losers include renewables, stocks with large Chinese revenues, and health care stocks. On November 6th, the **iShares Global Clean Energy ETF** (ICLN) got hammered (see chart):

- China will have to print more money to resuscitate its tepid economy as Trump comes back to the White House. I recently purchased Hong Kong stocks for clients because they're dirt cheap and at this bargain price, are an option play on Chinese economic stimulus. Granted, Chinese markets have been incredibly frustrating to trade or buy-and-hold over the last five years. Indeed, China has been in a post-Covid economic rut. But any time you have a government stimulating an economy with massive injections of capital (10 trillion yuan or $1.4 trillion) to resuscitate growth, investors should take notice. I also think Xi will have to spend much more now that Trump will come down harder on Chinese trade;

- The **iShares MSCI Hong Kong ETF** is miles off its all-time high. EWH hit its all-time high in 2021 and now trades 28% below its best level (see chart). Over the past 12 months, the popular benchmark is off 12% from its high. Chinese and Hong Kong stocks surged over the past month, but now some of that steam and euphoria has evaporated. I disagree. This sort of financial stimulus deserves your attention. EWH holds 27 stocks, yields 4.33% and trades at 16.5x earnings. The TER is 0.50%. Stocks in the ETF also trade at a 7% discount to book value. YTD, EWH is up 8%.

- Also in November, I'm recommending **Uber Technologies** (NYSE-UBER). After struggling following its IPO about seven years ago, UBER is up 21% this year and 51% YOY. The company is making money. Growth isn't spectacular with gross bookings up only 0.60% in the last quarter. But their delivery business outpaced Wall Street projections. Uber now has more than 25 million Uber One Members, and their ad business is growing at a stunning 80% clip year-over-year. The company is also establishing partnerships with autonomous driving companies like Waymo;

- I remain very bullish on select natural resources because they are inexpensive compared to most technology companies and offer attractive multiples and in some cases, dividends. Stocks are generally expensive but real assets are cheap. I also think China, the largest importer of raw materials, will need to do much more if she is to escape a recession or worse. China is a net world creditor and can borrow much more to boost growth. Ahead of a supplemental Chinese stimulus package in 2025, commodities look cheap here;
- Recommended initially in April, **Rio Tinto** (RIO) is a great proxy for commodities. The second largest resource company in the world, RIO produces iron ore for steel, copper, aluminum, lithium, salt, ferrous metallics, diamonds and titanium dioxide. The stock is down 12% this year. RIO trades at 10x earnings and pays a 6.64% dividend.

- I'm also plugging energy stocks like **ConocoPhillips** (NYSE-COP), which just boosted its dividend per share by 34% last week to $0.78 per share. For more concentrated exposure in **ExxonMobil** and **Chevron** among others, BUY the **Select Sector SPDRs Energy ETF** (NYSE-XLE):

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November 6, 2024

Market Outlook Portfolio:

Security	Listed	Symbol	Entry Price	Date	Current Yield	Current Price	Gain/ Loss	Advice
iShares MSCI Hong Kong ETF	NYSE	EWH	$18.35	Nov 5/24	8.14%	$18.35	NEW	BUY
Uber Technologies, Inc.	NYSE	UBER	$74.03	Nov 5/24	0.00%	$74.03	NEW	BUY
Research Affiliates Deletions ETF	NASDAQ	NIXT	$25.83	Oct 2/24	0.00%	$26.26	1.66%	BUY
NIKE, Inc.	NYSE	NKE	$73.71	Jul 29/24	1.92%	$77.09	5.09%	BUY
Rio Tinto Group	NYSE	RIO	$64.71	Apr 2/24	6.69%	$65.40	3.80%	BUY
Energy Select Sector SPDR	NYSE	XLE	$86.74	Feb 7/23	3.36%	$89.92	9.61%	BUY
ConocoPhillips*	NYSE	COP	$67.56	Sep 29/21	2.68%	$109.25	74.07%	BUY
Nestlé SA*	VTX	NESN	CHF 65.15	Dec 7/16	3.69%	CHF 81.32	67.93%	BUY
iShares Core U.S. Aggregate Bond ETF	NYSE	AGG	$92.78	Nov 1/23	3.58%	$97.92	9.06%	SELL
Apple Inc*	NASDAQ	AAPL	$23.20	May 9/16	0.44%	$223.38	890.73%	HOLD
Newmont Corporation*	NYSE	NEM	$17.99	Dec 31/15	2.51%	$45.95	211.92%	HOLD
Wheaton Precious Metals	NYSE	WPM	$22.78	Jun 5/19	0.95%	$64.85	197.19%	HOLD
Berkshire Hathaway*	NYSE	BRK.B	$197.73	Aug 5/19	0.00%	$441.46	123.26%	HOLD
HSBC Holdings plc	LSE	HSBA	£4.74	Nov 9/22	6.69%	£7.18	99.23%	HOLD
Albemarle Corporation	NYSE	ALB	$61.01	Sep 4/19	1.60%	$99.17	76.02%	HOLD
iShares Russell Top 200 Value Index	NYSE	IWX	$52.46	Jan 2/18	1.85%	$80.58	72.27%	HOLD
Microsoft Corporation	NYSE	MSFT	$256.72	Jul 5/22	0.73%	$412.06	62.98%	HOLD
Alphabet Inc.	NASDAQ	GOOGL	$104.65	May 5/23	0.24%	$169.63	62.47%	HOLD
Zurich Insurance Group	VTX	ZURN	CHF 411.20	Oct 4/22	5.04%	CHF 515.60	55.92%	HOLD
AbbVie Inc	NYSE	ABBV	$140.24	Nov 30/23	3.09%	$199.67	46.80%	HOLD
WisdomTree India Earnings Fund	NYSE	EPI	$32.42	Mar 3/23	0.00%	$47.29	46.05%	HOLD
The Southern Company	NYSE	SO	$66.47	Dec 7/21	3.22%	$88.20	44.16%	HOLD
Cameco Corporation	NYSE	CCJ	$38.55	Sep 5/24	0.17%	$51.05	32.43%	HOLD
Vanguard Small Cap Value Index Fund	NYSE	VBR	$157.50	Oct 2/23	2.00%	$200.82	30.04%	HOLD
Lazard Global Listed Infrastructure Portfolio	NASDAQ	GLIFX	$14.04	Aug 4/20	3.62%	$15.85	23.60%	HOLD
Freeport-McMoRan Inc.	NYSE	FCX	$39.26	Mar 29/23	1.30%	$46.52	21.17%	HOLD
abrdn Physical Palladium Shares ETF	NYSE	PALL	$89.81	Jun 28/24	0.00%	$100.15	11.51%	HOLD

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