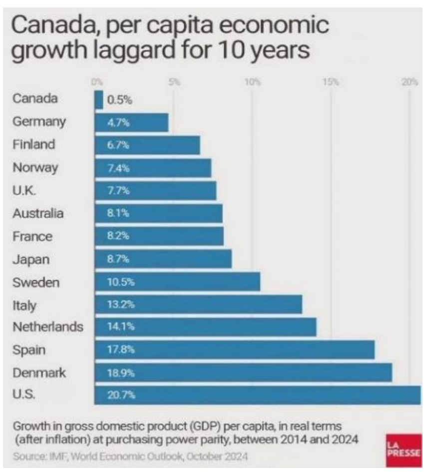
Global Macro News & Views

- Stock-markets yo-yo in April. Until May 5th, the U.S. broader market and other main indices posted nine straight winning days – the longest winning streak since 2004 – and erasing the steep decline that followed President Trump's sweeping trade restrictions early in April. The S&P 500 now exceeds its close on Liberation Day, just before Trump announced his reciprocal tariffs on the world after the close. It also exceeds its 50-day moving average and is only 7.4% below its record high. Its 18.9% correction lasted from February 19 to April 8;
- Nasdaq also rose above its 50-day moving average last week and is only 10.9% below its record high. Its 24.3% bear market lasted from December 16, 2024, through April 8, 2025. The S&P 500's correction wasn't solely about Trump's tariffs. Investors questioned whether the Magnificent-7 and other technology companies were spending too much on AI infrastructure, especially after *DeepSeek* was introduced on January 24. Meanwhile, both the *Investors Intelligence* and *AAII Bull/Bear Ratios* remain very low, which means that sentiment remains bullish from a contrarian perspective. This suggests that stock prices can move higher. Trump needs to get past trade issues for the Republicans to keep their majorities in Congress after the midterms;
- International stocks continue to trounce Wall Street, especially measured in dollar terms. The MSCI EAFE Index of major non-U.S. bourses is up 12.14% in 2025, bettering the S&P 500, down 3.3%. Even the MSCI Emerging Markets Index is beating the broader market, up 5.37% this year;
- Canada continues to drive backwards with another Liberal victory. Mark Carney became the 24th Prime Minister of Canada last month with a narrow victory over the Conservatives. Winning mainly on the fear of Donald Trump turning Canada into a 51st state, Carney promises to spend more money and drive Canada's record deficits. The Conservatives previously blew a 20-point lead in the polls. Canadians, largely hurt by the President's disrespect for its sovereignty, voted for an experienced central banker and more of the same social programs and stimulus. Meanwhile, Canada's per capita economic growth rate over the past ten years has been embarrassingly poor (see chart). Expect more of the same with the Liberals;



- The greatest investor of all time transfers CEO mantle to apprentice. At 94, **Berkshire Hathaway's** founder, Warren Buffett, will be pass the CEO title to Canadian-born Greg Abel on December 31st. The decision was approved by Berkshire's board over the weekend following Buffett's 60th shareholders' meeting in Omaha last weekend. Buffett will remain Chairman. The stock fell more than 5% on May 5th. Some investors believe the 'Buffett Premium" will diminish as the stock price pulls back. The company's cash position continues to build to nearly $335 billion, adjusting for the timing of some Treasury bill purchases;

- Five regional Federal Reserve banks have reported on manufacturing activity for April, and there was weakness across the board. April's reading of the average of the five districts sank to -17.5 – the weakest since May 2020;
- A good gauge for consumer spending expectations should be the stock price performances of the major U.S. credit card companies. Visa, Mastercard, and Capital One are all up YTD. **Capital One** reported Q1 earnings earlier this week, handily beating Street expectations.

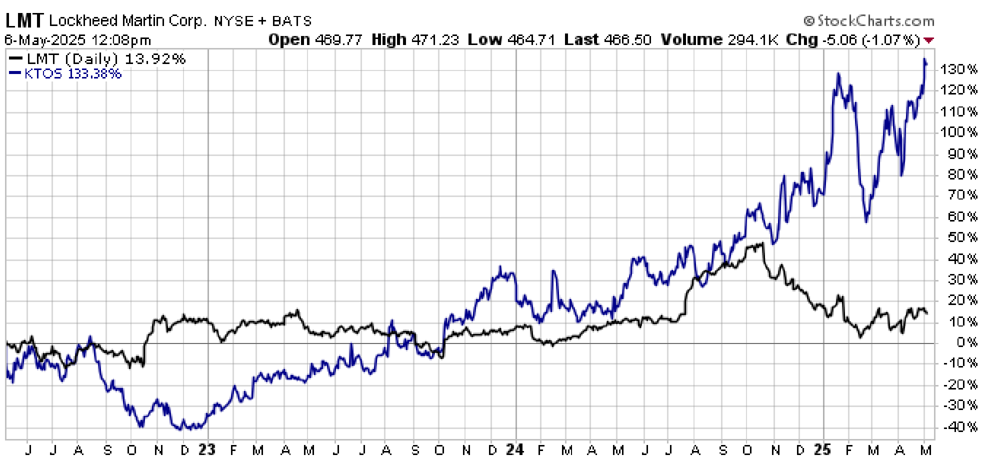
Global Equities & Real Estate

- **Microsoft Corp.** emerged as the winner from Big Tech's Q1 earnings reports with the software company regaining its title as the world's largest company based on stock-market capitalization worth $3.2 trillion compared to $3 trillion for **Apple, Inc**. Despite widespread pessimism ahead of its earnings, MSFT posted record revenue as its Azure cloud computing unit. Q1 has not been friendly to some Magnificent 7 stocks with several flaming out, including **Amazon.com** and **Tesla**. The Mag-7 are down 12.6% in 2025;

- The bear market in large-cap pharmaceutical stocks (Big Pharma) continues into May with big losses tied to a White House budget cut proposal and on the heels of news that Dr. Vinay Prasad – a critic of the pharma industry – will oversee the U.S. FDA's vaccine program (see above chart). Most Big Pharma and biotechnology stocks hit fresh 52-week lows on May 6. The **Health Care Select Sector SPDR ETF** (XLV) hit 52-week lows recently and is down 2% this year and off 3.5% over the last 12 months;
- Private Equity Aims for Retail Investors. **Blackstone Group**, the world's largest private equity manager, is teaming up with ETF giant, **Vanguard Group** and **Wellington Management**, to offer individuals access to multi-asset portfolios with private and public assets, only available to institutional investors until now. Blackstone, with $1.1 trillion in assets, also manages real estate funds, in addition to private lending. Other private equity groups like **KKR**, **Apollo Group Management** and **Carlyle** have enjoyed a boom phase since the introduction of near-zero interest rates after the financial crisis until 2022. But as the economic cycle is threatened by tariffs,

some groups and countries are pulling back; Canadian and Danish pension funds have pared exposure and so has China, according to *The Financial Times*. It's not just trade retaliation: Higher borrowing costs, lofty U.S. public stock prices and a softer economic outlook make for a challenging macro environment for leveraged finance;

- Drones alter how warfare is waged in 21st century. While European defense companies skyrocket over the past four years since Russia's invasion of Ukraine, the largest U.S. defense stocks have lagged. Even compared to U.S. domestic drone manufacturers, companies like **Lockheed Martin Corp.**, **Northrop Grumman** and **General Dynamics** have been left in the dust. The chart below compares Lockheed Martin to **Kratos Defense & Security Solutions** over the past three years; it's not even a contest. Over the past three years, Kratos has gained more than 135% compared to just 14% for LMT (see chart);
- According to *The Wall Street Journal*, the U.S. Army is embarking on its largest overhaul since the end of the Cold war with plans to equip each combat division with around 1,000 drones to shed outmoded weapons and other equipment. The war in Ukraine has accelerated investment in drone technology with some companies touting their precision and lethality at a fraction of the cost of tanks or missiles;



- Investor confidence in Brazil remains low despite huge potential. More than twice the size of India, Brazil is an energy, mining and agricultural powerhouse covering roughly half of Latin America or 3.3 million square miles. It is the world's 5th largest nation with over 212 million people;
- With the highest real interest rates in the world, a weak currency until recently and equity markets near 2008 levels in local currency terms, Brazil offers a compelling value proposition. GDP growth grew by 3.4% in 2024 – the strongest since 2011 – and unemployment declined from 15% to 6.2%, the lowest in ten years. Bigger problems lie in the country's massive debt now totaling 61.4% and heading higher and still high interest rates at 14.25%. Many investors fear Socialist President Luiz Inacio Lula da Silva's economic policies for their falling purchasing power and fear the prospect of higher taxes. Election in Brazil are scheduled in 2026. Meanwhile, stocks have been 'dead money' for 15 years in dollar terms amid a secular USD advance and poor emerging market returns; that could be changing as the dollar declines, and U.S. trade policy forces a rethink among global asset allocators;
- Stocks in Brazil are still very cheap. They fetch just 9.5x trailing earnings, 1.53x price-to-book and yield 7.77%. I like the **iShares MSCI Brazil ETF** (NYSE-EWZ) for long-term investors (see chart next page). The ETF levies 0.50%

in annual expenses and invests in 44 of the largest Brazilian companies. EWZ trades 10.5% off its 52-week high and 45% off its all-time high in 2008.

Fixed-Income

- The U.S. bond market has endured something of a market phenomenon in April as bond yields increased despite softening economic data and a trade war sending markets sharply lower. The S&P 500 plunged almost 20% from its high. Though down to 4.32% currently compared to 4.55% intraday earlier in April, the ten-year Treasury bond yield started the month at 4.22%. In bizarre behavior, investors are expecting lower inflation in the distant future yet demanding better returns to buy and hold bonds. Rather than worried over inflation, the Treasury market might be the victim of a selling panic whereby investors don't want to own long duration debt;

- April's bond sell-off wasn't just a hedge fund liquidation. And nobody can confirm if China is dumping Treasury bonds; the Chinese have been net sellers for years, so it comes as no surprise. The Japanese are the biggest holders of T-bonds ($1.1 trillion) and a surging yen this year could be the trigger for selling dollar assets. Other Allies might be selling, too. However, earlier this winter, I ventured to buy TLT or the **iShares 20+ Year Treasury Bond ETF** to hedge the stock portfolio because I feared a correction looming. That didn't work. Stocks thereafter skidded, and bonds failed to rally. Bonds don't provide the upside anymore when stocks fall. I think there's a disconnect underway where risk-off investors prefer non-U.S. assets like gold, EUR, Swiss francs and yen;

- Non-U.S. denominated investment-grade bonds are scoring big gains so far in 2025. Major market sovereign debt is a big winner. Though down in EUR terms, the benchmark ten-year German bund is up 8.1% this year in dollars. French 10-year governments have rallied 9.1%, and British gilts are up 7.64% in dollars.

Currencies

- Currencies across Asia are making waves this month as the dollar declines. Usually non-volatile units like the Singapore dollar, Taiwan dollar and South Korean won are up 4.8%, 6.4%, and 5.3%, respectively, so far in 2025. Most of those advances have occurred only in the past two weeks. The Japanese yen is leading the pack in the region with a 7.8% advance vis-à-vis the dollar. The only product I can source that provides viable emerging market currency exposure is the **Wisdom Tree Emerging Currency Strategy Fund** (NYSE-CEW). The Fund has a poor long-term record due to USD strength but is making inroads this year (finally) as the dollar tanks. Note that CEW trading volume is low;
- The **ENR Global Currency Sandwich**, investing equally in gold, the Japanese yen, Singapore dollar, and the British pound, gained 3% since last month and is up 10.3% year-to-date. The USD Index is down 8.26% this year.

Commodities

- The *Reuters/Jefferies CRB Index* is down 1.5% in 2025, down less than the S&P 500 Index. The worst sub-sectors this year are energy and the grains – down sharply. Gold and silver, base metals and livestock are top performers. The heavily energy-weighted *Goldman Sachs Commodity Index (GSCI)* is down 5% in 2025;
- Gold briefly declined from recent all-time highs but remains close to its best levels this week. Gold has gained 26% this year. Silver is poised to break-out of its nine-month range. The bull market in precious metals remains secular, driven by extraordinary central bank demand and increasingly, record ETF demand in China and elsewhere. According to *Bloomberg*, China expanded its gold reserves for a sixth straight month in April, underlining its push to boost holdings of the precious metal as prices trade near a record and the trade war rumbles on. In China, there have been signs investors are piling into gold, with volumes on the Shanghai Futures Exchange surging to a record in recent weeks. The voracious onshore appetite has also seen the PBOC issuing fresh quotas for commercial banks to import bullion. Central banks have increased their gold purchases roughly

five-fold since 2022, after a freeze on Russian reserves, according to Goldman Sachs Group Inc. Bullion held by the People's Bank of China rose by about 70,000 troy ounces last month, according to data on Wednesday. In the latest six-month span, volumes have climbed by close to 1 million ounces, or about 30 tons;

- The oil sector has been hammered this year. U.S. WTI prices plunged 19% in April to $58.21 per barrel – the lowest close in more than four years. West Texas crude is down 18% in 2025. Tariffs are expected to cool global demand while OPEC recently boosted production. According to Rystad Energy, a consulting firm, the price that many American oil players need to break even – including dividend payments to shareholders and debt-service expenses – is above $62 a barrel. I continue to like **ConocoPhillips** at this low price and the **Energy Select Sector SPRD Fund** or XLE. Interestingly, one of the few investments made by Buffett's Berkshire Hathaway over the past 12 months is oil. Berkshire owns stakes in **Occidental Petroleum** and **Chevron Corporation**. The latter oil major now sports a dividend yield of 5%.

ENR Model Portfolio

- International stocks are the place to be in 2025. April was a merry-go-round market as the median stock hit bear market territory in the United States but avoided that technical breach overseas. The S&P 500 touched a 19% peak-to-trough decline before recovering about half of that loss as the month ended. The MSCI EAFE Index (ex. USA) fell 14% before not only recovering that loss but also surpassing it recently. The MSCI EAFE Index hit all-time highs on May 5th. As of April 30th, the MSCI EAFE Index trades at 14x forward P/E, 1.87x price-to-book and pays a 3.05% dividend yield. That is not especially cheap but about 30% less expensive compared to the S&P 500 based on price-to-earnings and 62% less based on relative price-to-book values. The broader market remains historically expensive;
- This month, we're buying the **iShares MSCI Brazil ETF** (NYSE-EWZ). I've downgraded Albermarle to SELL after disastrous stock price performance. I continue to like Germany's **Hochtief AG** (Frankfurt-HOT), a play on U.S. and European infrastructure and real estate. Hochtief maintains a shareholder policy of paying out 65% of operational net profit as dividends and supports a stock repurchase plan.

Eric Naimer Roseman
Montreal, Canada
May 8, 2025

Security	Listed	Symbol	Entry Price	Date	Current Yield	Current Price	Gain/ Loss	Advice
iShares MSCI Brazil ETF	AMEX	EWZ	$26.57	May 6/25	7.44%	$26.57	NEW	BUY
Hochtief AG	XETRA	HOT	€ 154.30	Apr 1/25	3.12%	€ 167.60	17.85%	BUY
iShares Global Clean Energy ETF	NASDAQ	ICLN	$11.37	Apr 1/25	1.78%	$11.93	4.93%	BUY
iShares MSCI Hong Kong ETF	NYSE	EWH	$18.35	Nov 5/24	3.98%	$18.20	1.09%	BUY
Rio Tinto Group	NYSE	RIO	$64.71	Apr 2/24	6.75%	$60.16	-4.30%	BUY
abrdn Physical Palladium Shares ETF	NYSE	PALL	$89.81	Jun 28/24	0.00%	$88.09	-1.92%	BUY
Energy Select Sector SPDR	NYSE	XLE	$86.74	Feb 7/23	3.55%	$80.55	0.44%	BUY
ConocoPhillips*	NYSE	COP	$67.56	Sep 29/21	3.56%	$88.12	43.95%	BUY
Albemarle Corporation	NYSE	ALB	$61.01	Sep 4/19	2.79%	$57.56	8.48%	SELL
Apple Inc*	NASDAQ	AAPL	$23.20	May 9/16	0.50%	$199.32	789.17%	HOLD
Wheaton Precious Metals	NYSE	WPM	$22.78	Jun 5/19	0.76%	$84.28	283.21%	HOLD
Newmont Corporation*	NYSE	NEM	$17.99	Dec 31/15	1.89%	$53.70	256.39%	HOLD
Berkshire Hathaway*	NYSE	BRK.B	$197.73	Aug 5/19	0.00%	$513.28	159.59%	HOLD
HSBC Holdings plc	LSE	HSBA	£4.74	Nov 9/22	5.69%	£8.44	137.90%	HOLD
Zurich Insurance Group	VTX	ZURN	CHF 411.20	Oct 4/22	4.38%	CHF 593.60	93.89%	HOLD
Nestlé SA*	VTX	NESN	CHF 65.15	Dec 7/16	3.41%	CHF 87.92	92.15%	HOLD
Microsoft Corporation	NYSE	MSFT	$256.72	Jul 5/22	0.72%	$433.92	71.82%	HOLD
iShares Russell Top 200 Value Index	NYSE	IWX	$52.46	Jan 2/18	1.88%	$79.61	71.41%	HOLD
Alphabet Inc.	NASDAQ	GOOGL	$104.65	May 5/23	0.49%	$162.72	56.06%	HOLD
The Southern Company	NYSE	SO	$66.47	Dec 7/21	3.16%	$91.42	50.08%	HOLD
AbbVie Inc	NYSE	ABBV	$140.24	Nov 30/23	3.25%	$193.68	44.87%	HOLD
WisdomTree India Earnings Fund	NYSE	EPI	$32.42	Mar 3/23	0.27%	$45.50	40.90%	HOLD
Lazard Global Listed Infrastructure Portfolio	NASDAQ	GLIFX	$14.04	Aug 4/20	2.47%	$17.39	36.77%	HOLD
Cameco Corporation	NYSE	CCJ	$38.55	Sep 5/24	0.24%	$45.88	19.30%	HOLD
Vanguard Small Cap Value Index Fund	NYSE	VBR	$157.50	Oct 2/23	2.34%	$182.07	18.82%	HOLD
Uber Technologies, Inc.	NYSE	UBER	$74.03	Nov 5/24	0.00%	$84.57	14.24%	HOLD

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