

“LEAN ON ME”

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By Brahm Satov

As we approach the end of the calendar year, it is often a time to reflect. I recently did a seminar here in our offices, and have to wholeheartedly thank my family and Paul, who not only set-up, but helped in so very many ways, and for everyone who attended with more than gracious patience, very much appreciated! I was under the weather and did my best to carry on, but sometimes we need someone to lean on. If I am being honest, I am not entirely comfortable leaning on others, but I do feel comfortable when others lean on me. I believe the original. “Lean on Me”, was recorded by Bill Withers in 1972.

Let’s take a moment to reflect on the things that worked and the things that didn’t work in 2024. One sector that worked well in 2024 was gold, with bullion rising by approximately 30% over the past year and the gold stocks, still did well, but in general not quite as well. Since gold companies see margin expansion with rising gold prices, this sector may play catch up into 2025. Silver bullion also rose by just about 30% and silver stocks pretty much kept pace, so the precious metals sector turned in a very good year. The stock markets also performed well with returns that were not quite as high, but still much higher than I expected. The Canadian bond markets lagged over the past year, showing only slightly positive returns pretty much across the board. Currencies also performed well especially when compared to our Canadian dollar. The USD was up better than 6% for the year and if you tack on a 1 year T-Bill that would equate to a nice safe 10% return for the year. Some may want to consider holding some safe haven currencies as part of their investment portfolio for the coming year, especially if they have not only valuation concerns, but also geopolitical.

I have been saying for quite some time that the leading indicators are flashing yellow and that stock markets, especially US markets, are overvalued, and yet we have seen the stock markets charge higher. With the governments injecting massive amounts of liquidity into the system, bubbles can be expected. I'm not sure how long this can go on and although stock bubbles are not altogether uncommon, they don't correct by going sideways. Look I don't know when we will see the next market crash, I just know that we should reduce risk as that probability rises. In fact, for those who have studied the markets and perhaps other math minded individuals, they may tell you that valuations are inversely correlated to forward returns. In other words, as the stock markets get more expensive, one can reasonably expect lower future returns. One of the things we discussed in the aforementioned seminar was the possible effects on the economy due to the upcoming change in the administration of the US. This included the possible tariffs and deportations. I would suggest that if you want to take advantage of what has been called the "Trump Trade", you may want to take heed to the adage, buy on rumor sell on news. In other words, reduce risk and sell into market strength. Taking profits is usually not a bad idea. As I reflect on the year, I would like to thank our entire team as well as all of those that lean on us.

Thank you for taking the time to read this, please feel free to e-mail me any feedback or comments.

Sincerely,
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