RESEARCH CAPITAL CORPORATION
Susan Howson

After all the talks, pros, cons, and maybes, it finally happened, scheduled for Tuesday February 4, 2025.

Mr. Trump issued executive order which imposes 25% tariff on Canadian and Mexican goods, 10% on Canadian oil, and 10% on China.
He claims the tariffs are here because Canada and Mexico are not doing enough to stop illegal migrants into the U.S. and are allowing fentanyl that is killing Americans to pass through their borders.
As of this writing, Mr. Trump has spoken to the President of Mexico MS Sheinbaum and the tariffs there are postponed for a month while further negotiations are ongoing.
Nothing reported regarding Canada, but it is evident that negotiations are possible.

I am sure you have already heard about the U.S. tariffs and the Canadian government and provinces' response to them. There is much in the press and on social media.
Bye US and Buy Canadian. When considering your actions, some research is required to be sure you do not impact your fellow Canadians, as some US companies do have plants in Canada, e.g. Heinz did come back to and is producing ketchup in Quebec.

How does the trade war affect your portfolio?
The markets had already been reacting to the threat of tariffs with the Canadian dollar declining and the S&P/TSX dropping in December, rallying at the beginning of January, then going sideways waiting for the executive order to happen.
The Canadian situation is made worse due to Mr. Trudeau resigning and parliament prorogued. To compound the situation, Mr. Ford calls for a provincial election.

As stated in my last letter, due to political actions there is the potential of inflation returning or a recession in 2025. It will be a volatile year.

There are economic cycles, inflation to recession, and back again. Since 1970 there have been eight severe market declines and there will be more in the years to come.

Despite these periods of stock market volatility, the markets regroup and continue to move upwards. Companies continue to increase earnings and dividends. Early December, the S&P/TSX, Dow Jones and S&P 500 reached all-time highs.
We are not trading or speculating in the choice of investments and thus can look past the noise and confusion of current events. I work to develop a portfolio for your future. What we all need to consider is what a realistic, sustainable expectation for returns on investments is. Over the long term, statistics indicate 4-6%, excluding dividend increases, is reasonable. There will be years such as 2000, 2008, 2015 and 2020 where markets will be in negative territory, and years like 2024 that are stellar, and over the long term it smooths out to an upward line.

As 2025 unfolds, we will continue to monitor the economic conditions, tax issues (capital gains tax proposed but not passed into law and may be a non-issue with Mr. Trudeau resigning), and your future needs to ensure that your portfolio continues to be diversified and the companies that we invested in will be able to ride through the forthcoming political and economic cycles. Stay fully invested (or close to it). Equities over the long term are the best place to be – they are tax-efficient and generally good for growth in capital and income.

Below are some charts, courtesy of Mackenzie Investments, that give a visual representation to my comments.

As always, if you have any questions or concerns, please do not hesitate to contact me or Rosemary by phone or email.

The market has faced many economic downturns over time

Historically, despite many periods of increased volatility, markets have remained resilient.

S&P 500 INDEX (USD) – TOTAL RETURN

Source: Morningstar Direct, as at January 31, 2024.

These downturns can create an emotional rollercoaster

It's not easy for investors to manage their emotions. There is a tendency to get excited and buy just as markets are set to decline, and to panic and sell just as markets are set to recover.

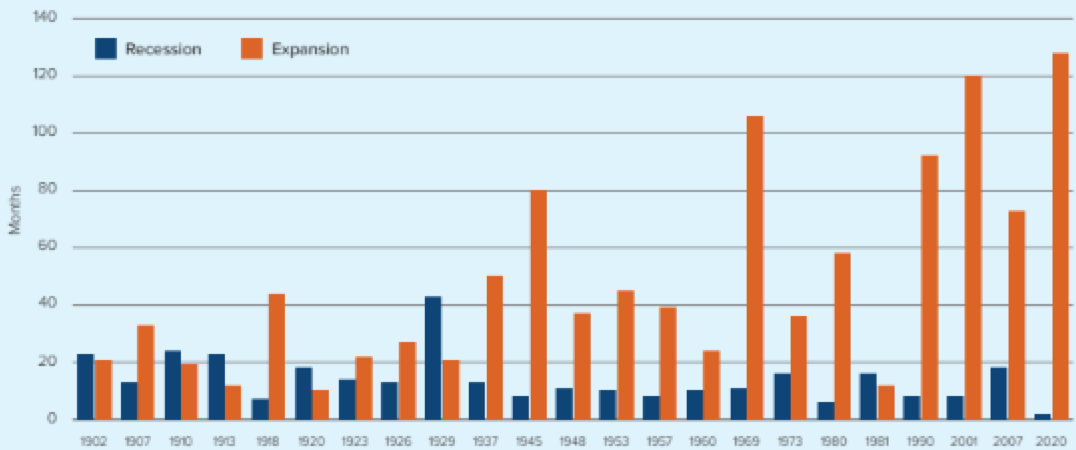
S&P 500 INDEX (USD) – TOTAL RETURN

Source: Morningstar Direct, as at January 31, 2024.

Recessions, while unsettling, are usually short-lived

The good times (economic expansion) usually last much longer than the bad times (economic recession).

LENGTH OF RECESSIONS AND EXPANSIONS – SEPTEMBER 1902 TO APRIL 2020



Expansion is the number of months from the previous trough to latest peak.

Recession is the number of months from the peak to the trough of the market cycle.

For example March 1991 to March 2001 was an expansionary period lasting 120 months.

Source: National Bureau of Economic Research

Bulls outrun bears since 1942

The average length of a bull market is much longer than a bear market, where gains in a bull market often far exceed losses in a bear market.

	Average duration	Average return
Bull	56	137%
Bear	15	-29%

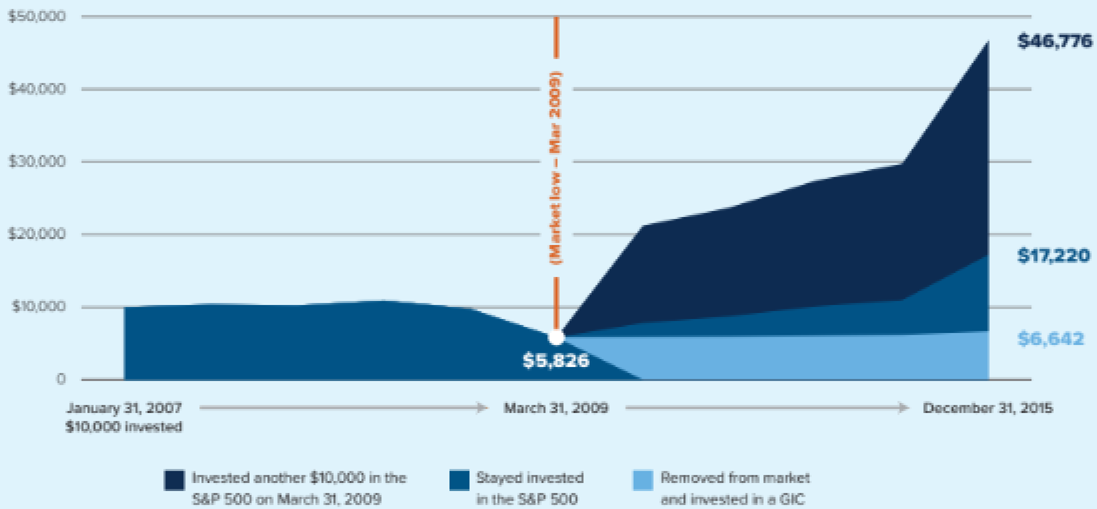
S&P 500 INDEX RETURNS

Source: Bloomberg January 31, 2024.
Local currency; price only returns. A bull (bear) market is defined as a prositive (negative) move greater than 20%.

Avoid trying to time the market

It's virtually impossible to know when markets will rebound. Trying to time the market may sometimes look like a smart move, but your long-term investment performance will likely be worse than if you had simply stayed invested through the bad times.

GROWTH OF $10,000 – S&P 500 INDEX

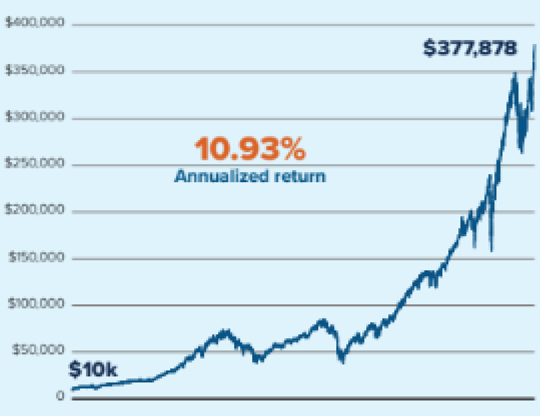


Source: Bloomberg, January 31, 2009 – December 31, 2015
Unlike mutual funds, the returns and principal of GICs are guaranteed.

Markets eventually recover despite volatility

Staying the course is of the utmost importance during periods of volatility as it has historically enabled investors to fully recover from these periods and achieve their long-term investment goals.

GROWTH OF A $10,000 INVESTMENT, 1989-2024
S&P 500 Index (USD) – Total Return



Crisis	Market low	1 yr later	2 years later
The Korean War	13-Jul-50	31.70%	49.70%
Cuban Missile Crisis	23-Oct-62	36.50%	59.20%
JFK Assassination	22-Nov-63	23.90%	31.60%
1969 to 70 Market Break	26-May-70	43.70%	59.70%
1973 to 74 Market Break	6-Dec-74	33.50%	59.30%
1979 to 80 Oil Crisis	27-Mar-80	37.10%	14.00%
1987 Stock Market Crash	19-Oct-87	23.20%	54.40%
Desert Storm	11-Oct-90	29.10%	36.30%
Soviet Coup D'état Attempt	19-Aug-91	11.10%	21.20%
Asian Financial Crisis	2-Apr-97	49.30%	72.50%
Sept 11th	21-Sep-01	-12.50%	7.30%
Dot-com Bubble crash	9-Oct-02	33.70%	44.50%
Invasion of Iraq	11-Mar-03	38.20%	49.90%
North Korean Missile Test	17-Jul-06	25.50%	2.10%
Subprime Mortgage Crisis	9-Mar-09	68.60%	95.10%
US Debt Rating Downgrade	3-Oct-11	32.00%	52.20%
Crimea Annexation	3-Feb-14	17.70%	9.80%
China Yuan Devaluation	11-Feb-16	26.60%	43.20%
2018 Global Recession Scare	24-Dec-18	37.10%	57.50%
COVID-19 Pandemic	23-Mar-20	74.80%	99.20%
Average		33.00%	45.90%

Source: Morningstar Direct / Bloomberg. As at January 31, 2024.
Snapshots in time of significant negative impact international events from 1950 to March 2020, and the subsequent change in market value from the S&P 500 Index.

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