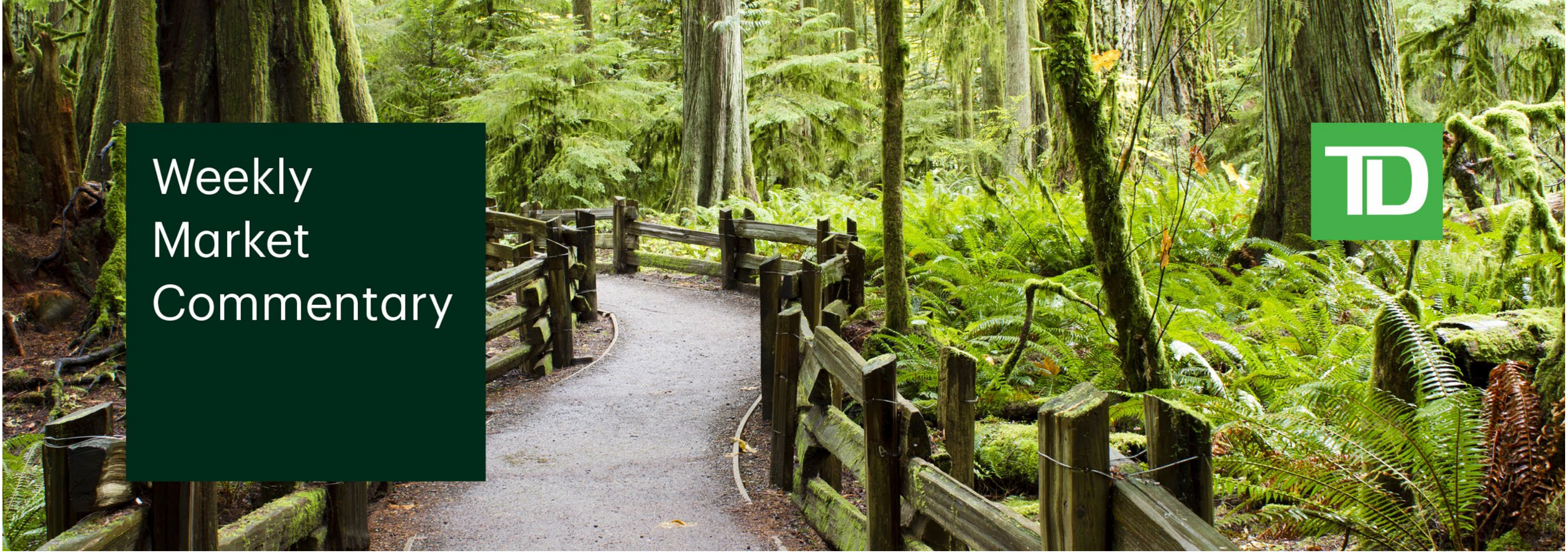

"The best way to get a bad law repealed is to enforce it strictly."
Abraham Lincoln.

Next week's earnings releases of note:
KB Home (KBH); FedEx Corporation (FDX); Micron Technology (MU); General Mills Inc. (GIS); Levi Strauss & Co. (LEVI); Nike Inc. (NKE); Walgreens Boots Alliance Inc. (WBA).

Ideas List:
Silver through PSLV (Canada) and SLV (U.S.)
Generac (GNRC)
Lululemon (LULU)
Suncor (SU)
Invesco Oil & Gas Services ETF (PXJ)
Advanced Micro Devices (AMD)

Ideas List:
I've taken Nvidia (NVDA) off the Ideas List this week due to price appreciation. I've left Advanced Micro Devices (AMD) on as analysts are starting to increase their price targets again.

Housekeeping items:
No changes this week.

General:
I'll condense the next four paragraphs here for those who don't want to wade into the weeds of the current political and economic climates. As costs rise across the economic landscape due to President Trump's tariff/trade policy, persistently higher interest rates, a waning employment picture and higher energy costs from a new outbreak of violence in the Middle East, businesses and consumers alike will likely have to make more focused decisions about where and how they spend. With the S&P 500 back to a valuation that is above the 5-year and 10-year averages, and top-line revenues (sales) in decline, investors are going to have to be much more discerning about where to place their investment dollars. Supporting that notion, Bill Nygren, Portfolio Manager at Oakmark

Funds, noted that the average price-to-earnings (P/E) ratio for the top 100 companies in the index is approximately 40X whereas the P/E for the bottom 100 in under 12X. My take is simple, don't chase this market higher and look for bargains/weakness before adding or starting new positions (Source: CNBC, Friday, June 20, 2025, 7:25AM).

The Q2, 2025 earnings season gets underway next week with global logistics company FedEx (FDX) on June 24 followed by global retailer Nike (NKE) on June 26. While the bulk of the earnings parade comes between mid and late-July, these two companies can provide important insight into the state of global commerce. Analysts expect the S&P 500's revenue growth (top-line sales) to come in at 4.1% which is below the 5 and 10-year average growth rates. They also expect net profit margins (bottom-line earnings) to come in at 12.3% which is above the 5 and 10-year average growth rates. How does a company have a better bottom line when its top line is contracting? The two largest costs for most companies are wages and energy. The easiest of the two to manage is wages. The easiest way to cut wages is to cut workers from your payroll.

U.S. wage growth spiked in 2022 following the pandemic. It has been on a downward trajectory since then and has now approached levels last seen just before the country fell into recession in late 2008 at the commencement of the Great Financial Crisis (GFC). From 2002 through 2008 the average growth rate of wages in the U.S. was around 4% per year. U.S. jobless claims and the unemployment rate have been historically low for the past several years, but the jobless data has been ticking up again recently. Finally, outstanding unemployment claims are near their 3-year high. So, companies look like they are beginning the process of lightening up on workers to reduce costs and maintain margins (Sources: FactSet, "Earnings Insight – June 13, 2025", John Butters; www.bls.com, " Civilian Unemployment Rate, seasonally adjusted", May 2025; Trading Economics, "United States Initial Jobless Claims", June 14, 2025).

What's the point of all this data? The Federal Open Market Committee's (FOMC or the Fed) primary task is to foster economic conditions that achieve both stable prices and maximum sustainable employment. The Fed's two basic decision-making triggers are the paces and trends of inflation and employment. President Trump's trade/tariff policies will likely increase inflation. Whether it will be a one-time hit to the economy, or a longer more drawn-out process will depend on how quickly he is able to get deals and bring tariff levels back to pre-Liberation Day (April 2, 2025) levels. He announced a colling-off period to encourage countries to come to the table and negotiate. That ends on July 9. While there are still just over two weeks before that moratorium ends, it doesn't look like the negotiations are moving forward, generally. He now also has his hands full with a major conflict in the Middle East between Israel and Iran. So far, that conflict has seen the price of oil (recall that other major cost to the economy I mentioned above) rally 25% since June 6, now back above levels seen on April 1, 2025, the day before Liberation Day. As I have also noted, the conflict between Iran and Israel is existential for both countries and not likely to be resolved swiftly.

The Fed announced that it would "stand pat" on U.S. interest rates this week, maintaining the 4.25%-4.50% level it has for all of 2025. In his press conference, following the announcement, Fed Chair, Jerome Powell, noted that risks to inflation remain to the upside and that, while uncertainty has diminished since the last Fed meeting, it remains elevated. The committee's greatest unknown continues to revolve around the impacts from the President's tariff policy. Following the Fed's press conference, DoubleLine Capital Founder and CEO, Jeffrey Gundlach noted that the signals for a pending recession in the U.S. have been tripped as well. Bottom line? The President needs to reverse course on his trade/tariff policy soon or he risks pitching the American economy into recession (Sources: CNBC, June 18, 2025, 2:00PM through 3:30PM).

Economic Data – U.S.
Next week we will see services & manufacturing PMI, existing home sales, the S&P Case-Shiller home price index, consumer confidence, new home sales, trade balance in goods, retail & wholesale inventories, initial jobless claims, durable goods orders, pending home sales and, most importantly, the PCE and Core PCE indices.

Inflation Indicators
No data reporter this week.

Productivity Indicators
Industrial production for May: Actual: -0.20%, Expected: -0.10%, Previous: 0.10%
Capacity utilization for May: Actual: 77.40%, Expected: 77.70%, Previous: 77.70%
Business inventories for April: Actual: 0.00%, Expected: 0.00%, Previous: 0.10%
Empire State manufacturing survey for June: Actual: -16, Expected: -6, Previous: -9.2
Building permits for May: Actual: 1.39 million, Expected: 1.42 million, Previous: 1.42 million

Treasury/Trade Indicators
Import price index for May: Actual: 0.00%, Expected: -0.10%, Previous: 0.10%
Import price index minus fuel for May: Actual: 0.30%, Previous: 0.40%

Sentiment Indicators
U.S. retail sales for May: Actual: -0.90%, Expected: -0.60%, Previous: -0.10%
Retail sales minus autos for May: Actual: -0.30%, Expected: 0.10%, Previous: 0.00%
Initial jobless claims for June 14, 2025: Actual: 245,000, Expected: 246,000, Previous: 250,000
Home builder confidence index for June: Actual: 32, Expected: 35, Previous: 34
Housing starts for May: Actual: 1.26 million, Expected: 1.35 million, Previous: 1.39 million

Markets
Investor sentiment has backed off significantly over the past week. The new conflict in the Middle East, sticky inflation leading to higher interest rates and uncertainty about the upcoming earnings season have investors backing off. This hasn’t led to a major pullback in stocks, but there is a clear plateauing in the S&P 500 going back to June 5. I believe that the Q2, 2025 earnings season will have to see meaningful outperformance across important sectors like industrials, communications services and financials to keep the

momentum going. Important dates to watch are June 24 and 26 (FDX and NKE earnings reports), July 4 (first expected date for the Senate to vote on the Big Beautiful Bill) and July 9 (President Trump's 90-day moratorium on tariffs ends). At this time, only FDX and NKE's earnings dates are visible. I suspect that we will not see the Senate vote until later in the summer, likely as the U.S. closes in on the next debt-ceiling limits in August. Whether President Trump moves out his moratorium date or not is also unclear, though I suspect he will make concessions given how few deals have been inked so far. Altogether, this makes me expect more volatility ahead for investors. And with markets near all-time highs, more volatility likely equates with lower market levels.

Commodities and Currencies

The price of gold continues to hang out around US$3,400/oz this week. The price action over the past two months suggests a break higher is more likely.

Though the price of oil is back to higher-than-average levels of the last year, it is not back in the $80s. We could see a reverse back towards the low $60s should the conflict between Iran and Israel abate soon. The longer the price of oil stays elevated, the more damage to the global economy.

The Loonie moved a bit higher this week, hitting US$0.735.

The S&P/TSX Composite Index closed 26496.43, down 7.92 points, or 0.03% over the past week.

The Dow Jones Industrial Average closed at 42206.02, up 8.23 points, or 0.02% over the past week.

The S&P 500 Index closed at 5967.80, down 9.17 points, or 0.15% over the past week.

The NASDAQ closed at 19447.41, up 40.58 points, or 0.21% over the past week.

The Russell 2000 Index closed at 209.22, up 0.33 points, or 0.16% over the past week.

The U.S. Corporate High-Yield spread closed at 587.72, up 0.14 points, or 0.02% over the past week. (Note: A decrease is a positive for this measure, vice versa)

The price of GOLD closed at U.S. $3380.70, down $70.60 or 2.05% over the past week.

The price of OIL closed at U.S. $74.04/barrel, up $0.39 or 0.53% over the past week.

Source: Marketwatch.com June 20, 2025 for Economic Data

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