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"You only have to do a very few things right in your life so long as you don't do too many things wrong."

Warren Buffett

-American Businessman-



Chris Ballanger BA, B.Ed, MA

Senior Wealth Advisor

T: 647.798.4075

Chris.ballanger@raymondjames.ca

**Intelligent Money
Wealth Management Group
of Raymond James Ltd.**

1900 - 200 King Street West

Toronto, ON

M5H 3T4

[Visit Our Website](#)

Canada Day is often seen as a time to reflect on our country's past as well as its future. This month's **Raymond James Insights and Strategies** report explores the topic through an economic and financial lens. A significant number of economists and writers have noted that Canada, while still one of the wealthiest countries in the world, is trending poorly in productivity over the last decade or so. As measured by GDP per capita, our country has stalled at levels no higher than 2014 and the pundits who follow this data suggest that our future living standards could be negatively impacted if this is not reversed. In the research piece (the full version available as a PDF), the authors take a deep dive into the issue and highlight some of their observations about the potential culprits behind our lagging productivity. One of the main factors, they argue, is a lack of business investment and at its core, a shortage of competition that favours large dominant incumbents and stifles business investment. Considering this current environment, the report also underlines the need for investors to diversify away from Canada and provides a number of methods to do this. With financials and resource sectors making up over 60 per cent of the TSX, staying primarily in Canada with investments greatly limits exposure to growth sectors like health care and technology. Canadian Deposit receipts (CDRs) are a newer, innovative way to own many U.S. stocks for investors concerned about currency risk. For those who have U.S. dollars to spend and would like to own international names, American depository receipts (ADRs)

are a common way to invest in many European or Asian companies. Pivoting away from stocks, the report also discusses fixed income alternatives such as GICs. It also introduces target bond ETFs, a recent offering that appears to combine the diversification benefits of ETFs with the predictable mature aspect of individual bonds, and I suspect they will gain increasing interest amongst the financial media and investors alike.

As politicians struggle with jump starting our flagging productivity, we have seen announcements for billions of dollars of government subsidies to stimulate a Canadian EV battery industry. Is this a good use of tax-payer dollars? In last month's **Financial Post** article, William Watson argues it is not a sensible approach and provides seven reasons why industrial policy is not a sound strategy overall. Amongst the arguments he lays out, several behavioural traits common in actual human beings seem to stand out. Overconfidence can be seen in his first point which is "we are still not as smart as we think are" and our tendency to follow the crowd is very evident in his "policy makers run in herds off cliffs" assertion. Even tendencies such as self-interest can be observed in his "building a nation of rent seekers." He suggests that innovation is not well-served when the bigger rewards are accrued by lobbying government for funds rather than creating new economic activity.

In last month's newsletter, a **Bloomberg** piece raised the impact of AI data centres and grid electrification on the rapidly increasing need for power. In the move towards a net zero power grid, many experts think that nuclear energy will be needed to fill that shortfall, at least until technological innovation provides a better non-carbon emitting alternative. In Canada and abroad, small modular reactors are gaining political interest as a potential solution. **Visual Capitalist** joins us with a factoid that illustrates which countries are currently the largest producers of nuclear energy. The U.S. is the clear leader but despite this, only gets about a fifth of its energy from these power plants. In France, conversely, over 6 per cent of its power demands are met with nuclear. Canada is 6th, ahead of much larger countries such as Japan, Germany and the U.K. Interestingly, China which has rapidly expanded nuclear power production, interestingly still only provides about 5 per cent of the country's needs from this source.

Raymond James Insights and Strategies: Connecting the Dots on the Productivity Problem



Canada is in the midst of a productivity problem that even the Bank of Canada's senior deputy governor labeled an "emergency." Recently, there has been a surge in headlines featuring the term "productivity," capturing people's attention, but what does that really mean, and what are the impacts to the financial markets and even the standard of living for Canadians?

Productivity: The Main Driver of Living Standards and Long-Term Business Profit Growth

To better understand the significance and critical impact of productivity on an economy, let's start with something more familiar: GDP, or Gross Domestic Product. GDP represents the total value of all goods and services produced within a country's borders. When divided by the country's population, it gives us "GDP per capita" which is also commonly used as a proxy for the standard of living within a country. While it may not be completely fair to directly compare GDP per capita between countries in all cases due to varying costs of living, we can make adjustments for purchasing power, and it can be applicable in measuring the trending of standard of living within a country over time.

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Financial Post: Seven arguments against industrial policy

The New York Times ran a [story](#) last weekend on the supposed mystery of how China has got way out ahead of western countries on the industrial policy that is almost as popular these days as Taylor Swift. Huh? What mystery? If you want to do top-down allocation of economic resources, there's nothing like 75 years of totalitarian dictatorship to get you warmed up for it. The question is whether it will work in the long run. My bet is no.



China's astonishing — but then again not really surprising — economic success in the last quarter of the 20th century came only after it gave up serious top-down economic planning and exposed its skilled, talented and big population to economic incentives that finally, after 40 years of communism, allowed it to profit from its people's own effort and imagination.

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Visual Capitalist: The World's Biggest Nuclear Energy Producers



Scientists in South Korea recently broke a record in a nuclear fusion experiment. For 48 seconds, they sustained a temperature seven times that of the sun's core.

But generating commercially viable energy from **nuclear fusion** still remains more science fiction than reality. Meanwhile, its more reliable sibling, nuclear fission, has been powering our world for many decades.

In this graphic, we visualized the top producers of nuclear energy by their share of the global total, measured in terawatt hours (TWh). Data for this was sourced from the **Nuclear Energy Institute**, last updated in August 2022.

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Raymond James | 200 King Street West Suite 1900 | Toronto, ON M5H 3T4 CA

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