

Canada's Upcoming Election: Who Holds the Trump Card?

Speaker Key:

DP	David Pett
KM	Kevin McCreadie
JC	John Christofilos
SR	Scott Reid

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00:00:00	DP	Welcome to AGF Inside Perspectives. Gentlemen, welcome back to season six. Can you believe it's season six?
00:00:01	DP	Welcome to AGF Inside Perspectives. Welcome, Kevin, John.
00:00:07	KM	David, how are you?
00:00:07	JC	David.
00:00:08	DP	Good to see you again, fresh off our big win at the 4 Nations. Nice job. John, I heard rumors that you actually went to Montreal. Is that true?
00:00:17	JC	I did. I went to Montreal for the Saturday night or Saturday afternoon and Saturday night games. Saturday afternoon, Sweden-Finland, which is a bitter rivalry, a great game there. And then, Saturday night with my son, watched Canada-US. Off to a great start in that game, as many of you remember, a bit of WWF entertainment, and then we scored an unbelievable goal by Connor McDavid and then the Americans took over at that point. But, anyways, the end result was the right result from my perspective, so all good there.
00:00:48	KM	I'm now a proud Canadian citizen. I went to the final game the other night.
00:00:52	DP	Oh, I didn't know that.
00:00:52	KM	When I was in Boston. Proudly rooted for the Canadians with one of my American colleagues sitting next to me. I've never seen this much unity in this country in the ten years I've lived here.

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00:01:02	DP	There you go. Do you guys know what day it is today? Any ideas? It's February 26th, just to set the record straight, but it's National Letter to an Elder day. So your letters are in the mail, guys.
00:01:17	KM	Ouch.
00:01:17	DP	But that's not it. It's also National Set a Good Example Day, it's National Tell a Fairy Tale Day, and National Pistachio Day. But it's also anti-bullying Pink Shirt Day, Levi Strauss Day. and For Pete's Sake Day. So, of all those days, guys, which one resonates with you most?
00:01:38	JC	Well, I sit on a trading desk, so I hear a lot of fairy tales all day long from my counterparties on the other side. So I take a little bit of pleasure in that day, for sure. And then I'm very proud of the anti-bullying and Pink Shirt Day. Those are great things that we should recognize.
00:01:54	DP	Absolutely, and I see that Kevin's got a pink tie on today, so he's all for it.
00:01:59	KM	I agree with John. We're in a world that maybe needs a little less bullying. Never needed it, but we need less more.
00:02:06	DP	There you go. So the farthest from a bully is our guest today. We're welcoming back Scott Reid. As many of you know, we spoke to Scott in December. He's a political commentator, a former political strategist, and all-around great guy who's also, we learned, an Argos fan, a big Argos fan. Or maybe not an Argos fan. A CFL fan, for sure. All right. So, without further ado, let's get into it.
00:02:40		All right, Scott. Thanks for coming and being with us again today. It's a pleasure to have you here. I can speak for Kevin and John on that front. The last time we were here in December was part one, if you will. We talked a lot about the upcoming...
00:02:52	SR	Of a nine-part series, I think, right?
00:02:54	DP	That might be it.
00:02:55	SR	And then the world will explode in exhaustion.
00:02:57	DP	That's right. So we talked a lot about the upcoming federal election and what a difference two months makes. I feel like the landscape has changed

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		completely. We're going to get into that, obviously, today. But first, maybe we'll start, as we always do, with a bit of a market recap from Kevin and John. Kevin, I'll start with you. Tell us what's been going on over the last month or so.
00:03:19	KM	Yes. I think you've got to look at everything in that mid-January timeframe pre the US inauguration. We led into January coming off a good December on this idea that the US was going to be this very pro-business, deregulatory world, new fiscal spend with great tax-cutting. And we sit here a month after the inauguration. A lot of that has faded. I think what we look at now is, there's a potential for all that which was labelled as growth to something that is a growth scare here.
00:03:50		Let me just run through it real quick. Some of those trades... Think about crypto. This was going to be the great crypto reserve. This was an administration that was embracing it, deregulation around it. Crypto, depending on which one you look at, is down 17% in 30 days. I can go through a whole bunch of them. Part of this is, some of the policies have just... I think that people said, hey, he's not going to really do all this stuff.
00:04:14		The stuff that's gotten done first, obviously, are the things that are more negative. Every time you mention tariffs, the market takes a big, deep breath. We've done that for a month now and we're about to be in the place where it's going to get real again as we head to March 4th, which we can talk about, which is Canada and Mexico back in the targets. But that's not good. People worry about inflation. You see it in the confidence data. John and I and our PM teams talk about confidence all the time.
00:04:44		It is the cheapest form of stimulus. If you feel good that you have a job, that you're going to get a wage increase, that prices are in control, and your retirement fund is doing okay, you go out and spend. You go out to dinner. If you fear that stuff, the opposite side of it... Take the case of the great DOGE experiment or cost-cutting at the federal government level. There's a lot of people that will be laid off, a lot of people fearing getting laid off. If you fear that, you're not running out and spending on things.

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00:05:13		If you're an immigrant in living in one of those communities that you're worrying about getting deported, you're probably sheltering at home. You're not running out in retail and restaurants and spending. So we can go through all of these pieces and some of these policies and the good stuff we're supposed to get. Tax cuts is harder and harder to get to. You're seeing a budget fight that's ongoing now in the US to try to get that done. So I think the world has woken up to it.
00:05:38		Then, lastly, obviously, and we could talk about it, tariffs around the world are causing great indigestion, depending on where you sit, about what inflation could look like, and what the prospects of growth are going to look like. If your good that you make in your home country faces a massive tariff and the demand for that goes away, you're going to go into a recession in some places.
00:05:58		So I'd say, 30 days later, we're now facing the opposite, which is, maybe the reality is coming home for people. And that has left the market still positive here today, but we've given up a lot in 30 days on the back of some of these emerging what growth really means or growth scare could look like.
00:06:18	JC	So, a couple of themes, David. Coming into the year, I thought there was a negative connotation to the market because we come off of two back-to-back 20-plus years.
00:06:27	KM	And we share that data [?].
00:06:28	JC	Yes. But we started out okay. The market was vibrant. The volumes were good. People were invested. But there's two things that we all expected to happen that haven't happened yet. One, that President Trump's mandate would be pro-market. It hasn't been, not yet anyways. To Kevin's point, we've seen a lot of the cryptos and the S&Ps of the world right back to where it was back in November, if not lower, number one.
00:06:52		Then, two, the M&A calendar, mergers and acquisitions calendar, we all thought was going to be vibrant and there'd be deals left, right, and center. It's not come to fruition at all. People are not stepping up and doing as many deals as the market expected it to do. And the third is capital allocation. Kevin's touched on this in

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		previous calls and the like, but Europe, they're all up. Every market is up double digits.
00:07:15		So we may be seeing some capital flight leaving US or North America generally speaking and moving to Europe because of the fear of tariffs or anything else that might be happening. So there's been a couple of disconnects that we were all expecting to happen that have not happened as yet. It's still early. There's 202 weeks to go in President Trump's tenure as president and we'll see if it comes to fruition. But, right now, we're not seeing what we expected to see.
00:07:41	KM	And we're not even talking about the things that I think have long tails into history, some of the policy moves on the geopolitical front with Russia and other people, which have a really long tail. There'll be an immediate event with this debate around Ukraine, etc., but the long tail of what just happened is not to be known for a long time about how policies are going to shift between the West.
00:08:03		So I'd say I think that unsettles people as well. The one we can identify, to John's point... I look at business confidence at this point. No one's spending money. No one can commit to capex if you don't know what the tariff rules are going to be. So, either side of any border right now, you're seeing businesses sit there, a bit paralyzed.
00:08:20	SR	I find this personally mind-boggling. Given how much geopolitics affects markets, how market experts evaluate geopolitical risk to me is, in all honesty, a gigantic question mark. Because I feel like when I listen to you guys, I'm like, the dog was growling, it told us it was going to bite, and the world's reaction was, well, let's put our hand in its mouth. Actually, let's grab our wallet and put our wallet in the dog's mouth and now I'm astonished that it's biting.
00:08:51		In fact, if we want to be even more pessimistic about the outlook, this is an apprehended growth threat. The tariffs haven't actually come into force. He hasn't actually declared war yet. Well, he's declared his intention to declare war. Once war is declared and underway with Europe, with Canada, with Asia, with China, then I wonder, what will the effect be then? You talk about capital flows.

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00:09:17		If I'm a CEO, how in the name of Pete, to come back to your day, do I go to my board and say, I want to recommend an M&A, or, I want to recommend a massive investment of capital rather than dividend, or, rather than some other allocation of that capital, I want to do a massive investment? Everybody on your board is surely going to look at you and say, are you a madman? We have no idea what the rules of the game are. We can't even figure out what the game is. So I have one specific question for you guys.
00:09:46		In that context, what happens from a currency perspective? Massive capital flows, all this chaos, trade disruption, economic, macroeconomic... Is the United States' status as the reserve currency... Does that come at risk? If it is, what's the reserve currency? Do I buy gold, as I joked last time we were here? Do I buy crypto? Do I beat up my weakest neighbor and take their stuff? How do I react?
00:10:12	KM	Yes. I want to address two things you mentioned on this, Scott. One is, you can't make decisions in this environment. No business owner anywhere or board is going to leap into something, into this unknown, not knowing what the rules are going to be. So you see that pullback. On the currency side, it's interesting. The new Treasury Secretary in the US has basically said, hey, we want to lower ten-year yields. We want to push the ten-year.
00:10:38		Well, no surprise, because corporations borrow, referencing the ten-year rate. Mortgages are priced off the ten-year rate. He wanted all this oil to be drilled because he wants to bring oil down because he believes, if I bring oil down, headline inflation comes down because gas prices come down. Then, lastly, they want a weaker currency. Guess what. They've gotten all three. But the other side of that is, you've gotten lower yields because people have gotten a little bit freaked out and said, I need to flight to safety and maybe get out of some of the riskier assets and buy bonds.
00:11:07		That drives, obviously, those yields down. So I think the currency issue is going to be interesting. People so far have said he is using it as a negotiating weapon. I think we're about to find out in the next couple of weeks where that turns into reality on things. So the currency is

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		weakened. In the first blush, when you start hitting everyone with tariffs, the US dollar will strengthen because everyone else's currency is going to get hit at the first blush.
00:11:37		The long-tail effect of that, Scott, is, to your point, what will be the reserve currency of the world? It will take a long time. It's not going to be a two-month, three-month, four-month thing. People will make different decisions marginally going forward. And part of this goes back to what we said. The geopolitical side of this and how the West feels what the US role is going to be will also determine the speed of that change. But it's not months. It's going to be over time, but it will...
00:12:04	SR	Isn't that a monster opportunity for China in a perverse way, given all of his rhetoric about China? We see them cutting a deal with Russia, so they're coming together more geopolitically, possible militarily. Then, on the currency side, you think, well, don't they look at that with big, feasting eyes and say, well, there's a huge opportunity for us to take the US's place?
00:12:23	KM	Look at what happened after the Ukraine war, sadly, three years ago. A whole bunch of countries never got behind the US and Europe on that and a lot of them were Latin American countries who sided with Russia. Look at India, sided with Russia. A lot of contracts are starting to be priced in local currencies other than the dollar or Russian or Chinese. But it will take time.
00:12:46	DP	We're obviously going to stick with this topic as we go forward, but let's put a finer point on things and talk a bit about the upcoming federal election. We still don't know when, but we know it's going to happen. Maybe, Scott, you can just lay out what does need to fall into place before that election gets...
00:13:06	KM	Yes. So we know, March 9th, there isn't a party election.
00:13:09	SR	That's right.
00:13:10	KM	So that's the first, I guess, domino in this that has to happen.
00:13:13	SR	For certain, yes. So we know, March 9th, the Liberals will select a new leader. Strike me dead with stupid lightning if it isn't going to be Mark Carney. So I think we can work, for the purposes of this conversation, on that fairly solid

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		assumption. Then, here's the political scuttlebutt. So you guys live in a world of finance. In the world in which I operate, everyone who has ever met Mark Carney, talked to somebody who talked to Mark Carney, watched Mark Carney on TV now declares with absolute authority, well, I happen to know they're going to be calling a snap election.
00:13:46		The second that he's installed, they're going to be moving quickly. All I would say is, probably a near-term election makes more sense for him, depending on the scenario. I'll come back to why. But it's no lock and the truth of the matter is, he's got a lot of discretion. If he can keep the house alive, if he wants to try to prorogue again, he could actually do that.
00:14:12		Now, people would howl and say, well, you haven't met the house and, as a new prime minister, you don't have a legitimate, independent mandate. The reasons for going early could be linked to the reasons that he's winning, which would be, you look at the polls. The liberals look dead, buried, forgotten. They look like they faced an almost existential crisis electorally.
00:14:34	KM	It was like a 20...
00:14:35	JC	26.
00:14:36	SR	Yes. Right. So you think...
00:14:37	KM	This was what, six weeks ago?
00:14:39	SR	Exactly. So, holy moly, right? So we've got an Ontario election based around Trump. We have Europe based around Trump. We have the prospect of a federal election happening around Trump. Then you've got Carney that emerges. When you put all those things together, you're seeing a shift in public opinion, we don't know how solid, we don't know how sustainable it is, saying, well, it looks like this next election is literally about the future.
00:15:03		The future is a job hire and we are hiring somebody to take on Trump and manage this issue of tariffs. Does that suddenly advantage Carney in a super-unique way? If it does and if he's got momentum, then the logic would be, bank the momentum. Call an election early while people are still in full-throttle excitement about you. Do your best because it ain't going to get better. If you give

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		the other guys time, they'll just spend money, knock down your image, knock down your prospects.
00:15:31	KM	Let me put the tariff thing back into this narrative. So, if I'm the US guys and March 4th was my date, March 9th is the election, I get a shot at one more time of taking on Trudeau and making him the whipping boy on tariffs. If I wait until after March 4 th or if I wait into March 10th, I'm dealing with probably, to your point, Carney. I'm not sure I want that if I'm those guys, I don't know. Then, if you wait longer, it could be Poilievre.
00:16:00		So it leads me, when I think about the things [unclear], if I'm on that March 4th date, I probably think the US has a good chance of probably standing by that date and taking this on here, knowing that if you wait a week, you're going to be dealing with a different hand.
00:16:19	SR	Right. I don't know how to read that personally. It pains me to say this as a Canadian, I guess. I don't think he thinks about us as much as we think he thinks about us. I don't think he's thinking about, which one of these guys do I want to... Whose watch do I want to impose this on? Trudeau? Carney? I think he's like, I woke up today and decided it's March 4 th and so it's going to be March 4th. So I do think, after a couple of delays... There's a scenario where he could cause another delay.
00:16:44		But that would most likely advantage the analysis that these are all just negotiating tactics with them. I personally believe that the dog wants to bite. I don't actually think it's a negotiating tactic. I think that he's going to do what he's going to do and so we might as well get to doing it. Then I think that that's going to position Carney as he comes in. He could be the purpose-built prime minister for this moment. I managed Brexit. I managed the 2009 crisis.
00:17:11		If you're looking to hire somebody who knows how to handle an aberrant, rampaging president in the United States, look around. You're not going to find anybody better qualified than me. That won't be everyone's analysis, but it's going to be a hell of a lot better than the 21% who were going to vote for Trudeau again.
00:17:26	JC	Hey, Scott, step back to Carney for a second. March the 9th, he wins. How does he govern without a seat in Parliament? There have been stories out there that he will

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		allocate that responsibility to LeBlanc and some of his insiders and he will strictly look at dealing with the US in this Trump ordeal. Or is there a way for him to get a seat in Parliament before he calls an election?
00:17:49	SR	Well, there's an even more basic question, which is, will we ever see Parliament under a Prime Minister Carney? Because he becomes leader, he then becomes prime minister. He'll be installed ten, 12 days later. He then is in complete control over the executive branch of government. So, from a legislative perspective, he doesn't need to have a seat. That doesn't affect his ability to be the leader of the executive branch of government.
00:18:10		There will be arguments about that, which is why, if he chose to prorogue the house longer, I think you would get more into a public debate, a partisan political debate, about legitimacy. But the very real prospect is, he'll form a cabinet. He'll announce what his priorities are. I'm giving you one scenario. This is the short scenario where he goes early. Early is the wrong word. He goes immediately, more or less. And he would say, this is my cabinet, this is my team, these are my priorities. You know what? We're not going to meet Parliament. It's still in prorogue.
00:18:39		But I'm going to give you, effectively, what would be my speech from the throne or, effectively, a budget. I'm going to actually detail this as a statement of government intent. So you know not just my campaign promises. You know, this is my governing doctrine, boom, and then you take that to the people and you say, that's my policy. Now, the risk is, just historically, that's what Pierre Trudeau did in 1968. You had a minority Liberal government, been in power forever and a day. They were really flagging, looked tired.
00:19:08		They weren't faced with this kind of external threat. Pierre Trudeau comes in, leadership race, Trudeaumania, and he says, let's bank it, calls an almost immediate election, wins a majority. But all the other precedents, pretty much all the other historical precedents, auger against it. Kim Campbell, John Turner, they all got their parties during a leadership back into competitive spots and then, when the general came, they got absolutely walloped.

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00:19:29		So I think the difference-maker will be Trump. I think the difference-maker will be the unique tariff situation. I think that what I just described is most likely, but it won't affect his ability to govern because he'll never meet the House. He'll run for election in that general election that he will call almost immediately.
00:19:46	KM	I guess the scenario that I was thinking about... And it leads back to this. If, in fact, we get hit on March 4th with pretty significant tariffs, there's been talk that we're going to have to pass some pretty significant quick aid packages, too. That probably is a scenario where you're going to have to have Parliament potentially come back, no?
00:20:06	SR	Well, again, there's a couple of ways you could look at it. And, boy, does this put pressure on the NDP and are they facing a whole of pressure, just as we're talking about the dynamic between some diminution in the Conservatives' vote. According to most of the latest polls, they've gone from, say, mid-40s to high-30s and the Liberals have come up.
00:20:25		The poll that we're talking about yesterday from Ipsos that was released, first poll in 24 months to show the Liberals leading, it showed the NDP federally at 12%. 12% is a chemical trace. So, does the NDP break its promise to vote non-confidence at the first opportunity because it's afraid of a general election or not? So, if you're Carney, there might be a temptation, especially because of the March 4th.
00:20:55		You say, I'm going to bring in a widespread son-of-COVID-type rescue package for workers and industry. We're going to have to have legislation to enable it. So we will meet the House, which requires a throne speech, which is a confidence vote automatically within a couple of days. Then you introduce this package of measures, which means you're going to have financial measures, which requires a confidence vote.
00:21:23		Does the NDP say, we'll vote for those two things contingent upon there being a third confidence vote introduced as soon as possible so that we can then defeat the government? Does Carney say, well, it's in my interest to actually put these things in place and then go into an election? Or do you say, screw it, I'm just going to

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		tell you what my rescue package is, I'm going to campaign on it and say, let's have a big argument?
00:21:46		To me, I think he has more control by saying, here's the package, here's the remedy, here's what I had to offer. Now, Pierre Poilievre can tell you about how he wants to deal with woke companies or something like that, but let's rumble. I'm an adult. Everybody else is an infant. I think that'll be the dynamic they might try to unfold.
00:22:06	JC	You know what's really cool, Scott? And I say this with all due respect. We're actually talking Canadian politics. We actually have a pulse. For the longest time, this country didn't have a pulse when it came to our political infrastructure.
00:22:17	SR	And isn't it nice that a catastrophic dilemma is what brings us to the discussion table?
00:22:20	JC	Yes. That happens from time to time. Two questions. Part one, where is this new liberal vote coming from? Is it the Conservative loss? It's definitely an NDP loss, as we're seeing the numbers there. Two, we've always heard historically in the US about the Democratic machine. Who's got the Canadian machine? Who's got the bigger infrastructure, the more oomph to get voters out and get more things done?
00:22:48	SR	So I would say a couple of things about that. First, we don't know what we're looking at yet when it comes to... Let's call it the Carney effect. Let's pretend that that's a thing. It seems pretty clear that there's something going on. There's some resurgence of Liberal fortunes. How significant it is, we don't know.
00:23:05		So far, with the exception of one or two of these outlier polls that are more enthusiastic, it would suggest that almost the entirety of that vote is coming from the NDP, that they've been cannibalized, that Trump has forced a polarized vote, a red-blue kind of choice, and the NDP have been squeezed. But there hasn't yet been much bleeding of the Conservative vote.
00:23:28		The more robust polls that we've seen just in more recent days would suggest that, in addition to the NDP vote, Carney has now moved on and is starting to slice some of those red Tories off and that he's started to burrow in. Very slightly, but still, nevertheless, is starting to burrow into the conservative coalition. So we need to know, are

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		we at the beginning of something, the middle of something, or are we at the end of something in terms of the Carney effect? Is this as good as it gets, in which case it's a big gamble to go into an election?
00:23:54		Or is this thing just moving? In terms of the machine, there's no question. The most powerful political machine we've seen built in recent decades is what Pierre Poilievre and his chief advisor, Jenni Byrne, have built, from a fundraising perspective, from a mobilization perspective, from their ability to dominate news and political debate and even the issue set for the past 18 months.
00:24:18		It's them. But we might have 1988. We might have 1974, wage and price controls. We might have 1911, reciprocity. We might have one of those very rare elections that is a single-issue election, in which case the population says, I'm not voting on all the sins that happened in the past or all the promises about the future.
00:24:39		I'm voting solely based on this single issue and I'm hiring somebody to deal with that problem. If that's the case, then the machine may be less significant in terms of its importance electorally than the broad dynamic and issue set.
00:24:57	KM	It's shocking, though, how quick it's changed. Six weeks ago, when we sat with you, we thought about May being a snap election driven by, basically, the Conservatives.
00:25:06	SR	I think I was reluctant to admit I'd ever been a Liberal. I think I was lying about that, right?
00:25:09	KM	But now the snap election could be called by the Liberals. It's a pretty wild shift.
00:25:15	SR	It is one of the wildest things we've ever seen. And lots of people suggested this could happen because we all knew that Trump was running for re-election. We all knew he might win. We all knew that it could be one giant avalanche of craziness that would realign everybody and everything around his behavior. And that appears to be what's happening.
00:25:42		You're even watching the Conservatives realign their political strategy. They had that giant rally a week and a

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		half ago. They're repositioning themselves. They are seeing this. So we know it's real. It's not just BS media polls. The Conservatives clearly are detecting it and they are making adjustments to their advertising, to their issue set, to their public offering, to their slogans. So it's a fascinating...
00:26:06	JC	No more Axe the Tax.
00:26:09	SR	Well, they get very itchy when you say, you guys have pivoted off of Axe the Tax. No, it's still Axe the Tax. You're right, Kevin. It's remarkable. We are witnessing a laboratory of political change and it's going to be something to see how it finishes.
00:26:27	DP	So, as you've all articulated, this could be a one-issue election. It strikes me that the solutions that each of the parties might provide as we get to the election may not be all that different from each other. They all seem to be talking about inter-provincial trade now. So, if it's a one-issue, how do you differentiate yourself, if you're the Conservatives, from the Liberals?
00:26:56	KM	Everyone's starting to walk away from the capital gains tax. You couldn't tell, when you just look at them, who's who.
00:27:02	SR	I'm actually working on a piece about this. I think this is one of the other most dramatic things that we've seen recently, which is... In the same period of time, five, six weeks, there's suddenly this broad new consensus about what we need to do and what path we're going to pursue. There are the most modest of differences, but carbon tax is gone. Consumer carbon tax is gone. Capital gains increase, gone. Internal trade barriers, absolute matter of priority.
00:27:28		We've got to finally get our act together on that. Diversifying our markets overseas so we're not as reliant overall, building energy infrastructure, increased productivity, diminish the red tape and taxation burden. This is federal, provincial, independent of political stripe, now Carney, now Poilievre. If you're a Conservative, you're pulling your hair out. You're screaming angry.
00:27:55	JC	That's our platform.
00:27:56	KM	Those are our issues.

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00:27:56	SR	You're like, you sons of guns. We've been saying this for two years and now you guys have had your come-to-Jesus and you say you agree with us and then you think you can beat us by adopting? But here's the problem. If everyone agrees, here's the problem for the Conservatives. Here's the challenge and here's the big question, I think, about the next election, if everyone is fundamentally in agreement over what needs to be done, broad strokes, then all that's left to voters is to decide who they trust most to implement that agenda.
00:28:26		Who do you think is most competent and capable of it? Who do you think is most qualified? Who do you think is most credible when they say, not only do I say these things, but I can actually achieve these things? If you're Poilievre, the case will be, I've been there all along, I've been saying this for a long time, and you can trust that I mean it and therefore I'll deliver on it. If you're Carney, you can say, I'm new to this mess. I'm new to politics. But I have long experience in managing crises of this sort, big, messy, complex, international financial crises, and I'm the right guy for the right moment.
00:28:59	DP	Which in itself is fascinating to me because, six weeks ago, it was Poilievre talking about, I'm the change agent.
00:29:05	SR	Absolutely.
00:29:06	DP	And you don't want more of the same. Now it's, he's more of the same, kind of thing. I'm the steady hand and Carney's the change.
00:29:15	KM	Yes. I go back to, what does this all mean for us when I think about our markets? Regardless of the party now, we are going to have a pro-business agenda here in Canada, too. It's probably going to be more deregulation. Whether it be inter-provincial trade, there are a lot of things that will be on the table that you wouldn't... If I wrote them down, you wouldn't be able to tell me which side.
00:29:40		But this is the first time in a long time for Canada as an economy that if we actually don't get pounded on this tariff thing... I'm in Scott's camp that something is coming. It's a magnitude issue for me. Is it incremental, we get 1% a month if we don't comply? Or is it 10% right out of the gate, going to 20? But if we can navigate that, the backdrop here, regardless, is actually one of the

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		more pro-business agendas in the ten years I've lived here.
00:30:08	JC	Kevin, it's real. It's \$200 billion of trade that's being suppressed between provinces. It's not allowing me to go buy a bottle of wine in Kelowna and ship it to Toronto without having to pay a huge duty. It's four to six points on our GDP. It's a massive number, which actually puts us into a category of super-wealth amongst countries. If we can get this done, it will make a huge difference. Now, I'm not sure the provinces are all going to do their bit, but if we can get somebody to actually get everybody to the table and get some of these barriers broken down, it's a massive win for this country.
00:30:43	KM	Right, but when you say here today versus a year ago, ten years ago, five years ago, now you have the prospect of actually people talking about it to try. For the backdrop of the Canadian markets, it has to be a positive in what could be some headwinds coming up on this tariff thing, for sure.
00:31:00	SR	I agree with that.
00:31:01	KM	You're the expert, by the way. I'm not.
00:31:02	SR	I'm no expert, man, but I agree in broad terms that the shape of all of this has got to feel more welcoming for markets and for business and for investment. I would say two things, though, it seems to me. One is my bailiwick. One is yours. The first thing is, there's an emerging consensus on the list of stuff that we'd like to have happen and the priorities we'd like to pursue. But there's a million miles to travel before we get a consensus on how to go about them and whether they get them done.
00:31:33		As an example, internal trade barriers. I worked for Paul Martin, widely regarded as one of the greatest finance ministers, maybe the greatest finance minister, in Canadian history. I'm talking 1993, 1994, 1995. I can't tell you how many meetings he took about productivity and internal trade barriers. Those things are eternal issues and the reason they haven't been fixed and remedied isn't just because there's some lingering anti-business agenda.
00:31:58		It's because there are deeply set structural interests that conspire against it. Those things haven't vanished and not all of them can be overcome. Sometimes a crisis.

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		Nobody wanted to deal with the deficit until 1995. So that's the first thing. The second thing is, in a dynamic and real-world environment, our dollar is going to go to 60 cents, 58 cents. I don't know. You guys tell me. So, how does all that affect?
00:32:25	KM	Yes. Let's play that forward a little bit. Let's take that worst-case scenario. If we get hit with a large number and it's not incremental and it's soon, you will weaken the currency again. You're going to go back below 70 cents for sure, in a hard way. We saw that three weekends ago. You and I were watching it over the weekend in the intra-weekend moves on currency. Second thing is, and I believe the Bank of Canada, their work is very good on this, each 5% of a tariff is a 1% hit to GDP.
00:32:53		You're immediately going to be in a recession and so this aid package linkage. But they'll cut rates quickly. They're going to have an emergency cut in there.
00:33:01	SR	For sure.
00:33:02	KM	And that takes pressure. Every time you do that, yes, there'll be someone over here working in a factory that made a good going to the US that just got laid off. But there's a lot of people whose home equity lines just dropped because we make these cuts. That takes pressure off the rest of the economy. So there are gives and takes on this, too.
00:33:19	SR	And I worry you're going to see a whack of companies in Canada say, you know what, maybe it feels slimy, maybe it feels like we're giving in to the bully, but if these tariffs are real and I do have to meet my board and make some kind of investment and resource deployment decisions eventually, maybe I've got to scramble over that tariff wall. So, will we see a bunch of flight of capital, of investment, of headquarters of operations?
00:33:47		Now, not all sectors can do it. Not all businesses can. But those that have the flexibility to shift their operations... Even though it'll come with some stink and there will probably be some political and public backlash to organizations that make that decision, I worry that that will happen, too. All of which augers against this golden age of pro-business, deregulation agenda because

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		we're going to have brand-new recessionary pressures and trouble to deal with.
00:34:14	JC	So let me be a little more optimistic. March 4th comes and goes and there aren't any tariffs put on Canada because we've done a good-enough job with the fentanyl czar and the stuff that he was talking about we need to do. He agrees that we've done what we need to do and we don't get tariffed. What happens to capital? What happens to the Canadian market if that's the case? We know what's going to happen if they're implemented. What happens if they're not?
00:34:40	KM	Let me give you the European example.
00:34:43	JC	And can you believe that they're not going to happen?
00:34:44	KM	Let me give you the European example right now. If I told you that they're in the face of this tariff thing, too, they're in the face of retaliatory tariffs, VAT tax on the table to be retaliated, and that your largest ally in NATO or your largest funder of NATO has just sided up with the guys that you can't even say publicly are aggressors in the war in the Ukraine. If I'd have asked you as a market participant, you'd say, Europe's got to be on its back. Every one of those countries is 10% to 15% up. There are a lot of reasons for that, but people are looking forward.
00:35:15		People are looking through the other side of this. Maybe Europe finally pulls together and acts as one. Maybe Europe actually finally does fund their defense budget the way they need to. Does this sound similar? So my point is, there are going to be headwinds. If we waste these moments, if Europe wastes these moments, if Canada wastes these moments, then shame on us. These are not going to be easy, but this is the first time, at least, we have the opportunity to...
00:35:42	SR	Yes, for sure.
00:35:43	KM	That the narrative at least sounds similar enough that people can try.
00:35:43	KM	That the narrative at least sounds similar enough that people can try.
00:35:46	SR	And look. Trump may be the dog that catches the car. He may actually force a reshaping of the world order as he professes to wish to do, but he may not like the way in

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		which it's reshaped. If it does force a deeper level of integration and cooperation in Europe, if it forces us to actually confront some of these structural issues, it may have the genuine effect of isolating the United States and they may look back on this as a moment that really triggered a lot of shrinking.
00:36:16		But here's the one other question, which is, what does Trump actually want? One of the things with John's scenario that concerns me is, how can anybody take investment? Even if he pulls it off on March 4th, you're like, but I don't know what's going to happen three days from now, three weeks from now. It's total unpredictable chaos, which I hate.
00:36:39		One of my questions is, is this 51st state stuff not just him trolling? Is part of his objective literally to make it so unpleasant? I think the tell might be in the retaliatory tariffs. When you look at the way that he's handling with Europe, he wants to control their monetary and fiscal policy also. He wants to control their taxation policy.
00:37:08		If I regard a VAT as a hostile act against the United States, that's really saying, I would like to preserve the ability here in the United States to set all of your policies. So, where does that take you? Is he trying to eventually force a debate in Canada about whether the only way to insulate ourselves from this level of hostility is to form some kind of customs union? Then he'll declare that as effectively swallowing Canada. If you get a customs union or even get that debate going, then he'll say, well, see, I've succeeded. Put my face on Mount Rushmore. I've just expanded the territorial reach of the United States for the first time in two centuries.
00:37:43	KM	Yes. You're in this business. You know what's the only thing more dangerous than a politician seeking re-election?
00:37:50	SR	A politician seeking history.
00:37:52	KM	And one who's not seeking re-election.
00:37:54	SR	Yes.
00:37:54	DP	He doesn't care.
00:37:55	KM	He doesn't care.
00:37:56	JC	Doesn't care.

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00:37:56	KM	So, when you ask me what he wants, he does believe in the border and he believes this fentanyl issue is real. So border security is one. Two, he believes the American worker has been screwed and he believes that world trade did not work. But it's a fallacy to think you're reshoring manufacturing when the average labor rate in the US is \$29 an hour. Some will happen, not all of it. And the third is, he believes the US is getting ripped off when he looks at these deficits and trade deficits and other things.
00:38:25		It's as simple as that. And I think the legacy thing is real. I think he'll give away things just to get on the cover of Time as the Man of the Year or win the Nobel Peace Prize. So you're dealing with someone who has not got this drive to be re-elected. Maybe king, but a different subject [?]. So I think we have to simplify.
00:38:46		What does he want from Canada? I think he wants a rare earths deal at a discount that's a long-term contract, that's better than what he can get in the rest of the world. I think he wants cheap energy. He wants heavy crude that we provide to him to run the refineries in the US to create gasoline at a discount for a long time.
00:39:02	SR	And let me just extend one...
00:39:03	KM	Just guessing.
00:39:03	SR	A pure political thought on top of that. So that's why I hope whoever wins the next election has a commanding majority in Canada. The reason I say that is because it doesn't actually strengthen your hand to deal with Donald Trump. He doesn't care how many seats they have in the House of Commons. But it does strengthen your ability, if you're Mark Carney or if you're Pierre Poilievre, to say to energy-producing provinces, I'm sorry, you're the only lever we have in managing through this madness with this guy and it is going to be in place.
00:39:39	DP	Last question for me. Scott, I'll start with you. Is there any chance that another issue arises and determines the next prime minister?
00:39:47	SR	I don't think so. There are things, I think, that can intensify the unique chaos of this moment. But it's Trump, man. It's always Trump. He blots the sun out of the sky.

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00:40:01	JC	It's a four-year cycle, Dave. We're in a four-year news cycle. I'll give you a prime example. We do a morning call every day with our staff and it's hard for me to find a headline that I can report on overnight that doesn't include the word Trump. It's difficult these days. So I think we're in a four-year cycle, to Scott's point, and we're going to have to grin and bear it and get through it.
00:40:27	DP	Let's end it there. One suggestion. Brandon Hagel for prime minister and I'll leave it at that.
00:40:34	JC	Wow.
00:40:35	DP	Have a great day, guys.
00:40:36	KM	Thanks, Dave.
00:40:37	JC	Take it easy, man.
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