THE WEEKLY BEACON	July 18 2025

We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding any observations.

MacNicol & Associates
Asset Management

Contact us today if you would like to meet about your investment future. info@macnicol.com

BEACONS OF THE WEEK

The two main purposes of a Lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.

Lindesnes Lighthouse, Kristiansand, Norway

This lighthouse is located on the southernmost tip of Norway. It was built in 1656 and is Norway's oldest lighthouse. This lighthouse is out of commission but is now open to the public as a museum.

Santa Marta Lighthouse, Lisbon, Portugal

This lighthouse is located just outside the lovely beaches of Lisbon, less than an hour outside of the city center. The lighthouse was built in 1901 and is located near a beautiful marina.

**Feel free to send us your photos of Lighthouses to be featured in our weekly market observations. **

Housing update

We are halfway through the year, and the U.S. housing market looks significantly different from what it did last summer. The housing market is struggling, and it seems like there are cracks in the foundation across America. Almost one-third of the largest 100 markets have seen annual price declines, according to a mortgage technology firm. Nationally, home prices were up 1.3% in June, down from 1.6% growth in May. June's growth rate was the slowest in two years, according to the same mortgage technology firm.

Over-inflated home prices, rising supply, and slowing demand have all combined to cool the U.S. housing market. Inventory has steadily increased over the last year and was up 29% in June compared with June 2024. Demand has been much softer from consumers due to affordability issues and high interest rates. Despite mortgage rates slightly pulling back, they are nearly double what they were in the early days of the pandemic, when the housing market was on fire.

Condominium prices have seen the most downward pressure across the nation, decreasing 1.4% nationally according to mortgage technology firms.

Regionally, prices increased across the Northeast and Midwest (areas that saw the smallest gains during the pandemic). There seems to be a real return to the north (and the office). Cape Coral, Florida, saw the biggest price decline according to the mortgage technology firm. Austin, Texas, and Tampa, Florida, were also in the top 10 for price percentage declines. The other seven markets that saw the largest declines are all in California.

It seems the markets that were the most inflated and are having some issues with migration post-pandemic are seeing small to medium declines, while big cities, which have had major struggles in recent years, are seeing small increases. We continue to believe that quality matters most. We have exposure across the U.S. in both residential and commercial, with a focus on the South/Sunbelt. These numbers are certainly not spooking us into making an irrational decision. We are long-term investors with long-term horizons. We continue to look for quality and value across any market.

Disclaimer: The MacNicol Alternative Asset Trust holds units of a limited partnership that invests in Canadian and U.S. real estate. The Trust is held across client accounts.

Kenvue appoints new CEO

Kenvue, the parent company of Tylenol, Band-Aid, and many other brands, made a huge announcement on Monday that caught our eye. The company appointed a new CEO and will take steps to realize shareholder value and allow the giant to "reach its full potential". Shares rose after this announcement.

Kenvue spun off from Johnson & Johnson in 2023 and was formerly considered its consumer healthcare division. Kenvue has gained a lot of notoriety for the wrong reasons from activist investors over the last year, who have pressured leadership to make changes at the top and unlock value for shareholders.

Kenvue shares have lost almost 20% since being carved out of Johnson & Johnson. We have had a similar view of Kenvue to some activist funds but are nowhere near activists in our own right. We believe in the company and think shares have the potential to move much higher over the next few years.

The anticipation for Kenvue's debut on the NYSE in 2023 was extremely high from investors, as Kenvue is packed with household names with strong margins and room to grow. Kenvue would also be untethered from the problems occurring across other units at Johnson & Johnson.

Earlier this year, Kenvue settled its proxy battle with activist investor Starboard Value by appointing three new board members, including Starboard Value's CEO. Other activists who have pushed for change at Kenvue include Third Point Capital and Toms Capital Investment Management.

The Board also announced that it will look to optimize the company's brand portfolio to accelerate growth and unlock inherent value.

Shares are up almost 21% over the last year but dipped in May due to an earnings release. Kenvue did not miss earnings per share or revenue estimates but indicated that tariffs will impact the company's profitability moving forward. On Kenvue's May earnings call, they indicated that net sales would fall by 4%.

Kenvue's interim CEO is a veteran of Procter & Gamble.

We do not expect change to come immediately, as this strategic pivot will take some time to play out. Nonetheless, we see value in Kenvue and will continue holding our shares.

Disclaimer: MacNicol & Associates Asset Management holds shares of Kenvue (NYSE: KVUE) across various client accounts.

Don't look now

Inflation beat expectations for the first time in a few months, just as we predicted with the implementation of widespread tariffs from the Trump administration. However, the beat was extremely small. Headline CPI for June came in at 2.7% versus a consensus estimate of 2.6%. When you look deeper, core inflation came in below expectations month over month at 0.2% and in line with annual expectations at 2.9%. This is a win for Trump, Bessent, and co., as tariffs for the most part have not impacted consumer prices (yet).

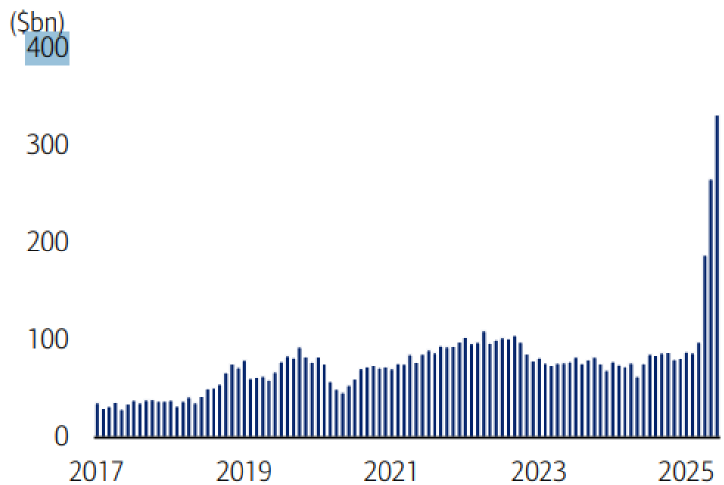
June's monthly inflation number came in at 0.3%, much higher than May's inflation rate of 0.1%. Do not expect June's data to impact the FED and Chairman Powell's thoughts regarding monetary policy changes. We expect the FED to wait this out and allow tariffs to play out before rushing to slash rates.

The strong headline print for June was mainly driven by higher food and energy prices, though some goods that are more susceptible to higher tariffs—including clothing and furniture—did register notable price increases over the month as well.

Economists believe tariffs have not yet impacted consumer prices and expect inflationary pressure in the coming months.

Despite most tariffs announced by Trump being delayed, the U.S. government is taking in billions in tariff revenue already. According to U.S. Treasury data, the U.S. government is currently taking in over $300 billion in tariffs on an annualized basis. The number was close to $80 billion at this time last year.

Exhibit 2: Tariffs are currently generating over $300bn in revenue, an increase from closer to $80bn a year ago.
Customs duties ($bn, annualized)



Source: US Treasury

BofA GLOBAL RESEARCH

Ahead of the upcoming tariff deadline set by President Trump on August 1st, global leaders are once again bracing for impact. Last Thursday, Trump threatened some of the U.S.'s closest trading partners with higher tariffs. He threatened Canada with 35% tariffs and Mexico with 30% tariffs, and the EU with 30% tariffs. Trump also threatened Russia with a 100% tariff, which looks like a negotiation tactic to end the Russian invasion of Ukraine. Brazil will reportedly face a 50% tariff as of August 1st, much higher than the 10% that Trump originally announced in April. In terms of reported progress on trade negotiations, India, Vietnam, and Indonesia are reportedly close to inking fresh trade deals with the Trump administration. On Tuesday afternoon, Trump announced the details of a trade deal with Indonesia, which includes no tariffs on U.S. products, 19% tariffs on Indonesian products, Indonesia will buy 50 Boeing jets, and Indonesia will buy $15 billion worth of U.S. energy. The Trump administration originally slapped Indonesia with a 32% tariff. It seems both countries had to give a little to get a deal done. We hope this deal is the first of many.

Prices will probably be pushed higher should these tariff rates go into effect, but it is unclear when that could happen. Trump initially set negotiation deadlines to 9 July but pushed it back to 1 August as the date approached. Trump's trade advisers have said they aim to end negotiations by Labor Day.

We predict that some of these tariffs will be pushed lower and delayed once again. We also think the FED will drag its heels when considering slashing rates and will essentially wait for prices to "price in" Trump's tariffs.

The Bank of Canada also released its June inflation data this week. Headline CPI came in at 1.9%, a jump from the month prior. BMO's chief economist stated that this data gives the Bank of Canada no opening to cut interest rates at July's meeting. As inflation slowly increases, many economists have warned Canadians that interest rates will not be cut for quite some time due to the looming threat of tariffs and the number of cuts they have already made.

Another one bites the dust

Yet another Tesla executive hit the exit door this week in a move that surprised investors. The Wall Street Journal reported that a top sales executive for Tesla left the firm just a month after a close aide to Elon Musk also exited Tesla. Troy Jones is a long-tenured employee at Tesla and is the most senior employee to leave the EV giant since its CFO left in 2023. To be fair to Tesla, successful companies often lose employees, and Tesla is the world's most valuable electric vehicle producer and one of the world's largest companies. To put it bluntly, their employees are highly attractive to competitors. Jones's departure also comes at a time when Tesla sales are slumping.

Nonetheless, the timing of this announcement is interesting as Elon Musk is under heavy scrutiny from investors and consumers due to his involvement with the Trump administration (although it looks like Musk and Trump are currently fighting). There has been a quiet push to replace him as CEO from certain shareholders.

Tesla sales decreased by 13% in the first half of 2025 and are expected to come in well below estimates for the remainder of the year. The decrease in Tesla sales is a part of a broader trend across the EV market where EV producers are seeing softer sales across the U.S. as consumers hit the brakes on EVs and make large purchases.

New markets could be the solution to Tesla's sales problem. Recently, Tesla launched its Model Y in India for $70,000 (USD) and is expected to launch a cheaper option in the next six months.

Investors will get a chance to hear from Musk and Tesla's leadership team next week on its earnings call. Tesla shares are down 17% so far this year, significantly lagging the performance of the market.

We do not own Tesla shares in our managed client accounts. We still think the company trades on the expensive end, and the risks outweigh the rewards at this current point.

Nvidia’s big win

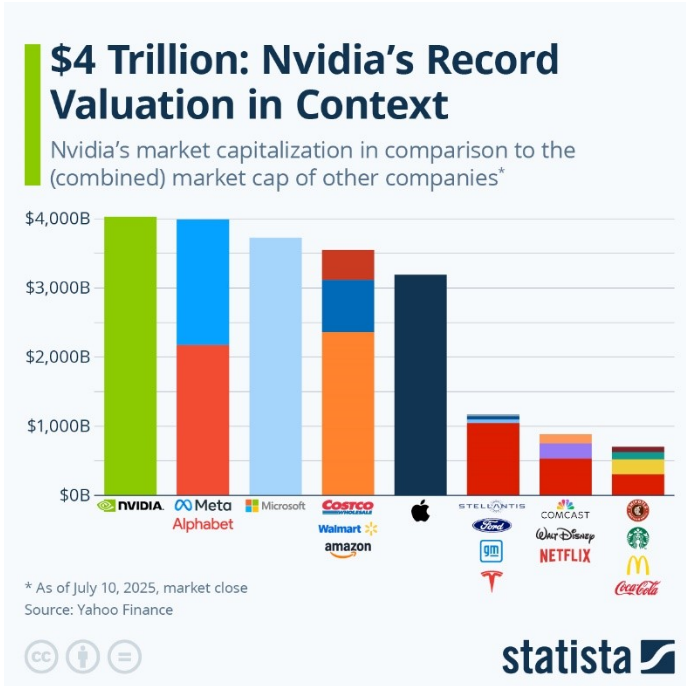
The world's largest company (by market cap) got a huge win this week when its CEO visited the White House. The big win is huge for financial markets and global investors.

Nvidia’s CEO, Jensen Huang, visited the White House earlier this week before his trip to Beijing, China. He had one major goal in mind when visiting the President: a reprieve of restrictions on chip sales to China. Nvidia wants to sell its H20 chips in China, and right now, they are banned from doing so. Nvidia has been heavily restricted in selling its products to China, both under Biden and Trump. The restrictions have become tighter as tensions between the U.S. and China have boiled over. Nvidia was basically allowed to only sell its weaker chips to Chinese companies, which has worried investors. After all, China is the world's largest company and a beacon for technological advancement. Both Trump and Biden have banned the sale of these Nvidia products due to national security reasons.

Late on Monday, Nvidia’s CEO announced that it had been given assurances that it could sell its H20 chips in China. Trump’s Treasury Secretary confirmed this statement in a Bloomberg interview on Tuesday. He stated that the “loosening of restrictions” was a negotiating chip used by the U.S. in trade discussions with China last month. China and the U.S. sparred throughout the spring regarding trade. Both announced sweeping tariffs against the other and banned select exports to each nation. It appears the U.S. had to give in on this issue to lift the Chinese export restriction on rare earth metals. China dominates the global rare Earth metals supply chain, essentially holding a monopoly, which gives its adversaries minimal wiggle room if this “bargaining chip (rare Earth metals) is played.

For now, it looks like Nvidia’s geopolitical risk is a bit smaller than a few months ago.

Finally, last week, we mentioned Nvidia hitting a market capitalization of $4 trillion, which is the first company to ever do so. Zerohedge, a popular independent finance website, posted a photo created by Stastista that puts Nvidia’s market cap in context relative to other companies.



It is quite staggering and reflects just how much the world has changed over the last 5 years. Nobody would have guessed Nvidia would be the first to $5 trillion in 2020 or 2021. Fast forward five years, and the company can do no wrong.

We do not hold shares of Nvidia in client accounts due to several factors that we think elevate the risk of holding Nvidia shares in today's market.

MacNicol & Associates Asset Management
July 18th, 2025