

This commentary was written by our team and NOT outsourced to a third party. 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 our observations.



MACNICOL & ASSOCIATES
ASSET MANAGEMENT

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



Adziogol Lighthouse, Kherson Oblast, Ukraine

This lighthouse is the sixteenth tallest in the world. It is located 30 kilometers from the city of Kherson. The lighthouse has a nautical range of 19 miles.



El Rincón Lighthouse, Buenos Aires Province, Argentina

This lighthouse is the nineteenth tallest traditional lighthouse in the world. In 2006, a famous stamp was created in Argentina that featured this lighthouse.

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



Trump and China

On Monday, President Trump commented on China and some upcoming talks with President Xi Jinping. Trump sounded upbeat but also hinted that some uncertainty remains between the two countries. Trump dangled the possibility that the U.S. may withdraw its most recent trade sanctions against China. Trump took questions on Air Force One. Trump also said he expects to receive Beijing's final approval for a deal that would require ByteDance to divest TikTok. There have been major regulatory questions around TikTok since the U.S. announced the deal for TikTok in September.

Trump is expected to meet with President Xi on Thursday in Seoul, South Korea. Over the past weekend, representatives from both China and the U.S. met and discussed a trade framework. The conversation's main topics included soybeans, fentanyl tariffs, and export controls. Trump did say nothing had been agreed upon between the two countries.

Trump also said that the U.S. is finalizing a new trade deal with South Korea. He noted that the deal will be connected to national security. This trade deal is expected to be very complicated, according to insiders. We are watching this deal closely as we have a small exposure to South Korea through an ETF in certain investor accounts.

A new financial epicenter

The growth of Texas has led many financial institutions to focus on the state and acquire businesses that operate in Texas to gain traction in one of the hottest growing markets in the U.S. This year, Texas has seen an increase in dealmaking from companies in the financial services sector. CEOs that operate across the growing state are battling for the state's deposit base and broader growth relative to other markets. According to S&P Global Market Intelligence, Texas is home to the largest share of banks being targeted by other companies for acquisition in 2025.

The Trump administration and Texas's long-term vision of being a financial epicenter are other factors that have caused this trend. The Trump administration is pro-deal-making when the deal makes America stronger. His administration has taken a much friendlier approach than the Biden administration when it comes to M&A. The growth of finance in Texas has also exploded in recent years. Last year, Texas politicians announced the Texas Stock Exchange, an alternative to the NYSE. The exchange was launched in September and is expected to have trading and listings by mid-2026. The launch of a stock exchange shows how serious the state is when it comes to finance.

Getting back to the deals between banks.....there have been a few, so try and follow along:

On Monday, Ohio-based Huntington Bancshares announced it would be acquiring Texas-based Cadence Bank, a bank that has \$53 billion in assets, in an all-stock deal valued at \$7.4 billion. Just last week, Huntington announced that it officially completed its acquisition of Dallas-based Veritext Holdings. Earlier this year, Cadence Bank made two of its own deals, including the acquisition of a smaller Texas-



based bank. This deal between Huntington and Cadence is expected to close next year and will create a top 10 bank in the U.S. (measured by total assets). Earlier this month, Fifth Third Bancorp announced the acquisition of Dallas-based Comerica for \$10.9 billion, creating the 9th largest U.S. lender by assets. Other major deals that have involved Texas banks this year include Glacier Bancorp buying Texas-headquartered Guaranty Bancshares, and National Bank Holdings and Prosperity Bancshares both acquiring smaller Texas lenders.

The correlation between deal-making and Texas's economic growth is undeniable. This is not an outlier, and we expect this trend to continue moving forward.

Huntington management highlighted Texas's growth in their announcement of this deal. They called the "Texaplex" (the triangle between Dallas, Fort Worth, Houston, Austin, and San Antonio), "a juggernaut of economic growth".

Texas is home to 53 Fortune 500 companies. The state's recent real GDP growth rate was almost double the national average, and in the Texaplex region, over 190,000 new households are forming each year. The growth in this area and state is undeniable. These macro tailwinds will cause many companies to look at Texas for opportunity and growth (if they have not already). Texas is drawing in more Americans due to its nice climate, low regulations, and business opportunities.

This deal from one of the larger regional banks is another move that it hopes will allow the smaller companies to compete with the biggest U.S. banks. Regional banks have looked to increase profit margins and stock prices through acquisitions in recent years.

Bank executives expect more dealmaking, and regulators continue to promise a friendly posture as they review bank mergers and other deals. We expect Texas's financial industry to continue to grow as more companies move south and wealth becomes more concentrated in Texas.

Regional bank share returns have lagged the returns of large U.S. bank shares over the last year and over the last 5 years.

We bring this story up this week as we have not talked much about bank mergers this year, and the trend that we are seeing validates a thesis we have had for a few years. Our real estate fund, which is a fund within our Alternative Asset Trust, has invested in Texas over the last few years for a variety of reasons (some of which we mentioned above). The real estate fund has taken different positions in Texas, but the most notable position is a land banking fund that has had very strong returns over the last few years. We expect this to continue as Texas grows in terms of population and economy.

U.S. inks nuclear deals

The U.S. government announced a major nuclear deal on Tuesday that will see the federal government finance and approve at least \$80 billion in nuclear reactors powered by Westinghouse Electric technology. Brookfield owns 51% of Westinghouse, and Cameco owns the remaining 49%. As part of the



deal, the government will receive 20% of any cash distributions over \$17.5 billion made by Westinghouse once the \$80 billion investment is achieved. If the valuation of a Westinghouse initial public offering is expected to be \$30 billion or more by January 2029, the government can also require an initial public offering and receive a warrant to take a 20% equity stake in the company. Such an IPO would represent a bonus for Brookfield and Cameco—the companies bought Westinghouse in 2023 for \$4.37 billion.

Westinghouse AP100 technology has already been selected for nuclear reactor programs in Poland, Ukraine, and Bulgaria.

This \$80 billion deal is part of the deal between the U.S. and Japan announced earlier this week, according to a representative from Brookfield. Details of this deal remain unclear, but the announcement underscores the federal government's continued commitment to the nuclear industry. Japan agreed to spend \$550 billion on U.S. investments, and that could include up to \$100 billion worth of investments in Westinghouse's large and small nuclear reactors, according to a joint fact sheet provided by Japan.

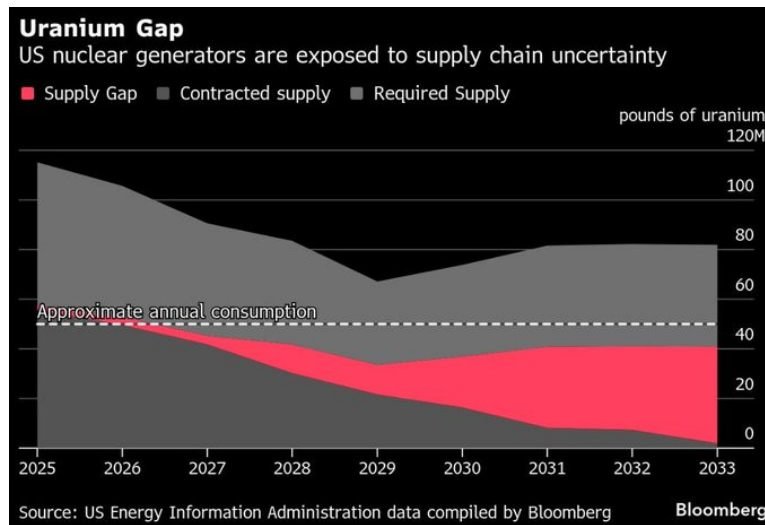
This investment could break a logjam that has prevented the U.S. from building nuclear plants for decades.

JP Morgan analyst Mark Strouse estimates that the \$80 billion investment could finance as many as 8 large-scale nuclear reactors.

This deal follows a May executive order from President Trump, which attempts to expedite permitting for reactors and expand domestic uranium production. These new reactors from Westinghouse will generate energy for the U.S. grid, including for AI data centers.

Both Cameco and Brookfield shares moved higher on this announcement. After this announcement, Cameco shares were trading at a 52-week and all-time high.

This latest announcement from a company and Western government regarding the nuclear industry continues to affirm our bullish thoughts on nuclear energy and uranium prices. We think the West will continue to invest in nuclear energy, and investors who were early will be handsomely rewarded. After all, nuclear energy is the only scalable fix to the grid's current and future issues. We also think the lack of new supply in the physical market and the market's growing demand for fuel-grade uranium will lead to higher prices in the coming years.



In other nuclear news, Brookfield Asset Management won a bidding process on Friday to complete two nuclear reactors in South Carolina. The two reactors were stopped under construction in 2017. The deals were abandoned for financial reasons. Brookfield can make money from this reactor project in two ways: it can sell the power from the plants and through Westinghouse, which will design the reactors. South Carolina is seeing surging demand for power from technology companies.

Disclaimer: MacNicol & Associates Asset Management holds shares of Cameco Corporation and other uranium themed stocks, and ETFs across various client accounts.

Central Banks slash rates

On Wednesday, the Bank of Canada and the Federal Reserve announced their latest monetary policy decisions. Both banks were expected to slash rates by a quarter point in order to stimulate economic growth and improve the job market. Both Canada and the U.S. have seen inflation remain elevated for over three years now, but both Central Banks have the view that it is contained currently.

The Bank of Canada and Governor Tiff Macklem delivered their decision on Wednesday morning, slashing rates by 25 basis points as weakness ripples through the economy. The Canadian policy interest rate now sits at 2.25% and has been lowered 9 times since June 2024 (7 – 0.25% decreases and 2 - 0.5% decreases). One of the major reasons that there has been real weakness in the Loonie over the last few years is the rapid rate cuts from our Central Bank. The Bank of Canada has greatly outpaced the rate cuts from the U.S. FED.

Despite Wednesday's cut from Tiff Macklem, he cautioned Canadians that the Bank of Canada is done cutting rates for now and that monetary policy cannot fix structural economic problems. Macklem stated once again that monetary policy cannot undo the damage caused by tariffs and that the current trade war is economically reshaping our nation. The Bank of Canada outlined some economic conditions that influenced its decision. Canada's economy shrank during Q2 as exports dropped, and business investment decreased. The labor market has also weakened north of the border, with thousands of job



losses and hiring slowing down. Currently, Canada's unemployment rate sits at 7.1% and its inflation rate is 2.4%.

The Bank of Canada did say spending remains strong and is expected to increase into the end of the year. They also forecast that inflation will remain in the 2% range and inflationary pressures from tariffs will begin to ease in the coming months.

We think this interest rate cut from the Bank of Canada was needed due to expectations, and not due to reality. Our economy has major cracks in its foundation – issues that will take time to solve. Canada has lost its innovation, companies are moving away, and we are now much more government dependent. We think the government needs to step out of the way and create an environment that fosters entrepreneurship, innovation, and growth. There might be some bumpy times in the short term, but in the long term, Canada could return to an economic superpower (like we once were).

Later in the afternoon, the FED also announced an interest rate cut, slashing rates by 25 basis points. This decision by the FED was not unanimous; Trump's recent appointee Stephen Miran wanted a larger cut, and one member voted to keep rates in place. Last month, every member of the board voted to cut rates and only Miran dissented, pushing for a 0.5% cut (Miran is a Trump loyalist, and Trump wants 0% rates, so this is not a surprise).

The FED pointed to uncertainty in the economy and the downside risks in the job market as reasons for its decision. The decision comes as policymakers rely on private data and state administrative records to cobble together a picture of the U.S. economy during the government's shutdown. The data available has continued to point to a cooler job market.

The FED also voted to end its quantitative tightening (a term for shrinking its balance sheet) on December 1st. The FED has been engaged in allowing assets to run off its balance sheet since June 2022. The FED let more than \$2 trillion in bonds mature without replacing them, pulling money from the system. The FED has been buying billions in Treasuries and other fixed-income products on a monthly basis this year. The FED was tightening its balance sheet in order to reverse the enormous buildup that took place during COVID-19. FED Chair Jerome Powell hinted at the end of quantitative tightening at a speech he gave two weeks ago.

The FED is ending its quantitative easing to prevent liquidity issues in financial markets and alleviate upward pressure on short-term borrowing costs.

This move by the FED could increase liquidity in the system at a time when banks have slowed their lending and less money is circulating throughout the system.

MacNicol & Associates Asset Management
October 31st, 2025

3080 Yonge Street, Suite 4076, Toronto, ON M4N 3N1
 Tel: 416-367-3040 Toll free: 1-866-367-3040 Fax: 1-877-215-4044
 Email: info@macnicolasset.com URL: www.macnicolasset.com