



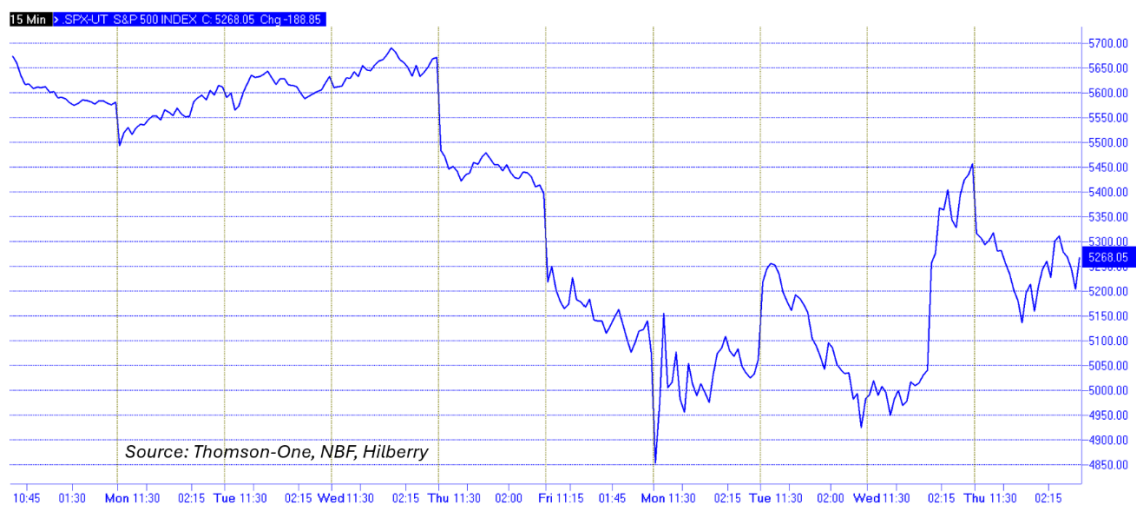
WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

Fool around and find out...

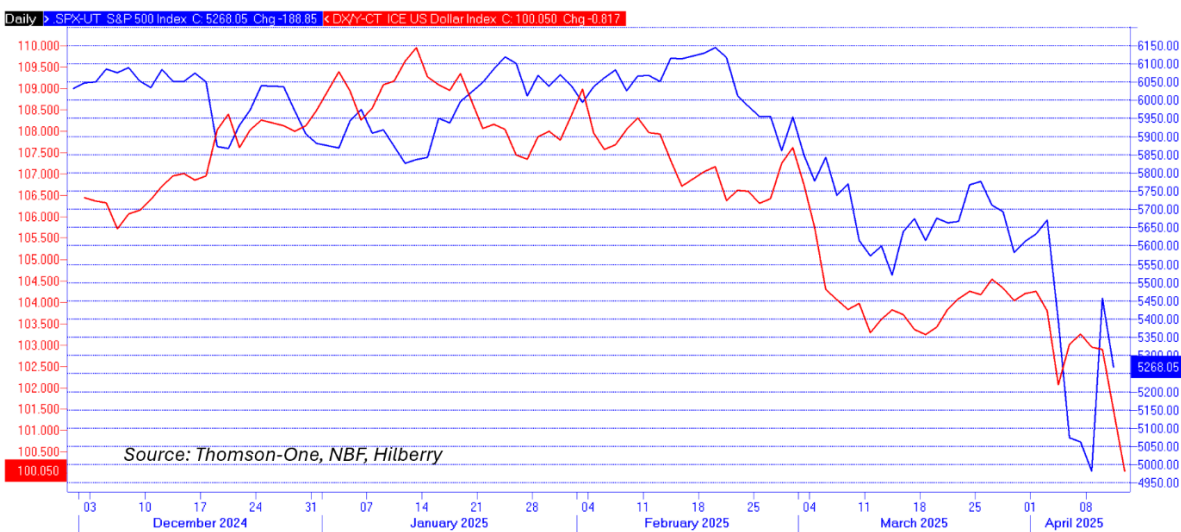
We're on the road Friday so writing this after hours on Thursday. It's been a wild, wild week. The Trump Administration's attempt at remaking the global economy into an untested and unclear result saw the bond vigilantes ride again. The S&P500 (as in the largest 500 corporations by market value in the largest capitalized market on earth) traded like a penny stock. Trump said this - Down. Trump said that - Up. Trump said this & that, down & up. From the Tuesday Apr 1, 2025 pre-'Liberation Day' close of 5,633, the S&P showed declines of 14.2% on Monday, rebounded 13.3% to highs Wednesday then dropped 6.7% to lows on Thursday. Volatility spiked.

S&P500 (SPY-5268) 15 min intervals – 2 weeks April 10, 2025

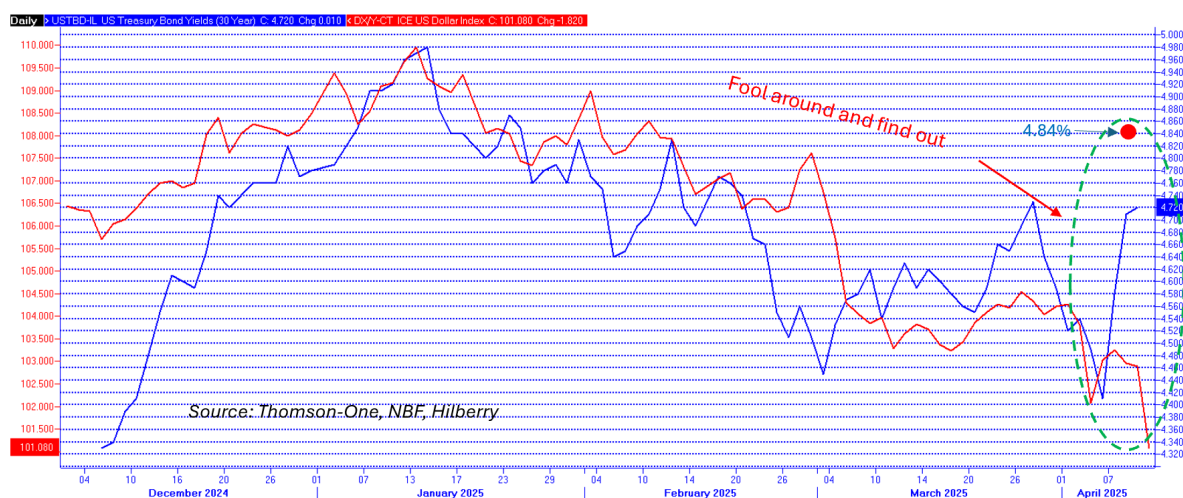


The US Dollar index showed unusual correlation to declines in the S&P500. This is the opposite of the typical 'flight to safety' crisis response that sees investors rush to buy US Treasury bonds denominated in US dollars.

S&P500 Index (blue-5268) – vs US Dollar Index (red-100.05) – daily ranges 90 days Apr 10, 2025



US Fed T-Bond 30-yr Yield (4.84%) vs US Dollar Index (DXY-101.06) daily ranges 90 days



During panics, investors typically rush to buy US Treasury bonds, driving prices up and yields down. As T-Bond are denominated in US dollars, the dollar typically rises in tandem. Recently investors have been selling stocks, driving prices down, selling US Treasuries, driving prices down/yields up and selling the US dollar. The financial markets are warning: *'Fool around and find out'*. Investors appear to be throwing in the towel.

Wednesday President Trump blinked, announcing a "90-day pause" on tariffs, apparently without informing his advisors, who found out while in the midst of media scrums. Stocks skyrocketed. Rumours had it that somebody knew, as stocks began to surge prior to Trump's announcement.



Thursday doubts crept back in, and the market gave back half of Wednesday's gains. Is it Friday yet? As a public service, we're providing selected North American benchmark index returns from Nov 4, 2024 pre-election, the various highs and Thursday's close.

Description	Last % Change from ...		
	4-Nov-24	YTD	Hi Close
Dow Jones Industrials Avg	-5.27%	-6.94%	-12.04%
S&P 500	-7.78%	-10.43%	-14.26%
NASDAQ Composite	-9.86%	-15.14%	-18.29%
NYSE FANG+TM Index	-3.55%	-14.07%	-19.64%
US Dollar Index	-3.50%	-7.59%	-8.83%
S&P/TSX Composite	-5.12%	-6.93%	-10.82%
S&P/TSX 60	-4.67%	-6.37%	-11.20%
NSDQ Cdn Div Achievers TR Idx	-5.23%	-6.30%	-8.95%
DJ Canada Select Div Idx TR	-2.72%	-5.75%	-7.62%
\$1 CAD in \$USD	-0.54%	2.91%	n/a

The S&P500 has been a global leader...on the way down. It may indeed now be necessary to *Make America Great Again*.

On tariffs: Extract from US Senate History pages (source link below).

The Senate Passes the Smoot-Hawley Tariff

June 13, 1930

"A memorable scene from the movie Ferris Bueller's Day Off has a high school teacher vainly struggling to get some response from his dazed students. He says: "In 1930, the Republican-controlled House of Representatives, in an effort to alleviate the effects of the... Anyone? Anyone?... The Great Depression, passed the... Anyone? Anyone? The tariff bill? The Hawley-Smoot Tariff Act. Which, anyone? Raised or lowered?... raised tariffs, in an effort to collect more revenue for the federal government. Did it work? Anyone?... Anyone know the effects? It did not work, and the United States sank deeper into the Great Depression." This amusing scene managed to omit the U.S. Senate, but it was on June 13, 1930, that the Senate passed the Smoot-Hawley Tariff, among the most catastrophic acts in congressional history."

How did this happen? After Herbert Hoover became president in 1929, he called Congress into special session to deal with a troubled farm economy that had fallen into depression during the otherwise prosperous 1920s. President Hoover proposed a “limited revision” of the tariff on agricultural imports to raise rates and boost sagging farm prices. He then made the tactical error of trying to distance himself from the tariff debates. Republican protectionists, who controlled the House Ways and Means Committee chaired by Representative [Willis Hawley](#), put the farm issue aside and took the opportunity to raise industrial tariffs to new highs. Hoover’s failure to object encouraged other economic interests to lobby the Senate Finance Committee, chaired by Utah senator [Reed Smoot](#), for further tariff hikes. In protest, low-tariff Democrats and progressive Republicans slowed the tariff debate over a tedious 15-month process of congressional bargaining.

A thousand economists signed a petition, drafted by a Chicago economist, and future U.S. senator, [Paul Douglas](#), that implored the president to veto the tariff. “Poor Hoover wanted to take our advice,” Paul Douglas mused, but he could not bring himself to break with his own party’s congressional leadership. Ignoring the experts, Hoover signed the tariff on June 17, 1930.

As the economists predicted, the high tariff proved to be a disaster. Even before its enactment, U.S. trading partners began retaliating by raising their tariff rates, which froze international trade. The tariff fight solidified Hoover’s ties with Republican regulars, but it shredded his standing among his party’s progressives. Most of the progressive Republican senators who had campaigned for Hoover in 1928 wound up endorsing Franklin D. Roosevelt for president in the next election. Nor did the tariff sit well with the voters. In 1932 they turned the majority in both houses over to the Democrats, by large margins. The voters also made clear their disdain for the Smoot-Hawley tariff by booting both Reed Smoot and Willis Hawley out of office that year. Highlights mine.

Source: United States Senate webpage devoted to the history of passing the Smoot-Hawley Tariff act of 1930. Smoot-Hawley is widely attributed to compounding the 1930’s Great Depression, adding to Germany’s desperation under WW1 Reparations. We know what followed.

Source: [US Senate Gov: 1930 Senate passes Smoot-Hawley Tariff](#)

Geopolitical Briefing: A geopolitical guide to understanding today's global trade and investment landscape – NBF Economic Apr 7, 2025

[Geopolitical Briefing NBF April 2025](#)

Canadian Banks Updating forecasts to reflect updated tariff situation NBF Thematic Research Apr 6, 2025

[Canadian Banks & Tariffs NBF Thematic Research](#)

Pity US beer drinkers wanting a cold one over the weekend....

What is the impact of Trump's tariffs for beer imported into the US?

Constellation Brands (STZ-\$172.47 Apr 7, 2025) daily ranges, 9 mos



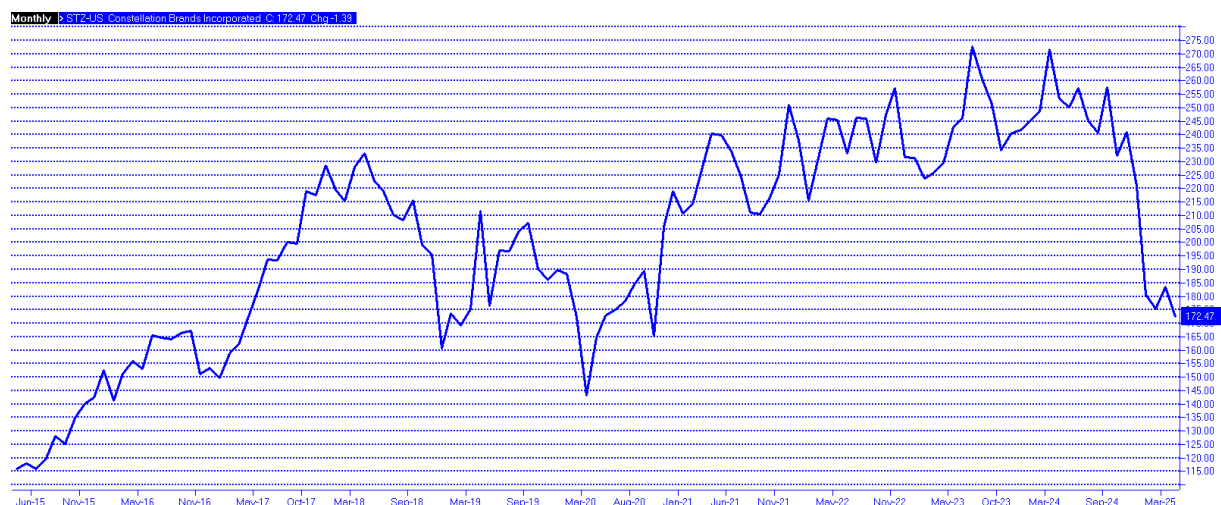
Source: Thomson-One, NBF, Hilberry

Constellation Brands sold off in January when their quarterly earnings reported falling beer demand. Constellation Brands subsidiary cannabis grower 'Canopy Growth' being subject to class action lawsuits didn't help. Trump's pounding of tariff drums has continued to weigh on the share price as investor's pondered a "25% tariff on imported beer". Evercore Research updated their Constellation Brands opinion this week noting that they (think) 25% tariff applies to the aluminum can not the beer in the can. Evercore estimates aluminum cans constitute approx. 7% of the cost of goods sold (COGS) per can of beer. The 25% tariff on the aluminum can equates to 1.75% cost differential. Evercore estimates Constellation will initially absorb this cost. They note the US imports over 80% of the aluminum it consumes, implying US aluminum demand as 'inelastic' meaning US consumers don't have an internal source to turn to. Canada is a major source of aluminum imports to the US.

Given the construction and regulatory cost of building new smelters tied to electrical power consumption, aluminum production is unlikely to grow dramatically inside the US anytime soon. This means aluminum producers are likely to successfully pass along the 25% tariff cost to US consumers. US consumers are largely industrial users who will seek to pass along the tariff costs the end US retail consumer (beer cans, automotive, etc.) As we've repeated, tariffs are a corporate tax that, like all taxes are paid by consumers either directly, example: sales taxes, or indirectly via inflation. Meanwhile, the flop in beer producers may be a chance to buy on the cheap. Constellation trades close to Nov/2016 levels.



Constellation Brands (STZ-\$172.47 Apr 7, 2025) monthly ranges 10 years



Source: Thomson-One, NBF, Hilberry

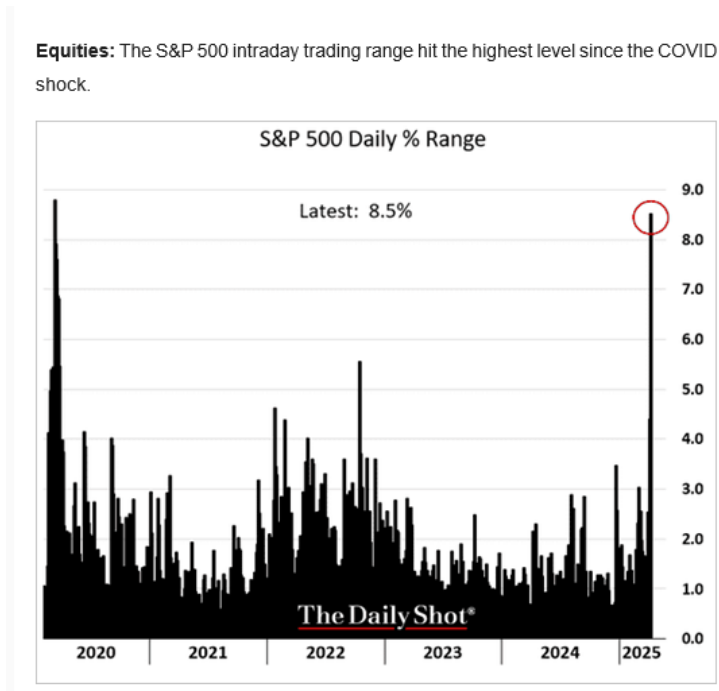
DISCLOSURE: No position in Constellation brands personally, for family members, or for client accounts over which we have trading authority. We have not traded in the security within the past 60 days.

A US recession appears more likely. NBF provides a handy recession risk tracker.

NBF U.S. Recession Risk - Monthly Monitor April 8, 2025

[NBF US Recession Risk Monitor April 2025](#)

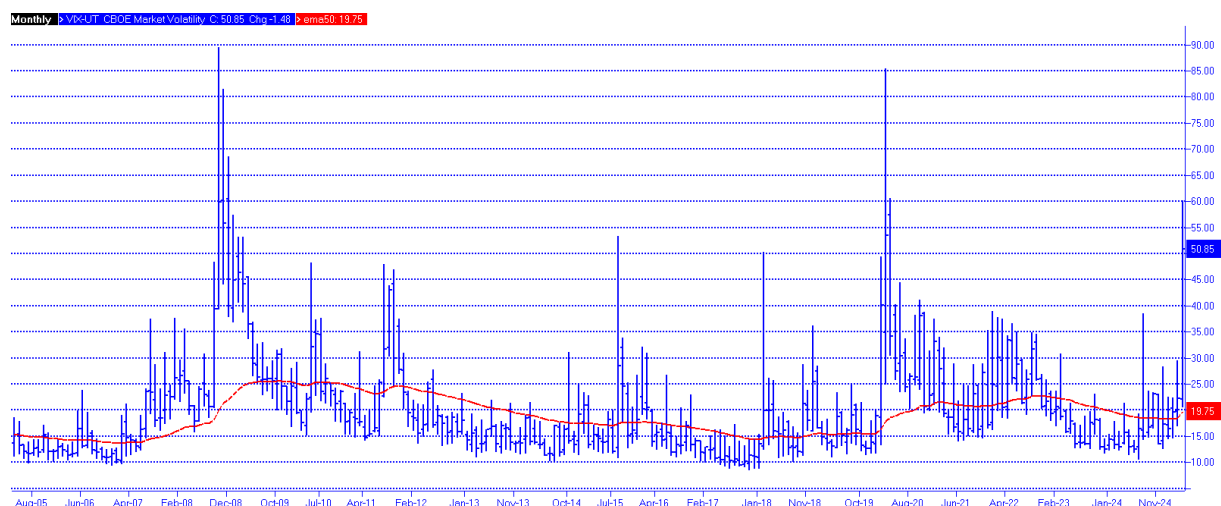
Stock market volatility has reached the COVID inflection points.



Source: Daily Shot Apr 9, 2025

Volatility hit 60 this week. High, but not back to 2008 or peak COVID levels.

CBOE Market Volatility Index (VIX) – monthly ranges – 20 years



Source: Thomson-One, NBF, Hilberry Apr 9, 2025

Recessions typically bring falling consumption, declining demand for credit and lower lending rates, setting up the recovery. The above bond yield charts haven't confirmed this yet. National Bank's Fixed Income team took a closer look this week.

Monthly Fixed Income Monitor – April 2025 National Bank

[NBF Fixed Income Monitor](#)

Putting it all together, while elevated volatility and extreme bearish sentiment points to investor capitulation, a contrarian buy signal, we held our cash position. We continue to believe our next major moves will be as buyers. Not this week.

Have a Great Weekend

Steve & Anna Hilberry



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FOR THE RECORD Apr. 10, 2025 close

DOW INDUSTRIALS:	39,593
S&P 500:	5,268
S&P/TSX COMP:	23,014
WTI:	\$60.65
LOONIE IN \$USD:	\$0.7156 \$US



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