HILBERRY GROUP
WEALTH MANAGEMENT

Apr 17, 2025

When something can't happen, it won't.

Teranet-National Bank House Price Index - Canada: Housing prices continue to fall in March

The Teranet-National Bank composite index fell 0.4% from February to March, marking a third consecutive monthly decline and a sharper contraction than in previous months. This comes at a time when the resale market continues to slow, due in particular to uncertainty surrounding the trade war with the United States (top chart). As a result, prices have declined by 0.7% since December 2024, with a more pronounced decline for condominiums (-1.2%) and a slightly less significant decline for other types of housing (-0.3%). Although the real estate market has slowed in all provinces, the magnitude of this decline in activity is particularly noticeable in Ontario and, to a lesser extent, in British Columbia, the two least affordable markets in the country. Furthermore, the weakness in the Ontario housing market is not limited to a few markets, but is a broader issue, as 81% of the CMAs in this province (13 out of 16) covered by our price indices experienced declines from February to March, compared to only 40% for other markets outside Ontario (bottom chart). It should also be noted that more affordable real estate markets are faring better. This is particularly true in Quebec, where the four CMAs covered by our indices are among the top five in the country in terms of annual price growth (Sudbury completing the list), with increases ranging from 9.7% in Montreal to 18.3% in Trois-Rivières compared to March 2024. In a context of ongoing economic uncertainty, moderate population growth and the risk that long-term interest rates will remain higher for longer than expected, home prices are likely to remain under pressure in the coming months.

https://nbf.bluematrix.com/links2/pdf/c6df305b-ffcd-49ad-977b-ffc8d95b5c0a

Canada: Inflationary pressures eased in March – NBF Economics

https://nbf.bluematrix.com/links2/pdf/6b141de1-5af6-4045-b57e-49e1f565adef

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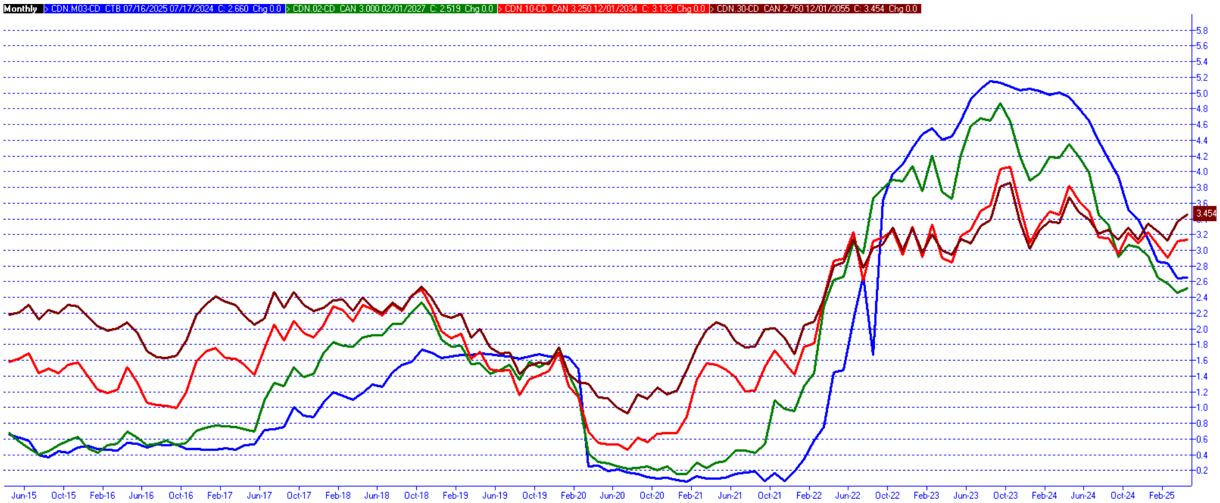
Canadian selected Govt Bond Yields 10 years – monthly ranges

Blue 90-days | Green 2 years | Red 10 years | Burgundy 30 years



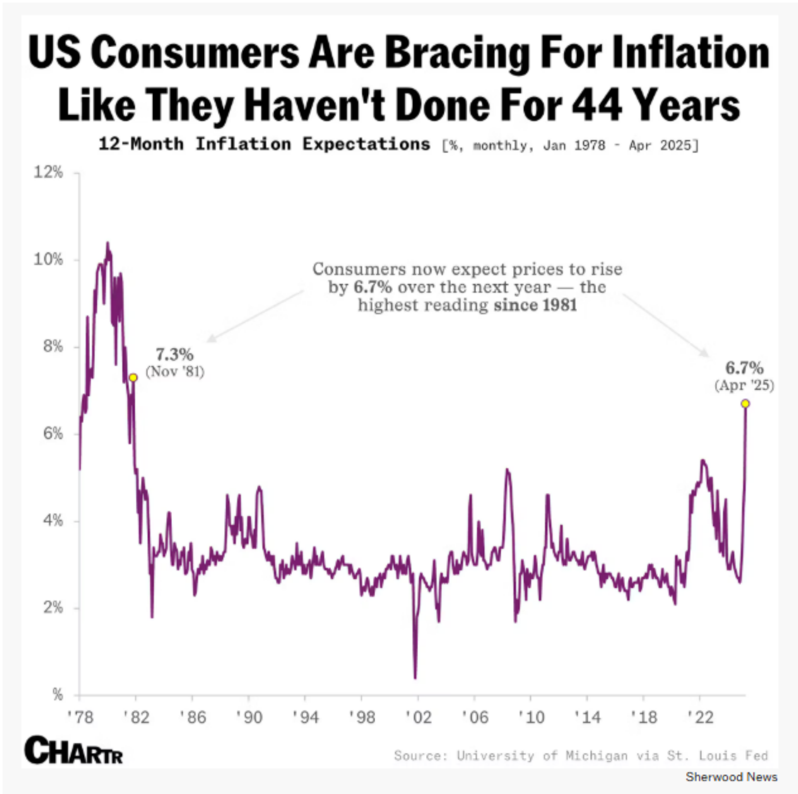
Canadian rates peaked in late summer 2023. The 90-day rate is now below the 10- and 30-year yields. 90-days (2.55%) will land below the 2-year yield (2.52%). The 10- and 30-year yields are flat from the summer of 2024. They aren't pricing a steep decline in inflation yet. We think they will.

Understanding Global Supply Chains Example Apple iPhone

https://www.predictiveanalyticstoday.com/iphone-supply-chain/

'Understanding America's Trade Deficit with China in four charts' Sherwood Apr 10, 2025

https://sherwood.news/power/americas-trade-deficit-with-china-in-four-charts/



Source: Sherwood news.

Trade Wars Are Easy to Lose - Beijing Has Escalation Dominance in the U.S.-China Tariff Fight – Foreign Affairs Apr 9, 2025

ADAM S. POSEN is President of the Peterson Institute for International Economics.

"In short, the Trump administration believes it has what game theorists call escalation dominance over China and any other economy with which it has a bilateral trade deficit. Escalation dominance, in the words of a report by the RAND Corporation, means that "a combatant has the ability to escalate a conflict in ways that will be disadvantageous or costly to the adversary while the adversary cannot do the same in return." If the administration's logic is correct, then China, Canada, and any other country that retaliates against U.S. tariffs is indeed playing a losing hand.

But this logic is wrong: it is China that has escalation dominance in this trade war. The United States gets vital goods from China that cannot be replaced any time soon or made at home at anything less than prohibitive cost. Reducing such dependence on China may be a reason for action, but fighting the current war before doing so is a recipe for almost certain defeat, at enormous cost. Or to put it in Bessent's terms: Washington, not Beijing, is betting all in on a losing hand."

https://www.foreignaffairs.com/united-states/trade-wars-are-easy-lose

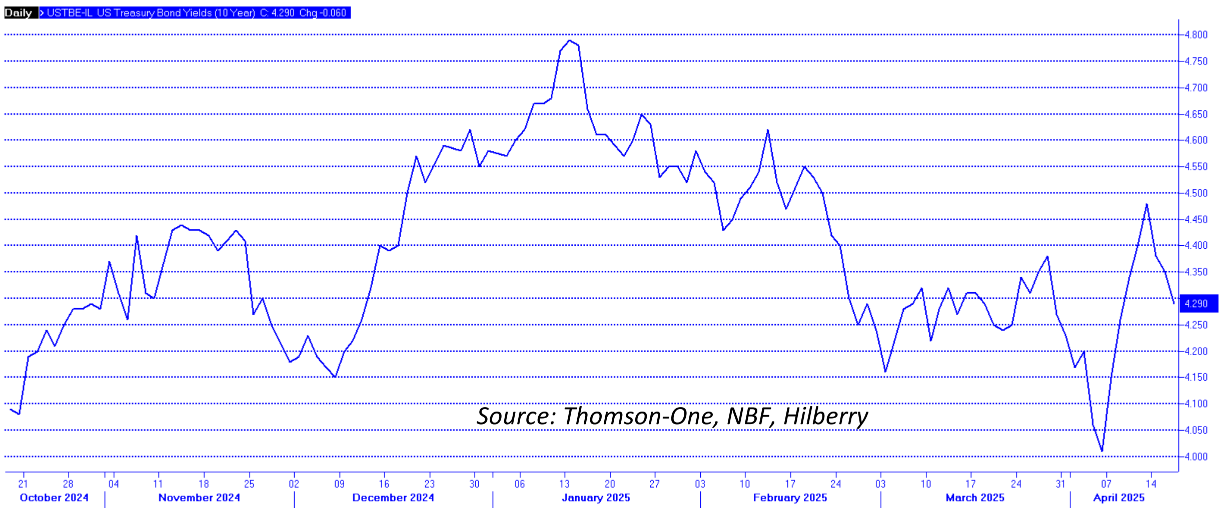
'Inside the Chinese 'Shein villages' facing an existential threat from Trump tariffs' – The Independent Apr 16, 2025

For factory owner Li, the capital investment involved in a move to Vietnam, combined with what he said was less productive labour there compared with China, makes it an unappealing choice.

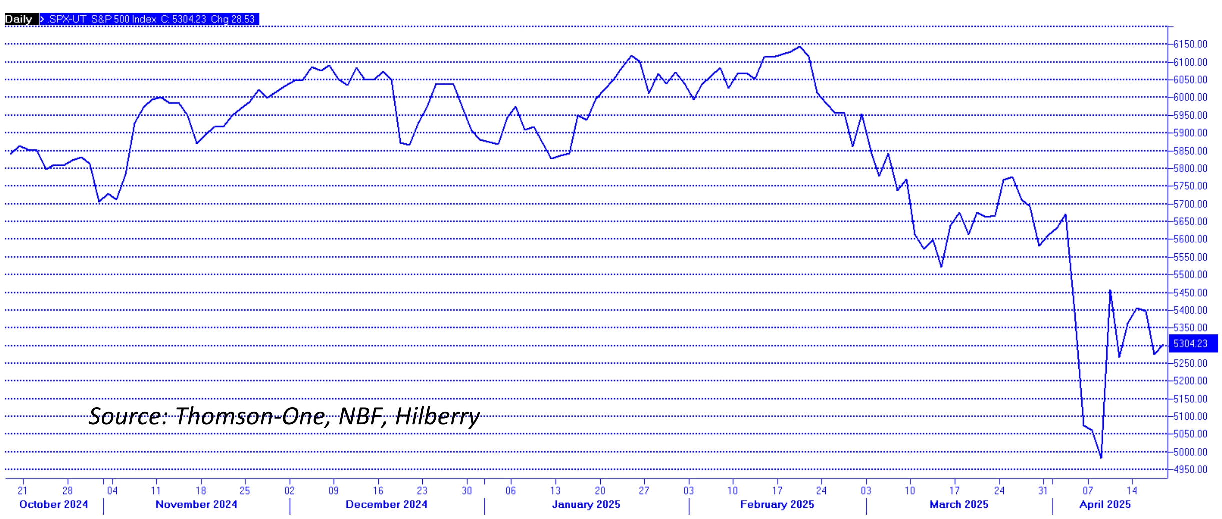
"Here we can finish 1,000 pieces of clothing in one day – there, it takes a month," he said.

https://www.msn.com/en-ca/money/other/inside-the-chinese-shein-villages-facing-an-existential-threat-from-trump-tariffs/ar-AA1D1ofF

US Fed Govt 10-year T-Bond yield (4.33%) - daily ranges – 6 months



S&P500 (5,303) daily ranges – 6 months



We've noted the yield on the US Fed Treasury 10-year maturity bond (higher) might be pricing inflation while the S&P500 (lower) might be pricing a recession. That 70's stagflation thing. It's never that simple.

The 1970's the inflation resulted from an external supply shock beyond the control of the USA. US demographics differed. The boomers were just hitting their purchasing stride. Unionization was wider. China was in the midst of the devastating Cultural Revolution. US industrial offshoring wasn't a thing. The current inflation version is the result of the stroke of the pen. Some have noted the same pen could undo it.

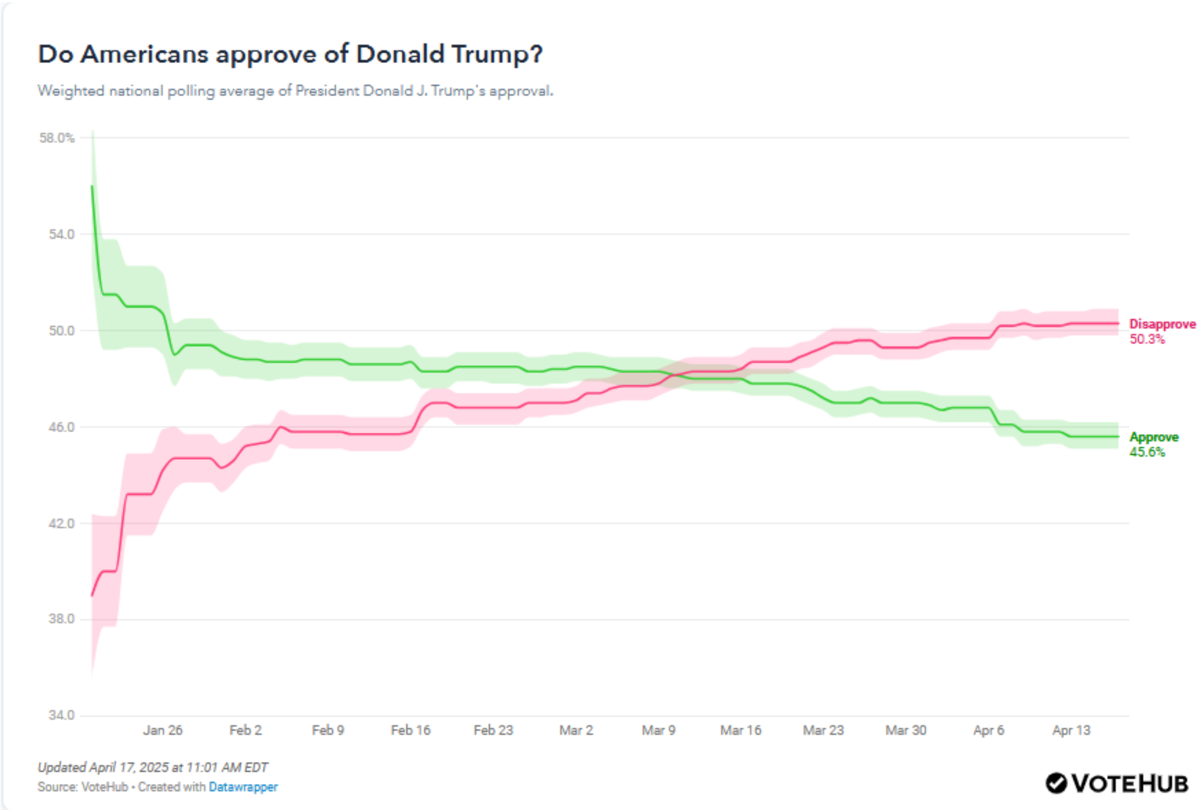
For context, well before the re-election of Donald Trump we've repeated that 10 year borrowing rates were unlikely to remain under 3%. The 10-year yield was below 4% for 15 years. We cautioned those low rates would enable all kinds of silly ideas including higher prices paid for earnings and a willingness to accept longer and longer pay-backs on capital (IE paying way up for growth stories). We featured the 'meme stock' craze as an extreme example. Hedge funds rely on low financing to work their spreads. If governments could borrow at rates below actual inflation what's to worry about? We believed lending rates were likely to trend higher. We also cautioned high flying 'Mag-7' would have their day of reckoning. Some rebalancing was likely.

Then along came The Donald. Mr. Trump's claims tariffs will improve the US Economy while potentially replacing income taxes. The math simply doesn't add up.

Could tariffs replace US Income Tax? Financial Post

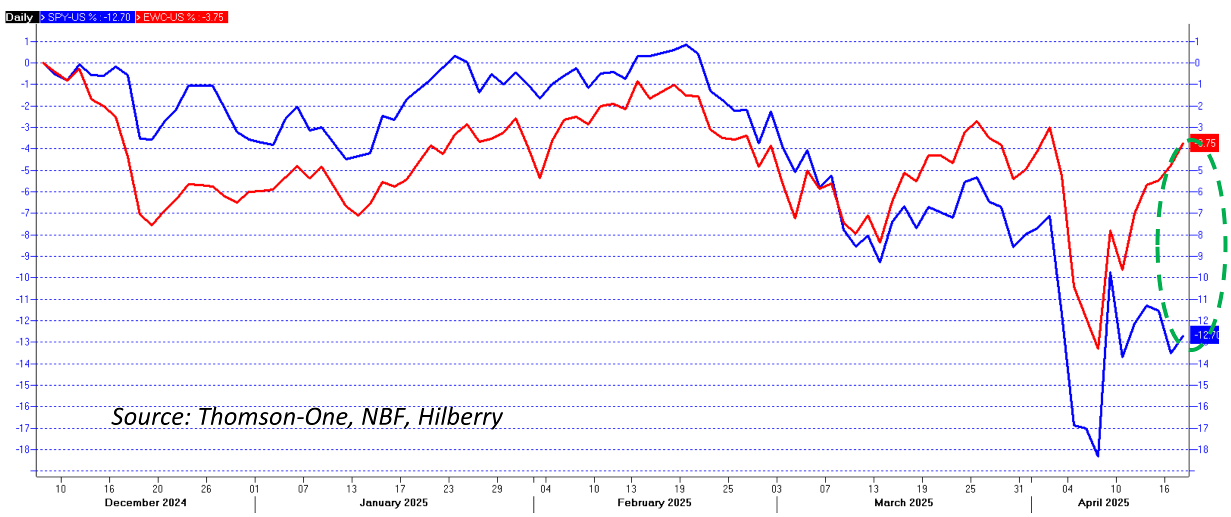
A US Federal Government relying on tariffs for revenue would experience too great a variation to cover long term commitments Doing so would put the US Feds at the mercy of international commerce (which the Trump Administration is attempting to suppress) explaining why the US Federal Government created income taxes in 1913. The Trump Administration can't have it both ways. When something can't happen, it won't.

Is the entire tariff narrative really about giving cover for tax cuts, financially viable or not? GOP Budget Hawkes are in a strong bargaining position. The polls are reflecting consumer anger over the upheavals in the financial markets. The coming inflation has yet to be felt. Mr. Trump and more importantly the GOP is now in a no-win situation.

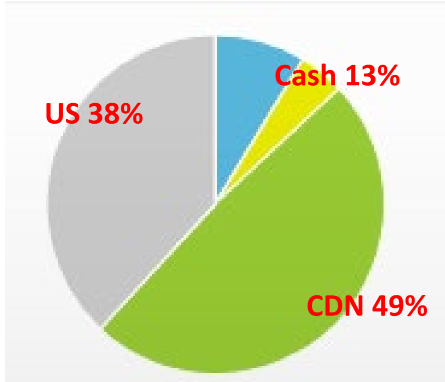


We continue to believe the tariffs will be reversed. We don't know by how much, when or how much damage will be done first. The US reputation requires repair. Just ask, their closest friend and ally, Canada. The above Foreign Affairs article notes China has a stronger tariff bargaining position than the US. Canada is potentially in an even stronger position as we sell basic materials the US cannot do without, explaining our reduction of US equity while maintaining Canadian exposure. The Canadian equity markets have started pricing this in.

S&P500 (SPY blue -12.8%) vs TSX Comp USD (red – 3.35%) % change 90 days



Our current blended CDN/US Dividend Growth model asset allocation



Mandate equity cap 100%

This week a client asked, “Given all of the uncertainty, why take ANY risk?” Because no matter who is in power or what their ideas are, we all get up in the morning, kiss our family goodbye, do our best to improve our futures and bring home the result that night. We add value to others and are paid for it. Along the way we buy goods and services from our favored companies, who will pay their own employee, pay taxes and deliver dividends from the profits. Working together we all benefit. Elected officials should take this model to international trade. As investors, we are better served to own those stories. The current lack of investor confidence is already offering up great companies are reasonable prices.

“Be greedy when other’s are fearful and fearful when others are greedy” – Warren Buffet

We’re feeling greedy…but not quite enough yet. Our offices will be closed for Good Friday. We’re giving the Hilberry Team Monday off as well.

Have a Great Long Weekend

Steve & Anna Hilberry

WEALTH MANAGEMENT

FOR THE RECORD Apr 16, 2025 close

DOW INDUSTRIALS:	39,669
S&P 500:	5,275
S&P/TSX COMP:	24,106
WTI:	$61.79
LOONIE IN $USD:	$0.7214 $US

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CIRO Canadian Investment Regulatory Organization

CIPF Canadian Investor Protection Fund MEMBER

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

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