



## WEEKEND READING

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

### Waiting for Godot.

#### The week's headline flow....

OPINION

COMMENTARY

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## *Trump's Tariffs Are as Bad as Bidenomics*

Both models of state-directed capitalism misallocate resources and make the nation poorer.

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By Phil Gramm and Donald J. Boudreaux

April 14, 2025 4:35 pm ET

Source [Trump's Tariffs are as bad as Bidenomics - WSJ](#)

BUSINESS | AUTOS

## GM Pulls Profit Guidance, Citing 'Significant' Tariff Impact

Automaker's net income slid 6.6% in first quarter on weaker sales of highly profitable trucks and SUVs

By [Christopher Ott](#) [Follow](#)

Updated April 29, 2025 9:44 am ET

Source *Wall Street Journal* April 29, 2025



# Retail Giants Manage to Keep a Lid on Prices but Warn It Can't Last

Prices have largely held steady overall, aside from modest April increases in some categories, a WSJ analysis finds

By [Sarah Nassauer](#) [Follow](#), [Shane Shifflett](#) [Follow](#) and [Sebastian Herrera](#) [Follow](#)

Updated April 29, 2025 10:21 am ET

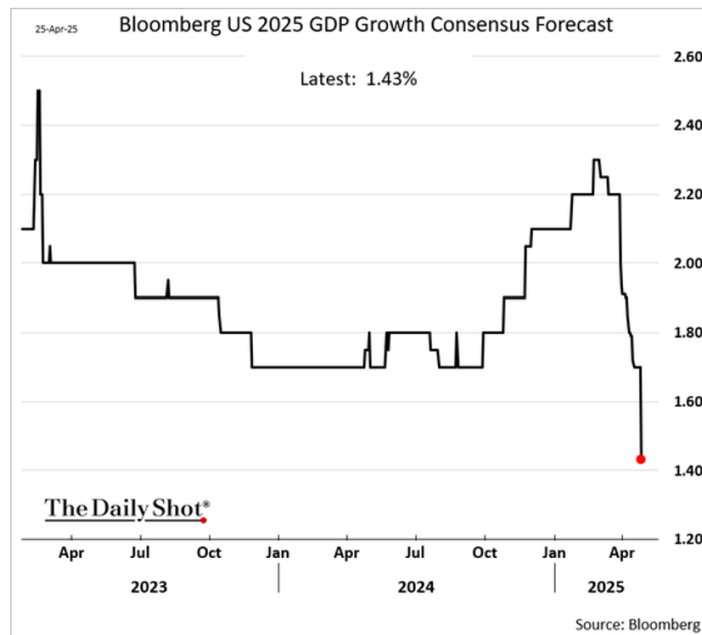
## Key Points

What's This? ⓘ

- Retailers are pressuring suppliers to absorb costs, pausing some shipments, and using already imported inventory to maintain low prices.
- Walmart, Target and Home Depot warned President Trump that higher prices and product scarcity may be unavoidable.
- Amazon, Walmart and Target are exploring measures such as increasing advertising revenue and cutting corporate perks to offset tariff costs.

Source Wall Street Journal April 29, 2025

**The United States:** Economists have been actively revising down their projections for US economic growth this year.



Source: The Daily Shot Apr 28, 2025

US Large & small business investment (Capital Expenditures or CapEx) has fallen sharply.



**The Kobeissi Letter** @KobeissiLetter · 16m



US CapEx is coming to a halt:

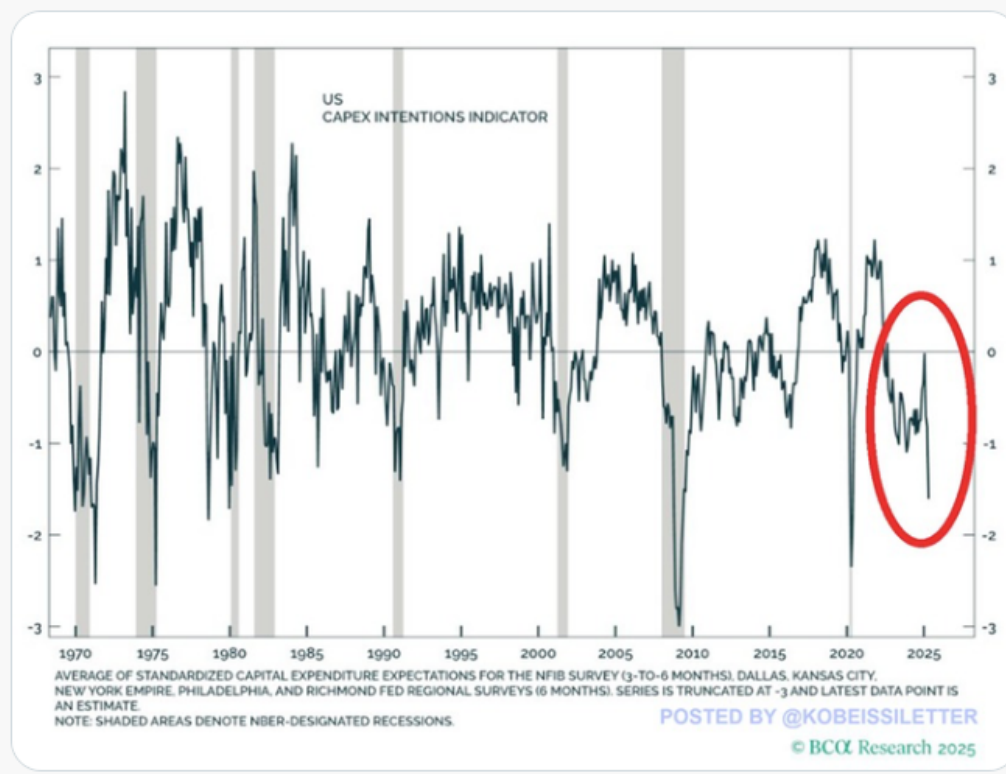
The US CapEx intentions indicator dropped to -1.5 points in April, the lowest since 2020, according to BCA Research.

The indicator includes CapEx expectations from the NFIB small business survey and Fed regional surveys.

In the past, such a low level of this metric has rarely occurred outside of a recession.

This suggests a rapid slowdown in business investment and economic activity that could lead to a recession.

Corporations are in "wait and see" mode.



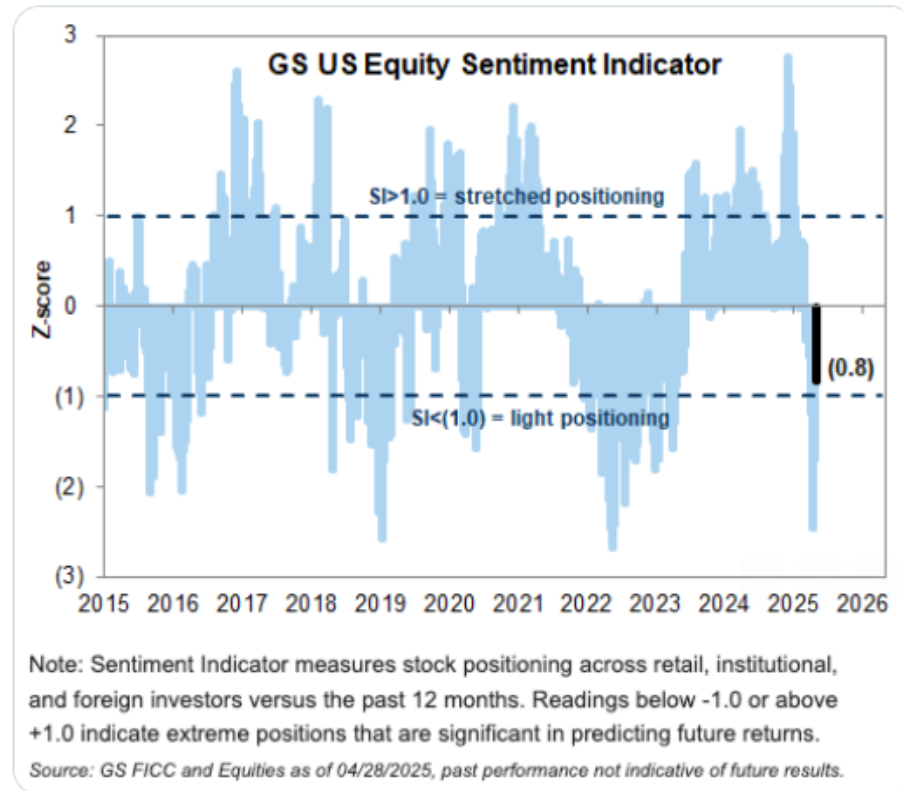


**Daily Chartbook** @dailychartbook · 1h



Goldman's equity positioning indicator has moderated but remains negative.

via GS Morgan



The above charts indicate a recession approaches. History says stocks often fall prior to these indicators arriving, pricing in a recession by the time the data is presented. How is this possible?

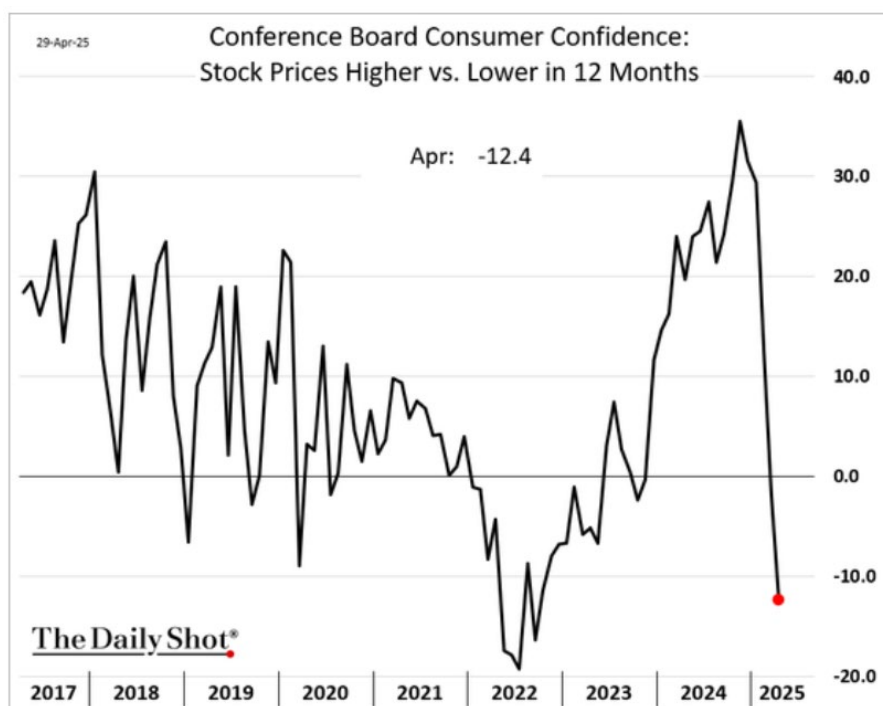
Recall the data is mostly publicly available as it rolls out. Institutional investors have dedicated research desks focusing on the data. By the time the data is compiled by the various providers, presented as reports (examples being the above charts), picked up and broadcast by the TV and Social media (who do NOT have the same research depth) the economy has already moved on. This has always been the case.

At this stage, things often look like they're bad and getting worse. One's intuition says 'No risk thanks'....along with the majority of investors. That's why prices fall prior to the data confirming a recession. Prices tend to fall faster over shorter periods, than they rise, over longer ones. This turns what are 'corrections' in value based on facts into hard-to-forget 'crashes'. Bull markets typically last much longer, provide much greater overall effect, going up more than the Bear markets went down. Yet Bear markets are emotionally far more painful than Bull Markets and tend to dominate investor psychology.

We've seen this historical recession pattern repeated recently.



The US public lost its famous optimism on the direction of US equities.



Source Daily Shot

As dividend income/value tilted investors, we take a contrarian stance on investor enthusiasm, following Warren Buffett's advice to *'Be greedy when others are fearful and fearful when others are greedy'*. Typically, we would be buying into the recent declines. Our challenge is the current US White House Administration appears fully committed to pursue policies that have already dampened US growth, increased US inflation, disrupted the global trade supporting the US economy, disrupting the US reputation as the adults in the room.

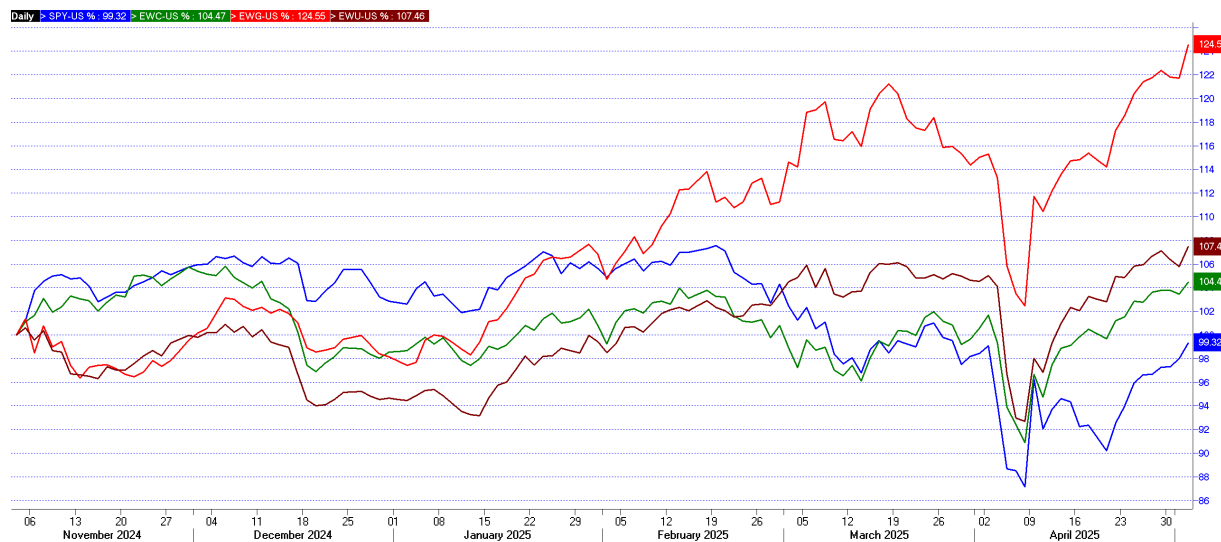
History says, when US equity prices fall, International equity markets fall farther. In response, global investors rush to buy US dollars to buy US Fed Govt Bonds, creating an inverse price relationship between US equity prices, and US Fed Govt bond/US dollars.

From the Nov 5, 2025 election of Donald Trump to Friday May 2, 2025 mid-session, US markets significantly, and unusually, underperformed, marked by 'Liberation Day' (dive on the following chart)



**Per 100 USD: Nov 4, 2024 - May 2, 2025 daily**

**SP500 (SPY- 99.34) Germany (EWG-red-124.49) Canada (EWC- 104.49) UK (EWU-104.40)**



Source: LSEG, NBF, Hilberry May 2, 2025 mid-session

As the saying goes, “When the US sneezes, Canada catches a flu”. Canada’s equity market is usually correlated+ to the US. Recently this pattern reversed. Since mid-April, Canada has maintained a 7-10% premium to the US. Canada has been winning by not losing.

**From the SP500 Feb 19, 2025 peak USD: S&P500 (SPY: -7.7 | TSX (EWC: +1.2%)**



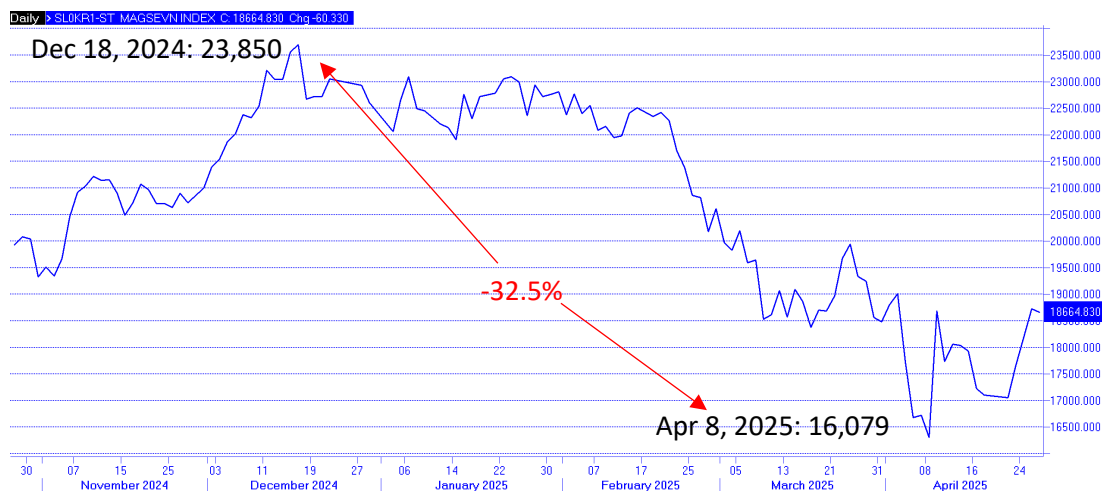
Source LSEG, NBF, Hilberry as of May 2, 2025 mid-session



## Factors in Canada's outperformance:

1. The correction of excess enthusiasm for US Magnificent 7 stocks (see chart).
1. Headlines: 'The passing of US Exceptionalism'.
2. Reversal of elevated US dollar (see #2)
3. Realization that tariffs are paid by the importing nation's many, to protect the few.
  - See ['Trump's Tariffs are as bad as Bidenomics' WSJ Apr 14, 2025](#)
4. Canada trading at lower multiples

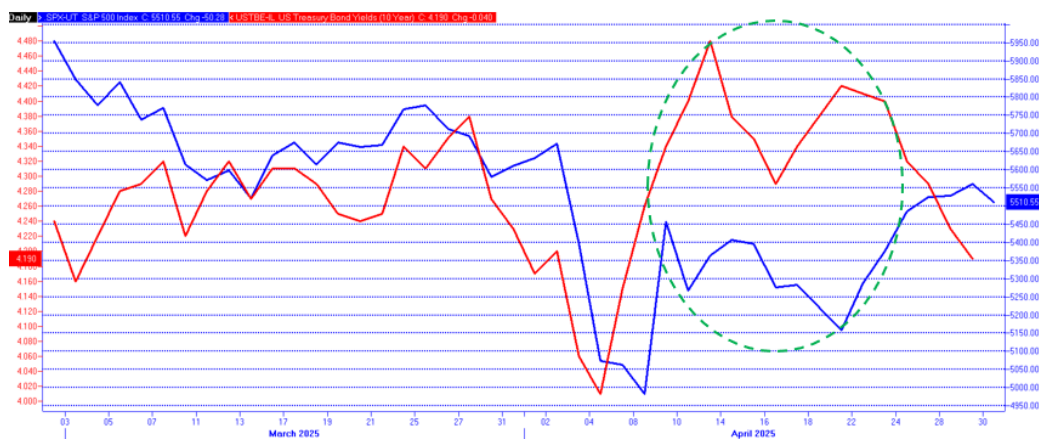
## Solactive Magnificent Seven Index Oct 28, 2025 close 18,664 – daily - 6 mos



Source LSEG, NBF, Hilberry as of Apr 28, 2025

**The End of US Exceptionalism?** The S&P500 peaked in late February and bottomed in April. At first, US bond prices responded as normal. Suddenly the US Dollar and US Fed Govt 10-year bond prices fell sharply with yields climbing 10%. This implied money was fleeing not just US stocks but US Bonds and the dollar as well. Not good. We think this will balance out.

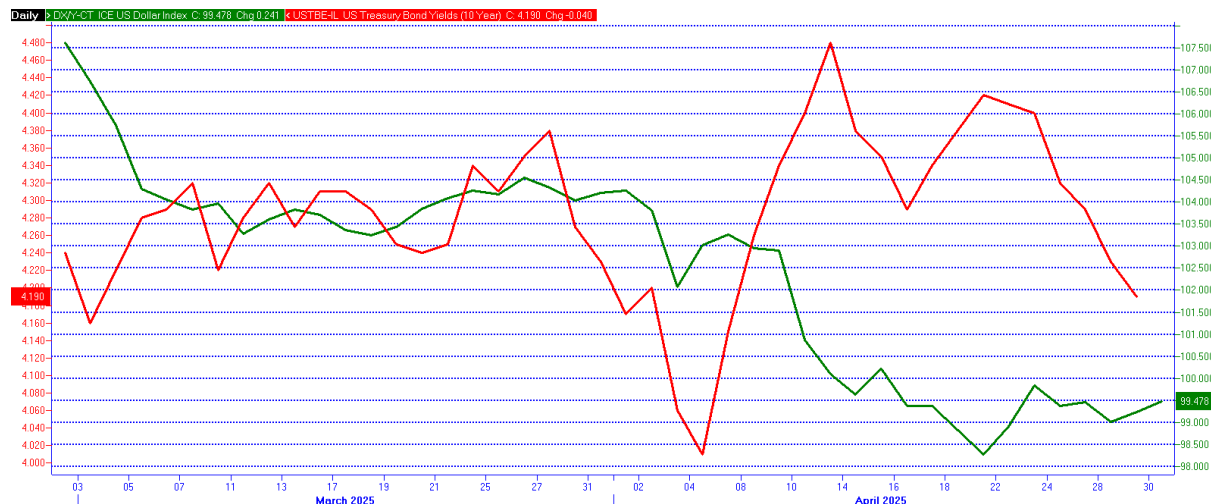
## S&P500 (blue) vs US Fed 10-year yield (red) Feb 28-Apr 30



Source LSEG, NBF, Hilberry as of Apr 30, 2025

This week saw the divergence retrace (above chart, post green circle) reverting to the typical correlation of US bond yields and equity market prices. Trade drama may not be over.

### US Dollar Index (green) vs US Fed 10-year yield (red) Feb 28-Apr 30

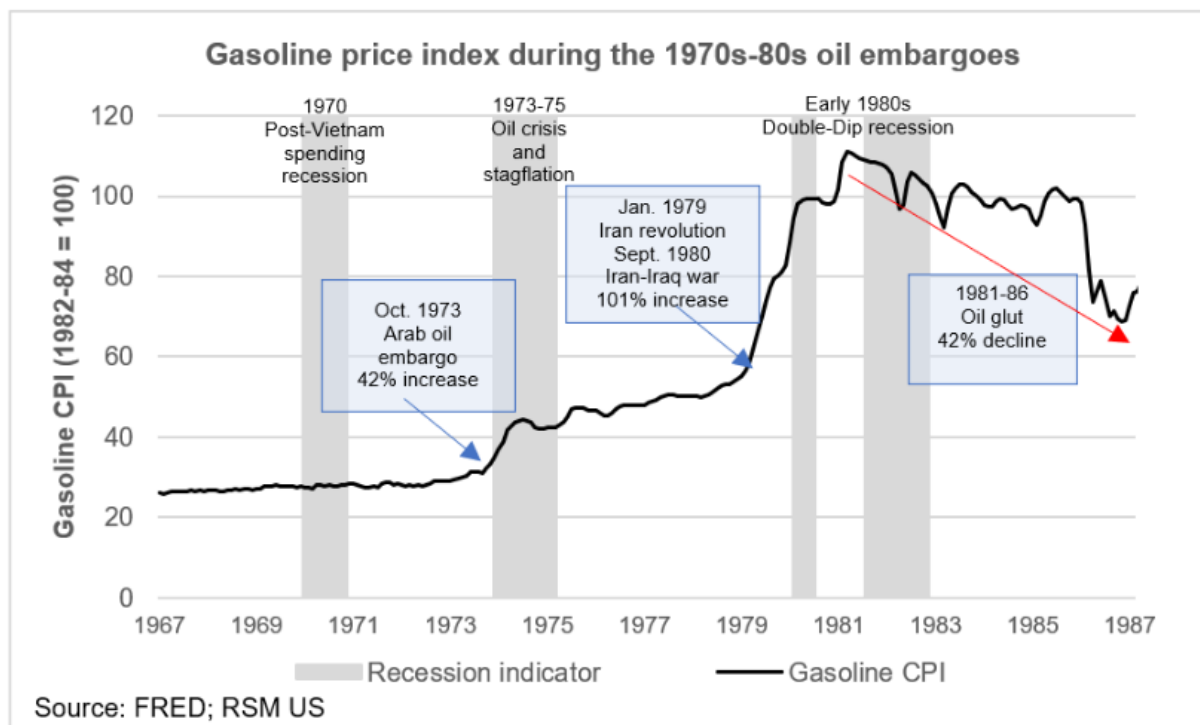


Source LSEG, NBF, Hilberry as of Apr 30, 2025

This week saw the US Dollar bottom out (above green line), but has yet to show the typical inverse correlation to US equity market prices. We suspect this implies US domestic investors continue buying US Fed Govt bonds, selling stocks pricing in falling US GDP growth and hopefully lower US inflation with minimal effect on the US dollar, while international investors have ceased selling all three, taking a wait and see stance.

Tariffs are designed to dissuade consumers in the nation applying the tariffs from consumption of externally supplied goods by increasing the cost to the consumer of those externally supplied goods. Behind each tariff is the assumption there is internal supply capable of providing that same good below the tariff's increased price meaning there is already enough internal supply capable of meeting the demand and/or the internal demand (buyers) have options or can do easily do without. IE the supply/demand balance is 'elastic'. Tariffs shelter internal supplier's from competition at the expense of consumers. Tariffs are usually selective. In the US elastic supply/demand scenario, US consumers a) pay higher prices (inflation) and then b) cease buying the imported good, ceasing sending dollars abroad (stop selling US dollars). The US dollar rises. Note: The tariff revenue to government then ceases. The targeted tariff cost, if typically modest, isn't a significant inflation effect. It's not a good thing but not a disaster. For certain vital industries, tariffs can make sense. Not many, just a few. Certainly not all!

What happens if internal supply can't replace external sources or internal demand can't change? IE the supply/demand balance is 'inelastic'. The 1970's is a painful example of inelastic supply and demand. The Arab Embargo artificially restricting supply of oil to US consumers, could not be met by US domestic production. US consumption of oil products proved inelastic. Inflation soared, while growth contracted. Result: Stagflation.



Source: [Real Economy March 22, 2022](#)

Displaying a distrust of consensus expert opinion, the Trump Administration's April 2, 2025 'Liberation Day' tariffs were applied unilaterally, with minimal targeting. Famously the **Heard and McDonald Islands**, an Australian territory located in the Indian Ocean, were included in the list of tariffs imposed by the US administration. These islands are known for being uninhabited, home primarily to penguins and seals. The **Island of Saint-Pierre-et-Miquelon**, French territory off Canada's East Coast relying mostly on commercial fishing, had a 50% tariff applied to exports. The Trump blanket tariffs made no provision for a lack of supply/demand elasticity. Americans like buying stuff. They are used to buying it when they want it, which is NOW. We suspect the US public will cease being amused.

A significant and fortunate difference between today's scenario and the 1970's is, so far, the hit to inflation and supply have been entirely the result of Donald Trump's pen. The fix is within his power to change. So far.

Once started, just like shooting wars, trade wars are not '[easy to win](#)' and are hard to stop. Leader egos and tribal instincts get in the way of rational decisions. They're never 'over by Christmas'. Just like shooting ones, when the cost of continuing becomes politically painful, they end. When will Donald Trump's famous political instincts kick in?

### On Canada's near term business environment.

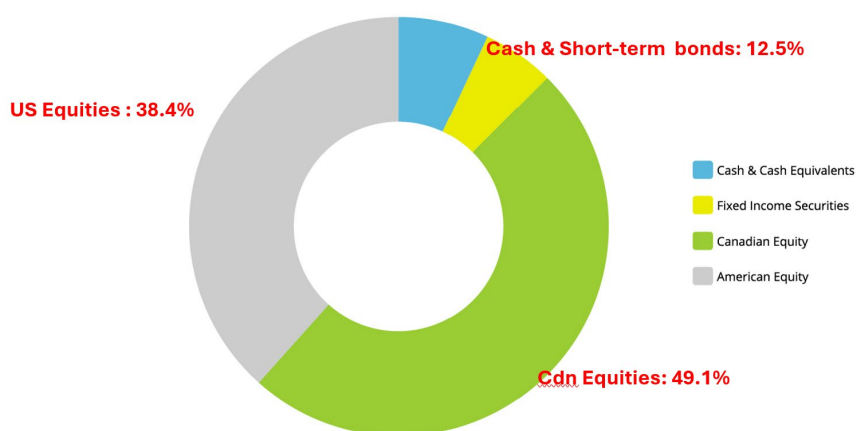
We suspect Canadians are hoping for leadership that balances the reality of Canada's social, military and economic ties to the US, our global environmental impact, return of fiscal discipline, playing to our strengths and understanding our limitations. We certainly are. It's a tall order

Friday Mr. Carney laid out his government's priorities. The news presentation was sober, balanced, optimistic with hints at significant transformation of the economy with what might be a lot of government help. We await those ideas. A cabinet reshuffle to be announced on May 12 will clarify things. Carney will meet President Trump on Tuesday next week. There could be more fireworks. We hope it's reassuringly boring.

### FULL SPEECH | Carney outlines his government's priorities in 1st post-election news conference – CBC News May 2, 2025

<https://www.cbc.ca/player/play/video/9.6746091>

We remain optimistic on Canada's future. For pure equity portfolios containing no fixed income mandate, here is our current cash/equity allocation mix.



Source: NBF, Hilberry May 1, 2025

## Have a Great Weekend

Steve & Anna Hilberry



Steve Hilberry  
Wealth Management Advisor, CIM

Anna Hilberry  
Wealth Management Advisor, CIM

### FOR THE RECORD May 1, 2025 close

DOW INDUSTRIALS:	40,752
S&P 500:	5,604
S&P/TSX COMP:	24,795
WTI:	\$58.25
LOONIE IN \$USD:	\$0.7244 US

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