



WEEKEND READING

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

It's not as bad as you think.

We gave readers a break over the Canada Day/July 4 holiday weekend. We're catching up.

TACO or not?

Trump doubles down on reciprocal tariffs as he signals no extensions past July 9 deadline. We've seen this scenario play out before: 1) Trump throws astronomical tariffs on the US's largest trading partners; 2) appears to realize the full economic consequences of these tariffs; 3) gives a "temporary" reprieve claiming he's doing other countries a favor. A.K.A. TACO. Remember, the only two countries that have signed agreements (and we use the term loosely) around trade are the UK and China (at least the new tariff rate isn't 145%). India claims to be close to a deal, although Japan claimed the same thing recently and now has renewed tariff threats levied against it, so take what you will from India's announcements. This means we're essentially seven days away from the same place we were on "Liberation Day" when global economy-crushing tariffs were levied on most countries, threatening growth. The full list of Trump's reciprocal tariffs is here

<https://www.tradecomplianceresourcehub.com/2025/06/27/trump-2-0-tariff-tracker/>

Excerpt from National Bank's daily FOREX notes July 2, 2025

FX Commentary:

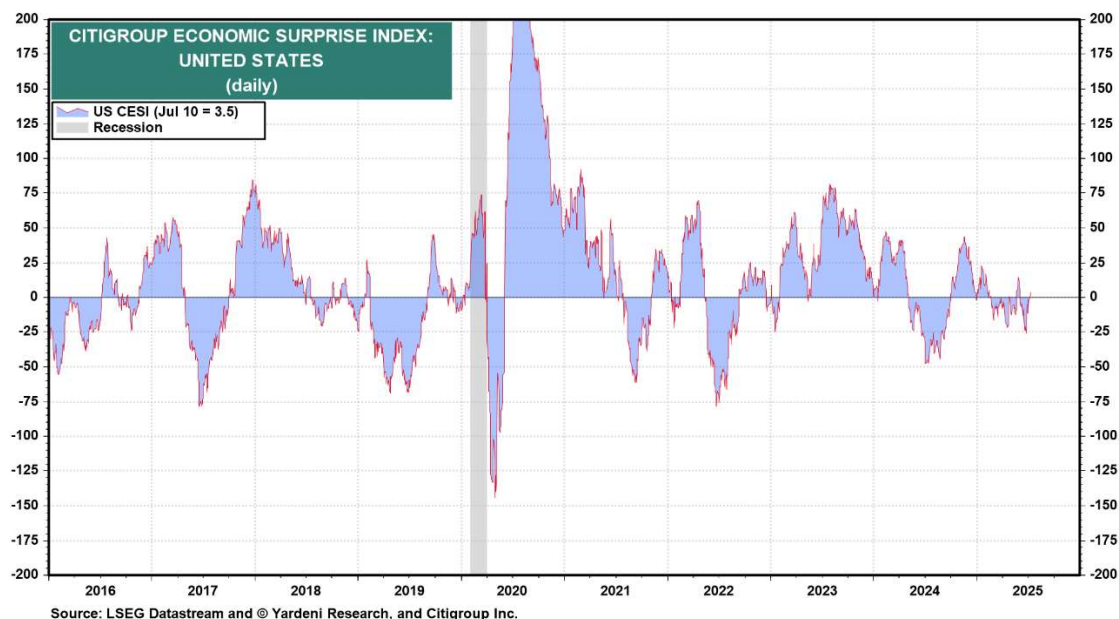
It appears the Big Beautiful Bill will likely be approved by the House later today and head to the Oval Office. One man in the US is very unhappy about this as Elon Musk reignited his feud with Trump on Tuesday, criticizing the bill and its high costs. Trump fired back threats about turning DOGE on Elon and revoking his government contracts. When asked if he would consider deporting Musk, Trump replied "I don't know. We'll have to take a look." Sounds like that friendship is officially over. The July 9th tariff deadline is fast approaching and Trump reaffirmed he won't be delaying his tariff deadline as he puts the pressure on trade partners to get deals signed. Markets are less sensitive to the headlines as of late but still important to follow as we approach the deadline.

Bit of old news but with the holiday yesterday important to highlight. Trump was out on Monday this time using his artistic abilities to craft a handwritten message for Federal Reserve Chair Jerome Powell and no it was not a love letter. Trump wrote **“Jerome - You are, as usual too late. You have cost the USA a fortune – and continue to do so. You should lower the rate – by a lot! Hundreds of billions of dollars being lost! No inflation.”** (see CNN article with image below) I think we can all agree that any reasonable person would question the Fed’s independence once Trump puts forward his new nominee for the chair position”

[‘Trump sends handwritten letter to Powell demanding ultra-low interest rates’ – CNN Jun 30, 2025](#)

USA: Citi Economic Surprise Index is turning positive – Yardeni Research

Citi Groups Economic Surprise Index (CESI) measures how all economic data is coming in relative to expectations IE ‘Surprise’. Readings +/- 25 are common. Readings below -50 have been close to turning points. Current readings around zero tell us two things. 1) The US economy is accelerating off a cliff. 2) Donald Trump was elected in early Nov, 2024 (last small positive bump over 25 to the right). Since his election it’s been more down than up. No ‘Golden Era’ either.



Source: [Yardeni Charts](#)

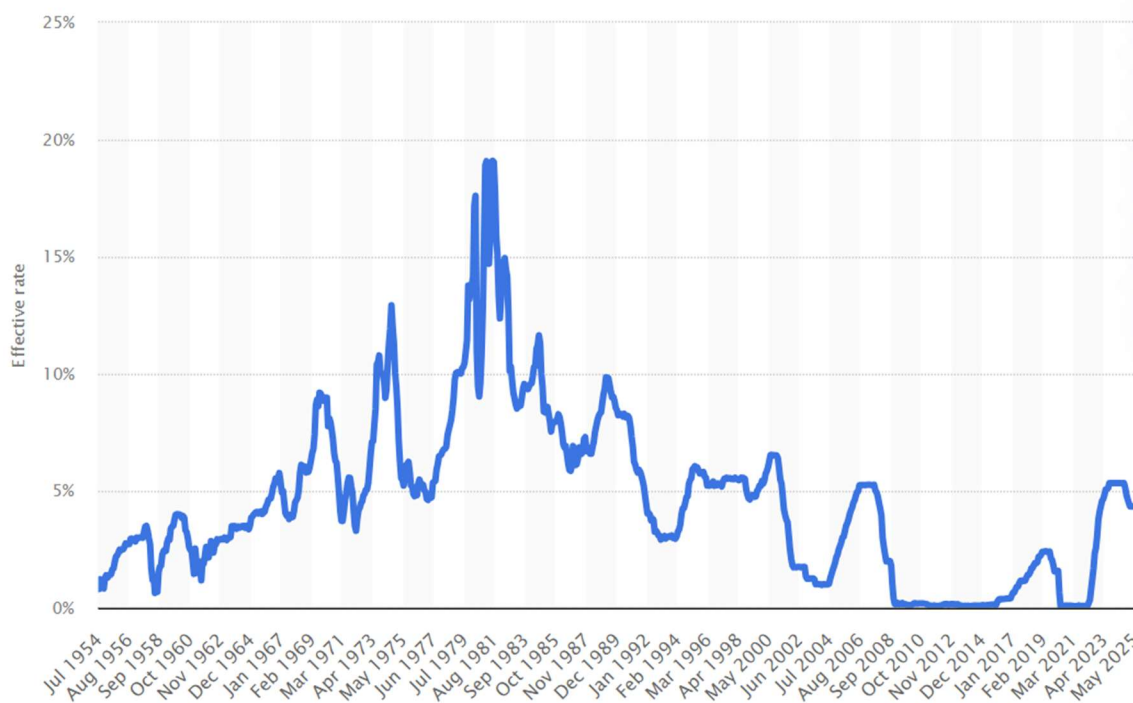
Big Picture charts: modest growth and low inflation June 27 Scott Grannis

Mr. Grannis makes the case that the US Fed Reserve is more likely to reduce short-term interest rates.

[Scott Grannis: June 27 Calafia Beach Pundit Blog](#)

Statista provides perspective and explainer on the US Effective Rate over the past 75 years

Monthly Federal funds effective rate in the United States July 1954 to June 2025



Source: [Statista: Monthly Fed Funds Effective rate 1954-2025](#)

My fellow Canadians: It's not as bad as you think.

The past week has seen much huffing and puffing threats to blow the Canadian house down by the Trump administration. Mr. Trump 'threatened' Canada with a 35% tariff. Clarification: A 35% tariff threat means threatening to tax American consumers of Canadian goods with a 35% tax on all Canadian exports to the US. Such tariffs would logically lead to matching tariffs on US exports to Canada.

What could this mean? Should we be alarmed? Let's get some facts straight

Canada Trade Summary 2024 Office of the United States Trade Representative

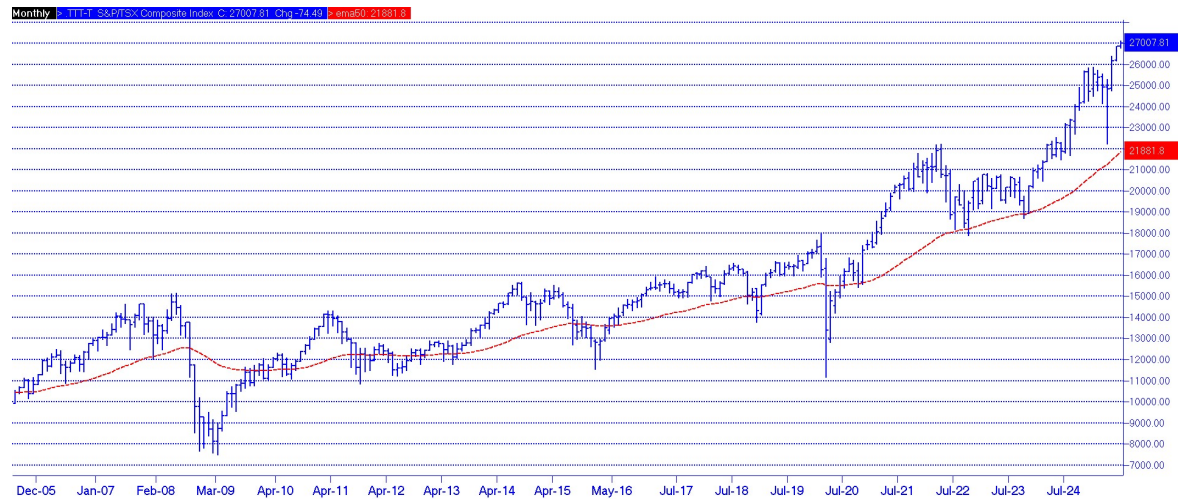
"U.S. total goods trade with Canada was an estimated \$762.1 billion in 2024. U.S. goods exports to Canada in 2024 were \$349.4 billion, down 1.4 percent (\$5.0 billion) from 2023. U.S. goods imports from Canada in 2024 totaled \$412.7 billion, down 1.4 percent (\$5.9 billion) from 2023. The U.S. goods trade deficit with Canada was \$63.3 billion in 2024, a 1.4 percent decrease (\$926.9 million) over 2023.

Trade in services with Canada (exports and imports) totaled an estimated \$140.3 billion in 2023. Services exports were \$86.0 billion; services imports were \$54.3 billion. The U.S. services trade surplus with Canada was \$31.7 billion in 2023."

Source: [Office of the United States Trade Representative](#)

The 2024 USD combined Canada/US trade of all 'goods' (\$762.1 billion) and 'services' (\$140.3 billion) totaled \$902 billion. Services: Think Google searches, Apple iPhone fees, Amazon advertising, Walt Disney movies. Canada/US combined trade saw a \$31.6 bill 'trade deficit' in Canada's 'favor' = 3.5% 'advantage'. If one removes Canadian energy exports to US, the trade deficit swings widely towards the US. Canada/US trade is not a huge 'rip-off' of the United States or Canada. Facts need not apply for entry.

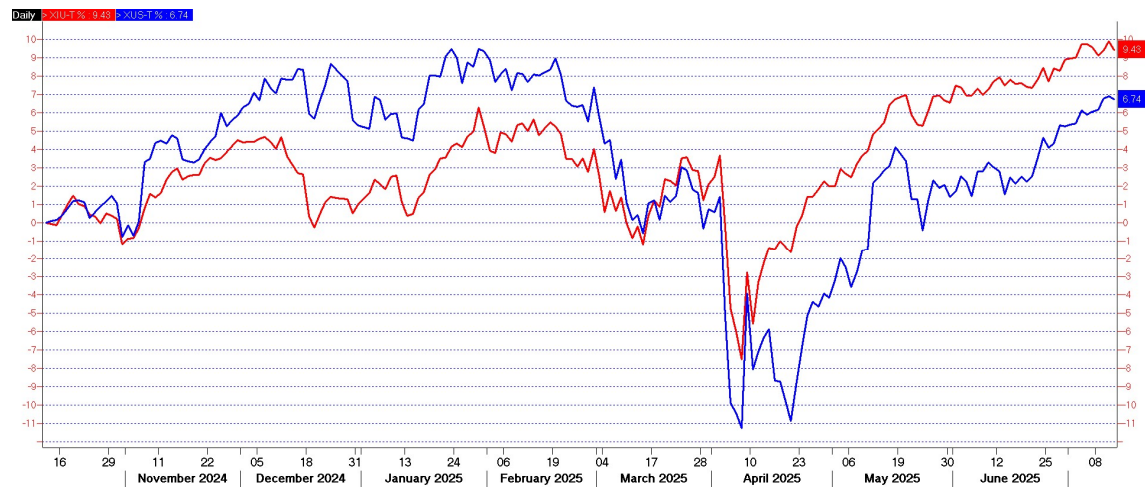
Clients have been worried (or been reading) that the Trump Administration tariffs will lead to economic calamity for Canada. A 35% tariff tit-for-tat on \$902 billion in trade is theoretically a \$312 billion hit to both economies. Canada's share, on a far smaller, base would be very bad news. Clients wondered if they should be cutting their risk exposure to zero. We've advocated sticking with Canadian stocks. It's been the right call. This week Canada's TSX Composite Index hit an all-time high.



Source: LSEG, NBF, Hilberry

We return readers attention to Canadian equities outperforming the US.

iShares ETF % cg: **TSX Comp (XIC-T 9.4%) vs SP500 \$C (XUS-T 6.7%) Oct/2024-Jul/2025**



Source: LSEG, NBF, Hilberry

The sharp drop in the middle of the second chart was investor's response to Donald Trump's April 2, 2025 'Liberation Day' (funny how that label has disappeared). Note that US markets (blue) dropped more than Canadian (red). Investors have since priced in a transfer of wealth from the US to Canada. Last week we noted the US has underperformed most major global equity markets.

The US buys Canadian goods for a reason. We make some things they don't (like Aluminum) and we make other things more cheaply (electrical power/energy/commodities). US consumers have decided with their wallets that Canadian goods make sense to buy. In some cases there isn't much of an alternative – again Aluminium. Canadian equity investor response to Trump's 35% tariff on all trade has been to shrug a 'OK. We'll sell it to you at the same price. Price it how you will. Fill yer' boots.' The stock market thinks this won't last.

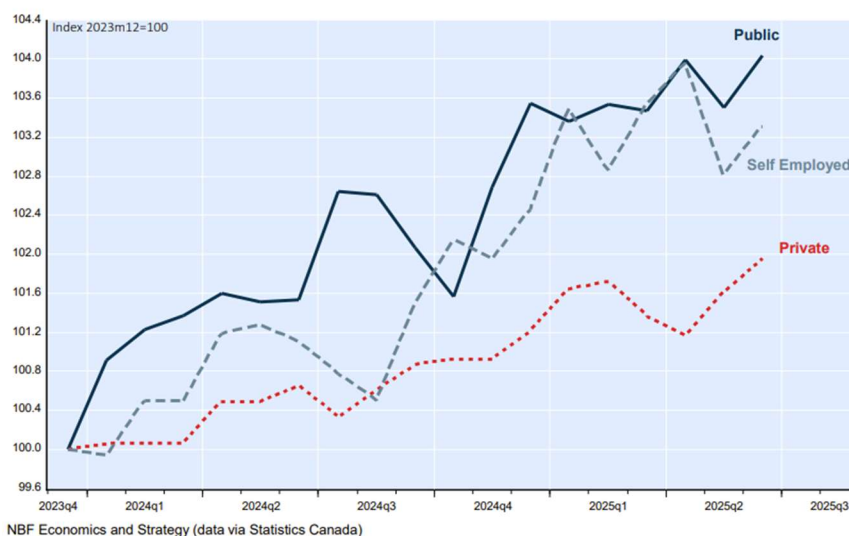
We also must keep these tariffs in perspective. The 35% headline number is not on all goods. Producers and consumers respond to tariffs. Politicians change their minds. ON the latter, we don't know when, how or even if, explaining our higher than average cash hedge. Meanwhile the Canadian economy has also showed some better news.

Canada: June employment report surprised on the upside

Canadian employment surged by 83K in June, above consensus expectations calling for a 0.0K print. The participation rate, meanwhile, rose by one tick to 65.4%. Combined this produced a one-tick decrease in the unemployment rate (6.9%), a result of two ticks below consensus expectations.▪ The net employment gain was driven by part-time positions, which expanded by 70K in the month. This was in addition to the smaller increase in full-time employment (+14K).▪ Meanwhile, the number of jobs in the private sector jumped by 47K, while the public sector posted a gain of 23K and self-employment rose by 13K.

Canada: Perspective on employment

Public, private & self-employment



Link: [Canada: June employment report surprised on the upside - NBC Economics](#)



Putting it all together, we maintain our exposure to Canadian equities, remain underweight US equities, are still cautious but less worried about inflation and generally pleased with the results.

Steve will be away on a BC Interior 'Staycation' next week. Our next Weekend Reading will be July 25, 2025.

Have a Great Weekend

Steve & Anna Hilberry



FOR THE RECORD July 10, 2025

DOW INDUSTRIALS:	44,650
S&P 500:	6280
S&P/TSX COMP:	27,082
WTI:	\$66.57
LOONIE IN \$USD:	\$0.7308 \$US

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