



## WEEKEND READING

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

### Long and Nervous

#### National Bank Monthly Economic Monitor – Waiting for August 1<sup>st</sup>

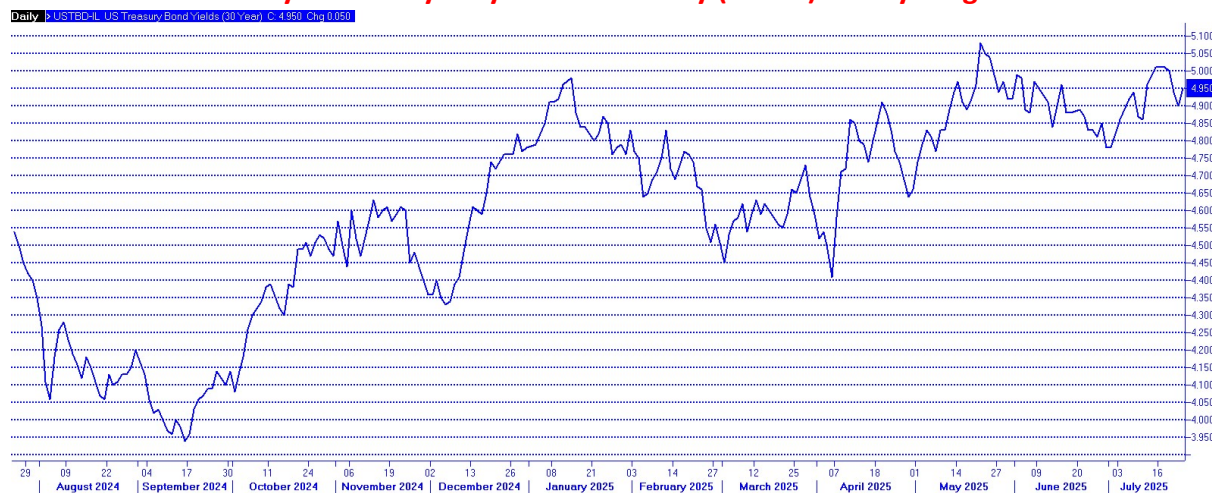
- *The first episode of the second phase of the trade war will play out on August 1, when the truce on so-called reciprocal tariffs is set to end. The trade agreements already concluded with Japan, Vietnam, Indonesia, and the United Kingdom unfortunately suggest that a return to the status quo ante in international trade is not on the cards. Even countries that have managed to reach agreements with Washington have not been able to completely eliminate the tariffs imposed on them.*
- *For all countries concerned, higher trade barriers would lead to slower growth if all other things were equal, but we do not believe this will be the case. As has been the reflex since the start of the pandemic, we believe that most governments around the world will respond to any signs of weakening growth (whether caused by the trade war or other reasons) by loosening their purse strings.*
- *While fiscal stimulus measures risk putting public finances in a difficult position by pushing up long-term yields and, by extension, the cost of servicing debt, they could nevertheless offset some of the negative impact of tariffs and keep global growth resilient. **We expect the global economy to expand by 2.9% this year and 3.0% in 2026.***

Link: <https://nbf.bluematrix.com/links2/pdf/206d5521-4865-47c4-9266-822645f0fc70>

#### Tariffs and Inflation: What the US Bond market thinks:

The Trump Administration has pilloried US Fed Chair Jerome Powell over short-term interest rate direction, [claiming tariff's aren't resulting in inflation](#). Mr. Trump has threatened to fire Mr. Powell claiming incompetence in the Fed's interest rates policy. Seeking a fireable offense, Mr. Trump has accused Powell of 'fraud' in budget overruns in the Fed Reserve's renovations of the Washington, DC headquarters (since when has a government project ever gone over budget?) Mr. Trump is correct that 2025 data sets haven't shown inflation rising...yet. What does the US bond market think?

## US Fed Govt Treasury Bond 30-year yield to maturity (4.95%) – daily ranges 12 mos .



Source: LSEG, NBF, Hilberry

The 30-year yield has broken 5%. We're seeing higher highs and higher lows.

## US Fed Govt Treasury Bond 30-year yield to maturity (4.95%) – monthly ranges 35 years.



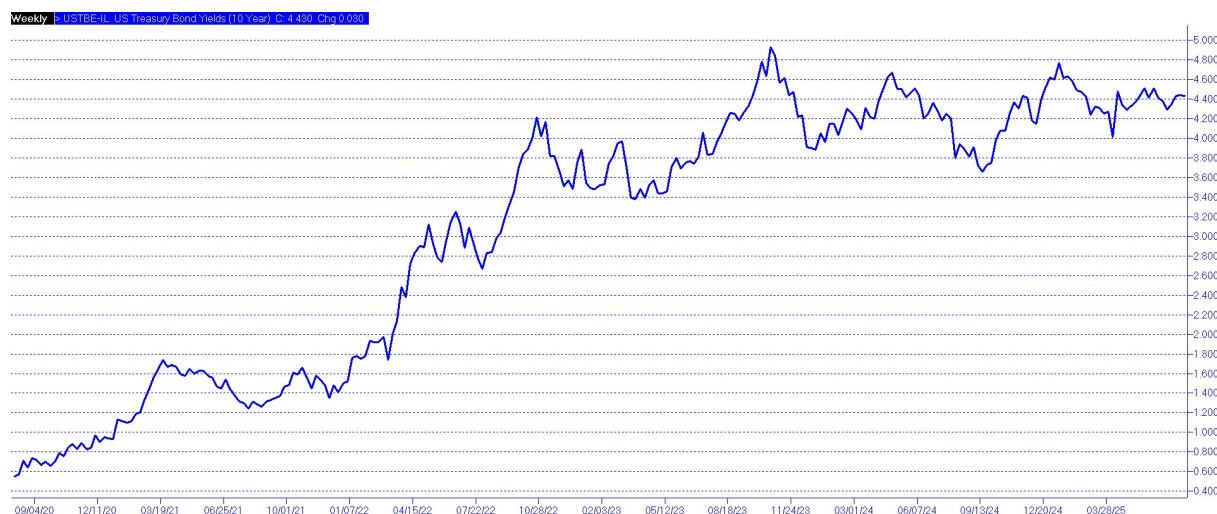
Source: LSEG, NBF, Hilberry

The sub-1% yield lows on the chart are in Mar/2020 amid the COVID-19 Pandemic. US Fed Government borrowing costs have soared back to the early 2,000's levels. The trend is up. Bond investors appear to be finally pricing for inflation.

The 30-year maturity is primarily attractive to institutional investors. The 10-year yield tends to reflect real-world borrowing costs for the broad economy.



## US Fed Govt Treasury Bond 10-year yield to maturity (4.43%) – monthly ranges 5 years.



Source: LSEG, NBF, Hilberry

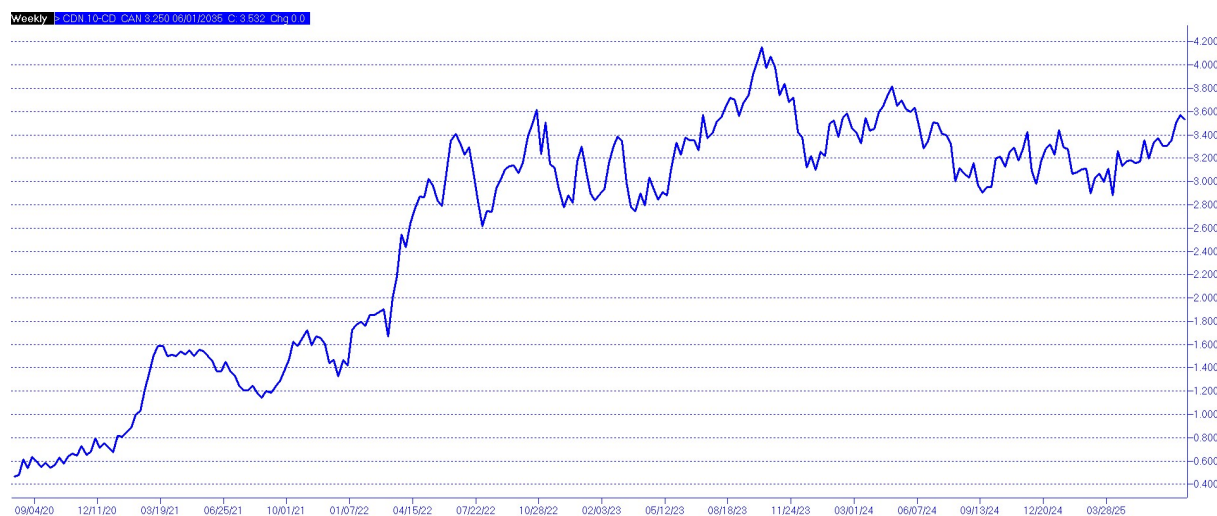
The bond vigilantes are back. Bond investors are demanding a rising cost to lend money to the US Treasury.

### Is this a disaster?

We've experienced much higher rates during our careers and the economy did just fine, so no panic stations. As to debt levels, when something can't continue, it won't. Eventually the adults show up, sigh, hoist their shovels and clean up the mess. We await the arrival of adults in the halls of political power (crickets?).

### Mean while here in Canada...

## Cdn Fed Govt Bond Yield – 10-years (3.53%) – weekly ranges – 5-years.



Source: LSEG, NBF, Hilberry

Canadian lending rates are also on the rise. US Fed borrowing costs remain 25% higher.



## Ottawa Must Factor OBBB Into Its Industrial Strategy – NBF July 18, 2025

*While President Trump's tariff policy and the fiscal implications of the recently passed One Big Beautiful Bill (OBBB) Act have dominated most of the media attention, relatively little has been said about other provisions of the bill that will have a deep impact on Canada*

- *Immediate Expensing of Capital and R&D Investments*
- *A significant reduction in clean energy support*
- *The European Union walks back some environmental policies*

*"Just as the Trump administration's tariff policies prompted Canada to reconsider internal trade barriers, defence spending, and major energy projects, the country may now feel the heat to implement measures such as immediate and full expensing of capital and R&D investments to remain competitive with its largest trade partner.*

*Ongoing trade tensions and the broader need to boost economic competitiveness could also render the Liberal government more open to striking a deal with the Western energy-producing provinces. This could entail maintaining a carbon pricing system in return for quicker project approval, postponing or eliminating the oil and gas emissions cap, and increasing subsidies for carbon capture initiatives.*

*While these reforms could enhance long-term competitiveness, they would also require the government to borrow more to offset the short-term loss in tax revenue. Ottawa must factor these evolving pressures—and the broader implications of the OBBB—into its upcoming fall budget."*

**Full report link:** [Ottawa Must Factor OBBB Into Its Industrial Strategy NBF](#)

**Hilberry's take:** Will Canadian Governments use Trump as their political off-ramp, escaping a self-painted political corner, or will this be another 'Crisis moment' leading to more regulations, taxes and debt? We've predicted Canadians would demand the former. Canadian elected officials appear to be listening. We are betting on it.

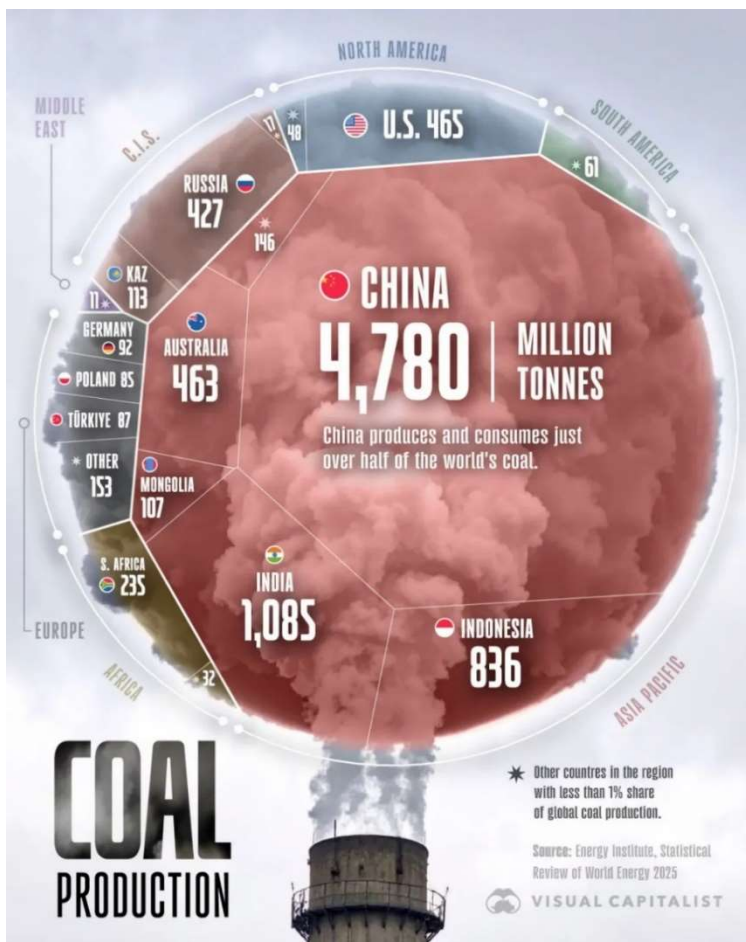
## While Canada ponders industrial policy, what is the rest of the world doing?

### Coal Production

NOTE: We are NOT advocating investing in coal production. We understand and accept that thermal coal fired electrical power production generates high pollutants and agree moving to cleaner forms of electrical power is important. The less coal used to generate electrical power, the better. That's what we think. What does China think? How could that affect Canada's policies?

China has ample coal supplies, much of it used for electrical power generation. China does not produce enough natural gas to replace its existing coal-fired electrical power needs, let alone future demand. China relies on natural gas imports, conflicting with internal energy security/industrial/geopolitical policy mandates. Energy security means expanding electrical power generation by any means possible regardless of environmental concerns. China is constructing the [world's largest hydro-electric project in Tibet](#). China also has authorized adding a record 94.5 Gigawatts of new coal field power generation added 3.4 Gigawatts of shuttered coal fired plants being brought back on-line bringing 2025 total authorized coal-fired power capacity expansion of 97.9 gigawatts.

. The following Visual Capitalist infographic looks at global coal use.



Source: [Coal Production by Country - Visual Capitalist](#)



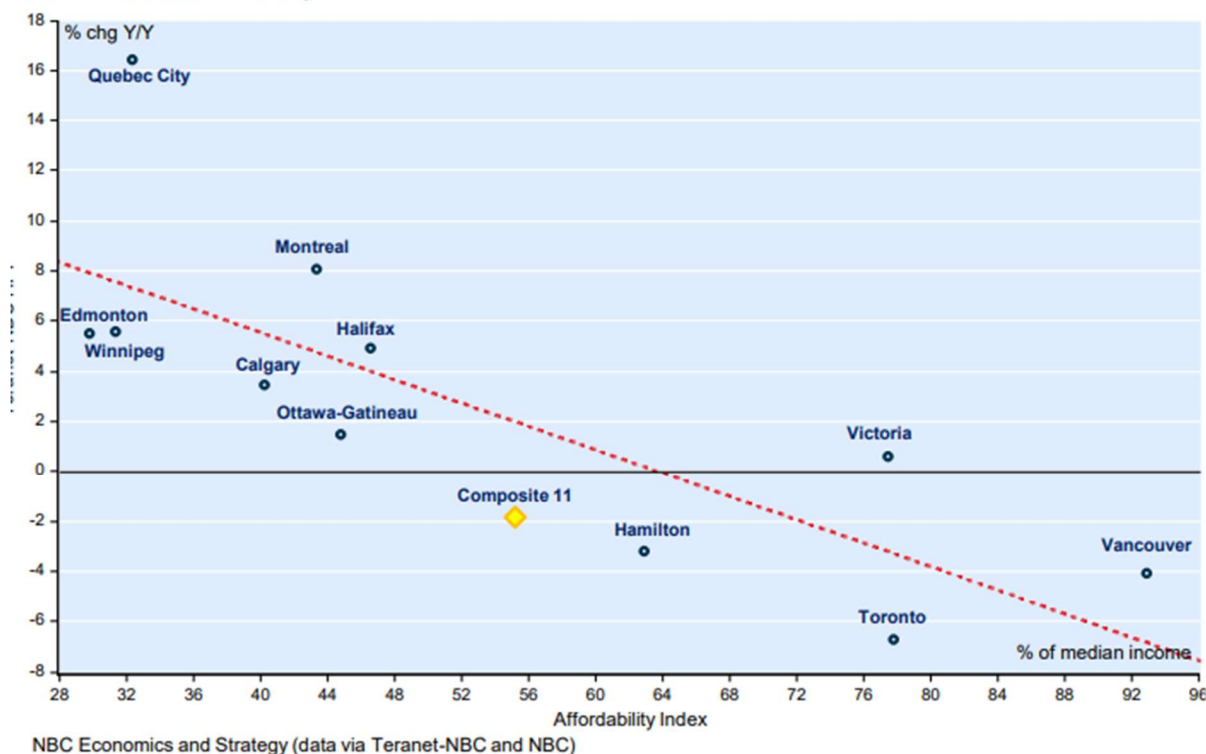
## A Canadian perspective

One Gigawatt = 1,000,000 kilowatts. [BC's hydro electric power generation capacity is 15.9 gigawatts](#). The site C Dam at full capacity will generate 1.1 gigawatts. The [average annual electrical power consumption for the typical BC home](#) is 11,000 Kilowatts. China's additional 97.9 gigawatts of coal-fired power is enough to power 8.9 million typical BC single family detached houses. There are [7.87 million single-family, detached houses in Canada](#). China's 2025 authorized coal-fired electrical power generation capacity expansion will exceed the needs of all Canadian single-family dwellings. China produces and consumes 4.7 billion tons of coal. In 2024 Canada's mined roughly 47 million tones (mt) of coal = -0.5% global output. Of this 19.5 mt was thermal coal used for electrical power generation, the remainder used in steel production. (See. Natural Resource Canada : [Coal Facts](#) ) Canadian policy makers need to keep Canada's capacities in perspective.

## Teranet-National Bank House Price Index - Canada: Home prices continue to fall in June – NBF

### Canada: Bigger price decrease in the less affordable markets

Annual change (%) in Teranet-NBC HPI and NBC Affordability Index (monthly mortgage payment as % of median household income)



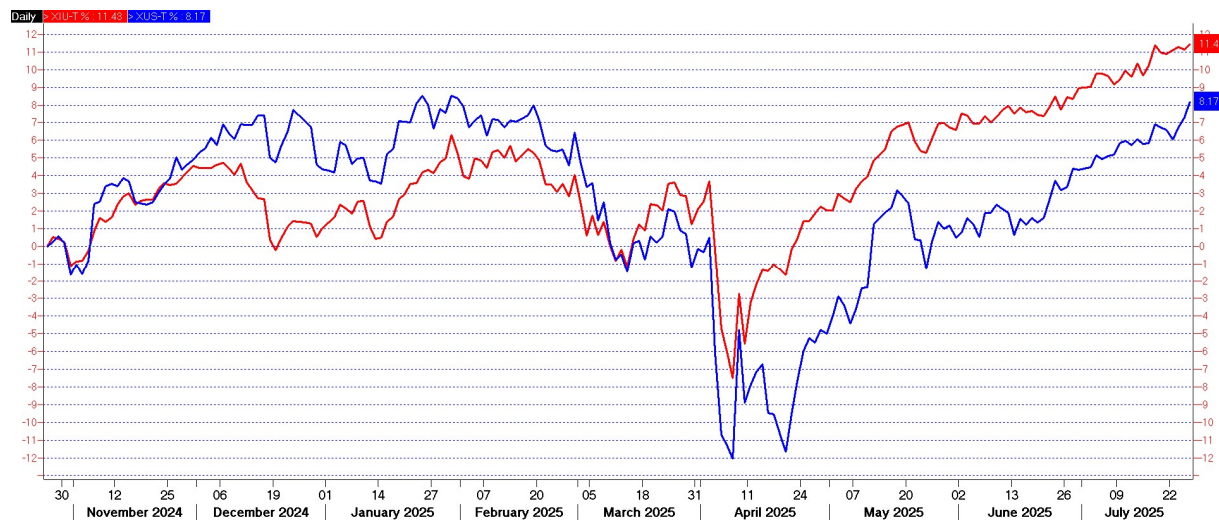
Full report link: [Canada: Home prices continue to fall in June – NBF](#)

## Economic News - Canada: Retail sales hold up in Q2 – NBF July 24, 2025

<https://nbf.bluematrix.com/links2/pdf/ff25117f-b4ec-4731-b6a5-cfcac7088db7>

### What about stocks?

% chg \$CAD: iShares SP500 (XUS 8.2%) vs iShares TSX 60 (XIU 11.4%) 6 mos.



Source: LSEG, NBF, Hilberry

Using the broad indices as a proxy, Canadian stocks continue to outperform.

We remain invested in (long) equities with a tilt towards Canada. We're long and nervous. This is not new. That's how it should be. When one is long and NOT nervous, be careful!

## Have a Great Weekend

Steve & Anna Hilberry



Steve Hilberry  
Wealth Management Advisor, CIM

Anna Hilberry  
Wealth Management Advisor, CIM

### FOR THE RECORD July 24, 2025 close

DOW INDUSTRIALS:	44,693
S&P 500:	6.363
S&P/TSX COMP:	27,372
WTI:	\$65.29
LOONIE IN \$USD:	\$0.7288 \$US



July 25, 2025

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Sent by  
Montreal Office  
National Bank Financial  
Wealth Management  
800 Saint-Jacques Street  
Office 79721  
Montreal, QC H3C 1A3  
Ph: 514-879-2222

Toronto Office  
National Bank Financial  
Wealth Management  
130 King Street West  
Suite 3200  
Toronto, ON M5X 1J9  
Ph: 416-869-3707



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