



## WEEKEND READING

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

### Tariff this and Tariff that

The media's been fixated on the Epstein files and tariffs. We'll stick with tariffs thanks.

#### Douglas Irwin and How Trump Weaponized World Trade | July 30, 2025

*On this episode of **The David Frum Show**, The Atlantic's David Frum examines how protectionism, once a fringe idea in U.S. politics, became central to modern Republican trade policy. He traces how President Donald Trump made tariffs a political weapon, and why these policies continue to carry political appeal despite their economic cost.*

*Then David is joined by the historian and trade expert Doug Irwin for a conversation about what tariffs actually do. Irwin explains how protectionist policies have repeatedly backfired in American history, why they persist, and how the U.S. abandoned the bipartisan free-trade consensus that lasted for nearly a century. The two discuss who really pays for tariffs, why tariffs rarely achieve their stated goals, and what it would take to rebuild political support for open markets.*

We strongly advise clients spend the 55 minutes to listen to the video. I download the audio version and listen on my cell phone while cleaning the barn at night.

YouTube video interview: [Douglas Irwin and How Trump Weaponized World Trade - YouTube](#)

The YouTube site has links to podcast options.

For those using Android phones, David Frum's podcasts are available free on Podcast Addict.

PodCast Addict: [Trump's Tariff Disaster - David Frum PodcastAddict](#)



## **'Canada: Don't discount the tariff impact (& provincial exposures)' NBF HotCharts Aug 8, 2025**

Recently published trade data from June suggests that the U.S.-imposed effective tariff rate on Canada is well below that suggested by 'headline' announcements. As today's Hot Chart shows, USMCA compliance remains the name of the tariff game in Canada. In April, we estimated that Canada's tariff exposure would remain muted as compliance rates rose to their potential suggested by rules of trade origin. Were it not for this trade agreement, Canada would be exposed to one of the highest levy rates in the world (in excess of 25%). As compliance has stepped up rapidly since tariffs were introduced this year, the effective tariff on U.S.-bound exports has dropped significantly. With the majority of goods now exempt from IEEPA-imposed levies (i.e., those associated with border security), the bulk of exposure is driven by sectoral tariffs – namely, those applied to metal products and autos. As of this writing, our national effective tariff estimate resides at 5% - in line with a recent estimate from the Bank of Canada. However, this aggregate figure masks significant regional disparities due to the sector-specific exposures at hand. As shown, Quebec and Ontario - with outsized contributions to the country's steel, aluminum, and auto trade - face the highest effective tariffs, in excess of 7%. They've also been quick to feel the impact, as their provincial unemployment rates have ticked up 1.0% and 0.5%, respectively, since February. So, while the USMCA offers Canada significant tariff carveouts, we'd caution against completely discounting the impact of this year's trade war. Sector, and thus provincial-specific damage, combined with a massive economic reliance on trade with the U.S. means that Canada isn't completely spared – that's already evident in PMI, labour market, and sentiment data

Aug 8 HotCharts: [Canada: Don't discount the tariff impact \(& provincial exposures\)](#)

Apr 4 HotCharts: [Canada: USMCA compliance is the name of the tariff game NBF Apr 4](#)

President Trump appears to be excited by tariff revenues, posting "billions are flowing into the United States of America". The statement is missing three words. It should read "billions are flowing into the **Federal Government of** the United States of America". There are no tariffs 'flowing into' the United States from outside the country. That's not how tariffs work. We wonder how one can claim otherwise.



**Yahoo Finance**

Updated Thu, August 7, 2025 at 6:34 AM PDT • 2 min read



### In This Article:

AAPL +2.97% ☆

HG=F -0.05% ☆

President Trump took to Truth Social on Thursday to boast about his latest round of tariffs kicking in.

"IT'S MIDNIGHT!!! BILLIONS OF DOLLARS IN TARIFFS ARE NOW FLOWING INTO THE UNITED STATES OF AMERICA!" [Trump wrote.](#)

[Trump boasts of 'billions flowing into the USA' - Yahoo Finance](#)



An example of how tariffs effect US businesses was clarified by Caterpillar Inc in their 2025 Second Quarter earnings report. They projected tariff costs of \$1.3 to \$1.5 billion.

[Caterpillar Inc Q2/2025 Earnings update - NASDAQ](#)

Personal and corporate income tax is applied after making the money, allowing individuals and business to plan, understanding a portion of the profit will be lost to tax and pay that tax a year later. Tariffs hit costs before any sales, leaving the corporation unclear how their customers will react. The tariff cost is applied at least a year earlier than income taxes in the following year. This disrupts planning, reduced cash flow, adds uncertainty, reduces profits and dampens confidence/growth.

Yes Mr. Trump, billions are indeed flowing into the coffers of the US Fed Government....from Caterpillar and every other business engaged in international trade. Caterpillar wrote those cheques to the US Treasury, not their international suppliers, directly out of cash flow. The hit compounds through their business. CAT has seen an increase in costs that will be hard-wired until (if) tariffs are reduced. CAT is making less money, will have less money to invest, expand and hire workers. Tariffs make CAT less competitive, not more. CAT has seen a reduction in demand for their products. Any way you look at it tariffs are a tax at the wrong end of the income stream. It gets worse.

As Dr. Irwin explained, tariffs hit the lowest income consumers the hardest. We provided the following table as a slide in our May 2025 Review. Under Trump's proposed tariffs, Men's silk shirts increase by 0.9% . Polyester shirts increase by 32%.

**Tariffs are higher on lower-end versions of goods than higher-end versions**

Product	Higher-end good	Medium-end good	Lower-end good
Shoes	8.5% (men's leather dress shoes)	20.0% (running shoes)	48.0% (valued at \$3 or less)
Sweaters	4.0% (cashmere)	16.0% (wool)	32.0% (acrylic)
Men's shirts	0.9% (silk)	19.7% (cotton)	32.0% (polyester)
Handbags	5.3% (snakeskin)	10.0% (leather valued at \$20 or less)	16.0% (canvas)
Pillowcases	4.5% (silk)	11.9% (cotton)	14.9% (polyester)
Necklaces	5.0% (gold)	6.3% (silver)	13.5% (silver jewelry valued at \$1.50 or less)
Scarves	1.5% (silk)	9.6% (wool)	11.3% (polyester)
Blankets	0.0% (wool)	8.4% (cotton)	8.5% (polyester)

Source: US International Trade Commission Tariff Database, <https://dataweb.usitc.gov/tariff/database>.

Note: The tariff codes for these products are: 64035960, 64029142, 64029160, 61101210, 61101100, 61103030, 61059040, 61051000, 61052020, 42022130, 42022160, 42022215, 63022900, 63022130, 63022210, 71131921, 71131110, 71131120, 61171040, 61171010, 61171020, 63012000, 63013000, and 63014000.

Source: [Cato Institute April 2024](#)



The Cato Institute conclude: *Across the different data sources and methodologies, the main takeaway from recent empirical work is that US consumers, including business consumers and particularly poorer consumers, have shouldered the burden of US tariffs through higher prices and reduced export growth, and this burden far outweighs any economic benefits of tariffs.*

We expect these costs will be felt by consumers in the second half of 2025. The full impact should be apparent around Christmas and into the new year 2026. This could prove inconvenient for the re-election hopes of Republican (GOP) members of Congress in the Nov 2026 US mid-term elections. The US Senate will see 33 out of 100 seats up for re-election. 13 are currently held by Democrats, 20 by Republicans. All 435 seats in the House of Representative (the House) are up for re-election. The GOP lead in The House is razor thin. Historically the party coming to power in a US Presidential election loses seats in the House the following mid-terms.

### [Ballotpedia: US Congressional Seats up for election 2026](#)

CNN's Wolfe Blitzer interviewed Ontario Premier Doug Ford this week. Tariffs of course.

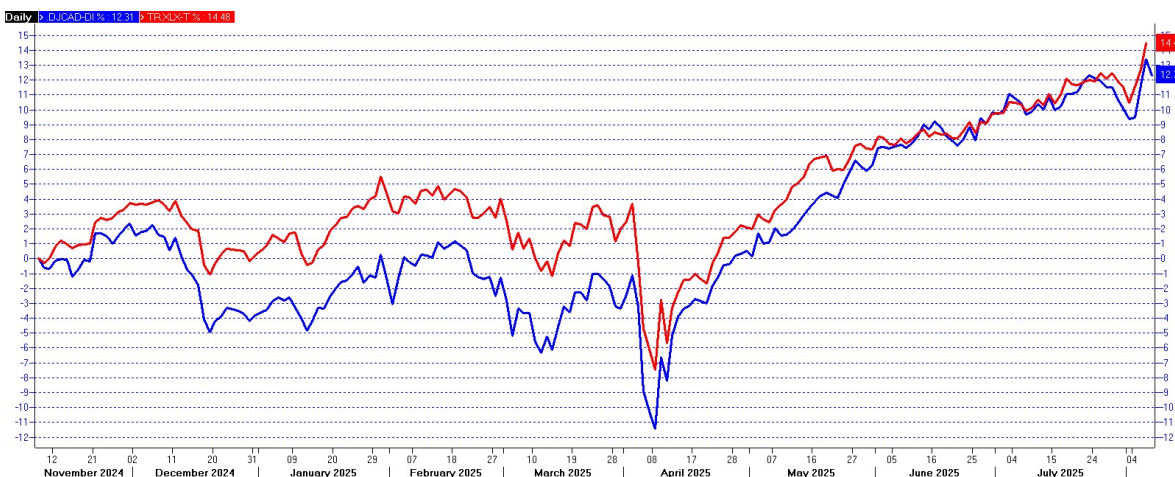
### **'Most disliked politician in the world, in Canada': CNN Aug 7, 2025**

YouTube: ['Trump is the most disliked politician in the world, in Canada'](#)

### **Equity Index performance since Trump Election Canada vs. US: Client query.**

We've been featuring the market price performance of Canada's SP/TSX 300 Composite vs the S&P500 in \$CDN funds. A client pointed out these two indices don't reflect our large cap/dividend tilt approach and ignore the effect of reinvested dividends.. They requested we generate a chart comparing two benchmarks closer to our approach.


### **Dow Industrials Total Return \$C (12.3%) vs TSX 60 Total Return \$C (14.4%)**



Source: LSEG1, NBF, Hilberry

Using bench-marks paired to our mandates, Canada remains ahead. The spike at the far right could be investors fretting less over Trump's tariff effects combined with optimism over tech driven productivity advancements (AI). Both indices hit all-time highs this week.

This week saw headlines claiming the US stock markets are in a 'mania' stage.

 Bloomberg.com

### Bulls Get Another Reason to Worry as Sentiment Gauge Flashes Red

1 day ago



We regularly steer readers to the American Association of Individual Investors (AAII) weekly sentiment survey. AAII asks their subscribers for their opinion of the price direction for stocks over the next 12 months. Bullish, Neutral and Bearish. The survey result is posted each Wednesday. History says extreme readings are good contrary indicators. If, as pundits claim, US equity markets are reflecting irrational exuberance, we'd anticipate seeing above-average bullish readings from the AAII survey. Here are this week's numbers:

#### What Direction Do AAII Members Feel The Stock Market Will Be In The Next 6 Months?



'Bullish' (34.9% vs 37.6% avg) is below average while 'Bearish' (43.2% vs 31.0%) is above average. The extreme is actually in 'Neutral' (21.9% vs. 31.6%). These are hardly exuberant readings. Our suspicion is the Bears + Neutral reflect doubt and confusion over the near-term direction for stocks. Given this caution why are stocks higher?

Enthusiasm for AI driven productivity (or price momentum in the names) appears to be overwhelming doubts over trade policy (see CAT above). Nvidia's first quarter 2025 earnings were \$18 billion higher than Q1/2024 swamping CAT's tariff drag. If CAT can pass along much of the tariff costs to their customers (some of whom are outside the US) the net effect, while not good may not be as significant as many fear. To be clear as a general revenue source, tariffs are flawed. As an industrial policy they're worse. This has been understood for a century. Is US about to re-learn the lessons from the 'Gilded Age'?

## Finally: Canadian dividends are boring (?)

With a nod to Jeremy Siegle's [‘The Future for Investors’](#) we regularly advise clients stick with the Tried and True vs the Bold and New. We get push back – sometimes from client younger family members - accusing of us being ‘stuck in the past’ and missing out on huge opportunities. Guilty on both charges but... that doesn't mean a lack of returns!

\$100 CDN invested on Aug 1, 2020 held to July 31, 2025 close. All income reinvested.

- Dow Jones Industrials \$C: \$172.74 / 11.5% avg return
- Toronto Stock Exchange Composite Index: \$195.94 / 14.4% avg return
- S&P500 \$C: \$216.16 / 16.7% avg return
- **DJ Canada Dividend Index: \$208.20 / 15.8% avg return.**

Canadian dividend stocks came in a close 2<sup>nd</sup> to the S&P500 with much less risk...and fanfare. Boring? Yes. Profitable? Definitely. We'll take a 'boring' double in 5 years with steady and growing income. If we don't get poolside bragging rights, so be it. A nice quiet time in the hammock is okay with us. Enjoy that last few weeks of summer.

## Have a Great Weekend

**Steve & Anna Hilberry**



Steve Hilberry  
Wealth Management Advisor, CIM

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### FOR THE RECORD Aug. 7, 2025 close

DOW INDUSTRIALS:	43,968
S&P 500:	6,340
S&P/TSX COMP:	27,761
WTI:	\$63.76
LOONIE IN \$USD:	\$0.7275 \$US



August 8, 2025

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