



## WEEKEND READING

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

### Big Wind (?)

#### U.S.: Growing risks to the inflation outlook? – NBF HotCharts Mar 3, 3035

*Last Friday's PCE deflator data was quite encouraging. Not only did the headline and core indices rise in line with economists' expectations, but inflation in the core services sector fell to its lowest level in almost four years (3.4%). As these data are unlikely to cause the Fed undue concern, they gave the market more hope that the central bank will cut rates further this year. And even if further rate cuts remain our baseline scenario, we have to admit that our confidence that inflation will return to the central bank's target in a sustainable manner has diminished somewhat of late. This is because many of the new administration's policies seem likely to push up prices. One example is the mass deportation of migrants (or reduced immigration), which risks decreasing the supply of low-wage workers. Another is fiscal policy, which, according to last week's budget blueprint, promises to put more pressure on an economy that is already operating above its potential. But it is the trade backdrop that worries us most. The United States has already raised tariffs on China and is now threatening to do the same to Canada and Mexico this week. This has the potential to accelerate a rebound in goods inflation that is already underway. And given how dependent the United States has been on disinflation in this sector to keep inflation within sight of the Fed's target, any deviation there could have serious consequences. One problem is that the threat of tariffs alone seems to be enough to generate inflation in the manufacturing sector. In order to avoid tariffs in the future, many companies are indeed trying to bring forward their shipments to the United States, as demonstrated by an unprecedented deterioration in the goods trade balance. This race against time is putting pressure on supply chains and is already leading to price increases, as evidenced by the prices paid sub-index of the ISM manufacturing report released today which, as today's Hot Chart shows, rose to a 32-month high in February. Comments collected in the survey only reinforced the sense that price pressure are mounting, with some respondents mentioning that "[s]weeping price increases are incoming from suppliers" and others noting that "customers are still very hesitant to commit to long term volumes due to the market uncertainty caused by the proposed tariffs". While it's too early for the Fed to call an end to its easing cycle, these data should nonetheless encourage it to exercise caution. Now is not the time for the central bank to let its guard down, especially considering the recent rise in consumers' long-term inflation expectations.*

<https://nbf.bluematrix.com/links2/pdf/8abfa055-835a-41d5-87de-ed9649d2e488>

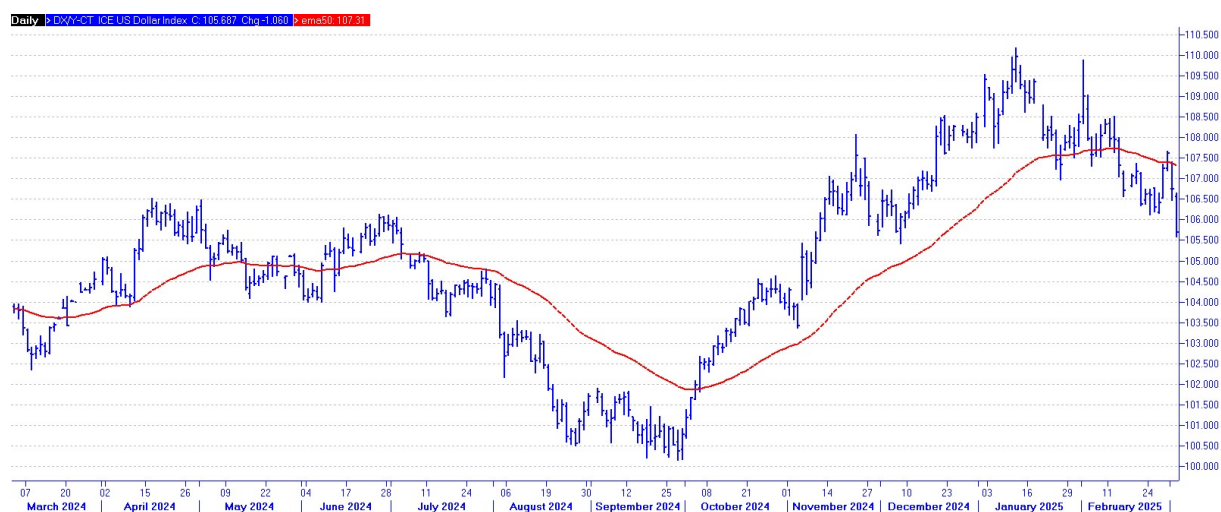
**Canada: The economy ended the year on a high note NBC Weekly Economic Watch Feb 28, 2025**

<https://nbf.bluematrix.com/links2/pdf/095f373c-0a2f-42af-a998-b7ce588d811e>

**U.S.: A significant negative wealth effect looms if the trade war persists – HotCharts NBF Mar 4, 2025**

<https://nbf.bluematrix.com/links2/pdf/083e06cb-b0df-4cb5-b306-3464a60d440f>

**US Dollar Index (DXY-\$105.68) 12 mos**

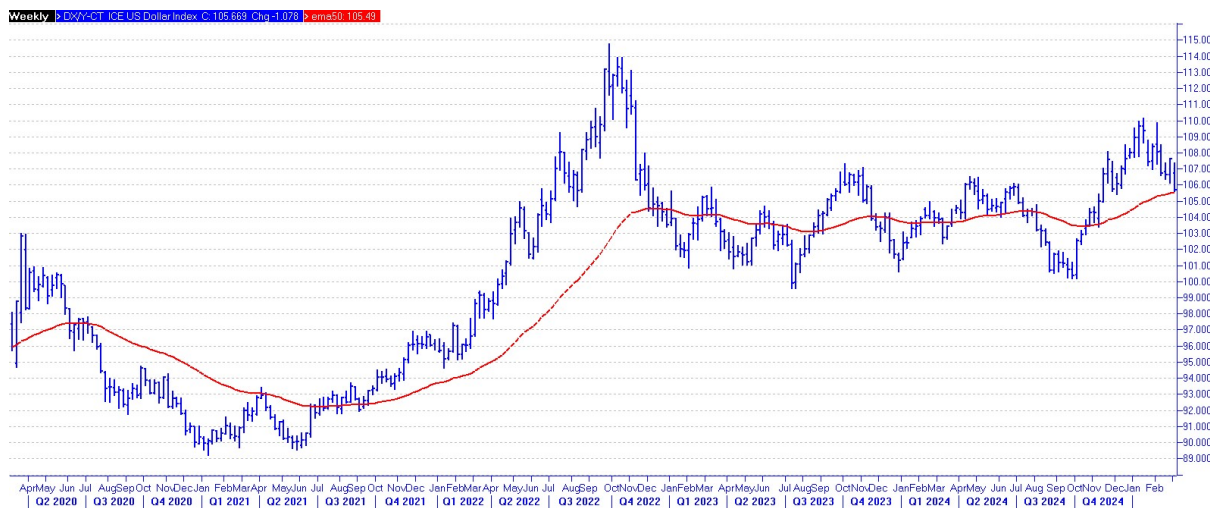


Source: Thomson-One, NBF, Hilberry Mar 4, 2025

The **dollar index** plots the cost to buy \$1 USD using a trade-weighted basket of US major trading partners. From a peak around \$1.10 the index has declined since the peak in mid-January.

Before we panic over the headlines, the DXY is now back to the 5-year 50-week moving average (red line).

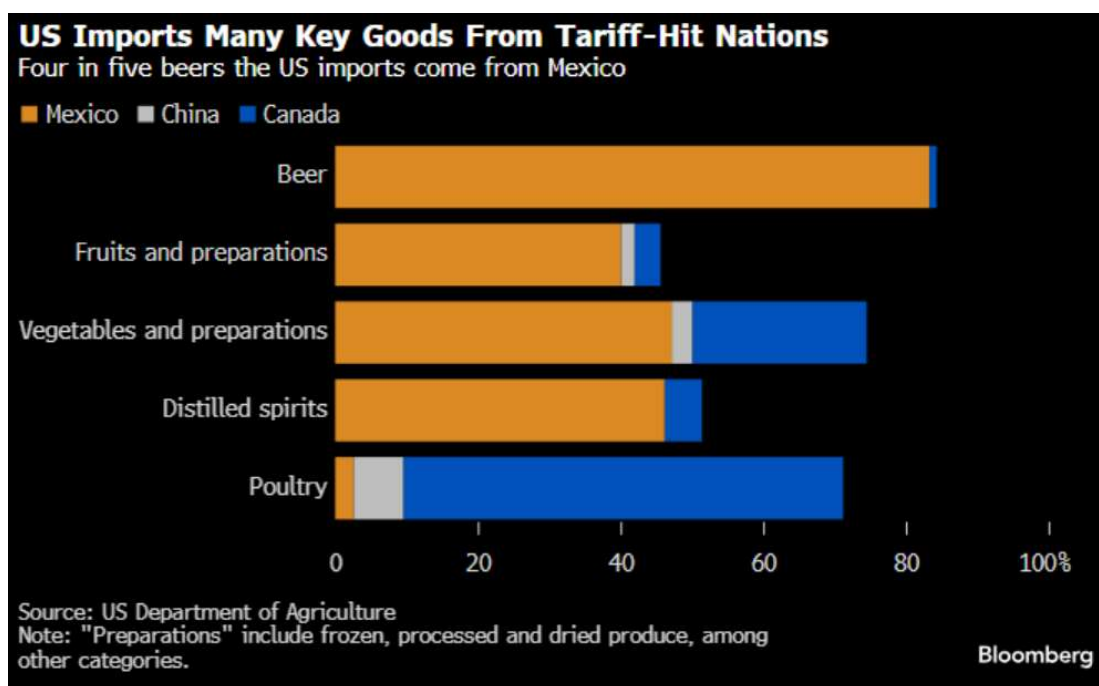




Source: Thomson-One, NBF, Hilberry

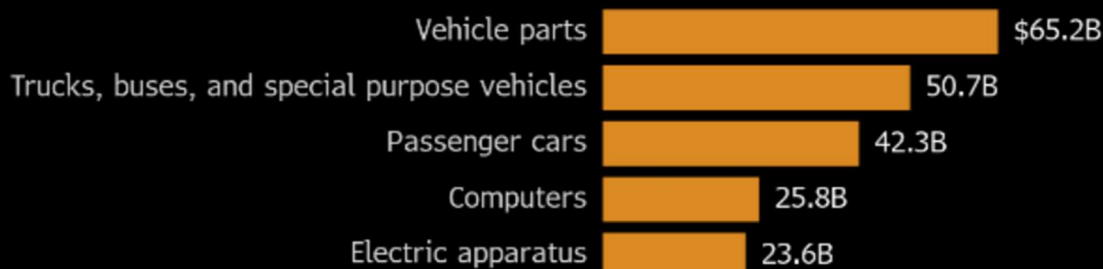
Note that the chart peak at \$115 (strongest) occurred mid-term in the Biden administration. The dollar has been weakening under Trump. Beggar thy neighbor.

### Why American consumers will pay Trump's tariffs.





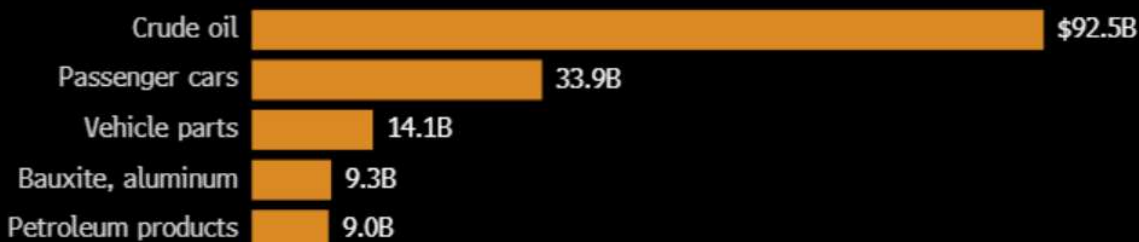
### Top 5 US Imports by Value from Mexico



Source: US Census Bureau  
 Note: Data from 2023

Bloomberg

### Top 5 US Goods Imports by Value from Canada



Source: US Census Bureau  
 Note: Data from 2023. US goods returned, and reimports are excluded.

Bloomberg

### Top 5 US Goods Imports by Value from China



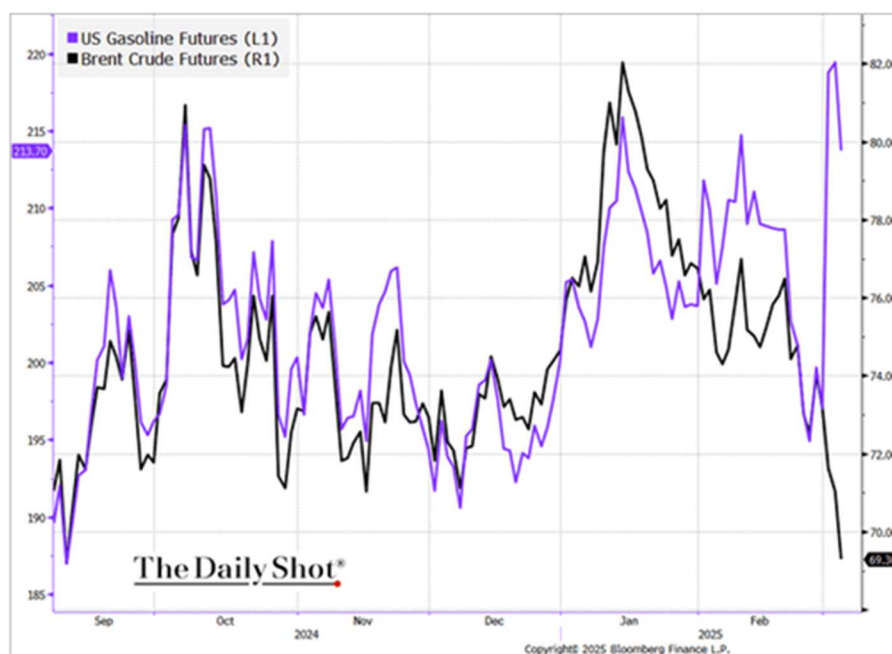
Source: US Census Bureau  
 Note: Data from 2023; apparel/textile total is nonwool or cotton

Bloomberg



## US politicians have learned to fear higher gasoline prices

**Energy:** The new 10% tariff on Canadian energy imports is driving up costs for US refineries reliant on heavy Canadian crude, particularly in the Midwest. This has pushed gasoline futures sharply higher, even as crude oil prices decline.

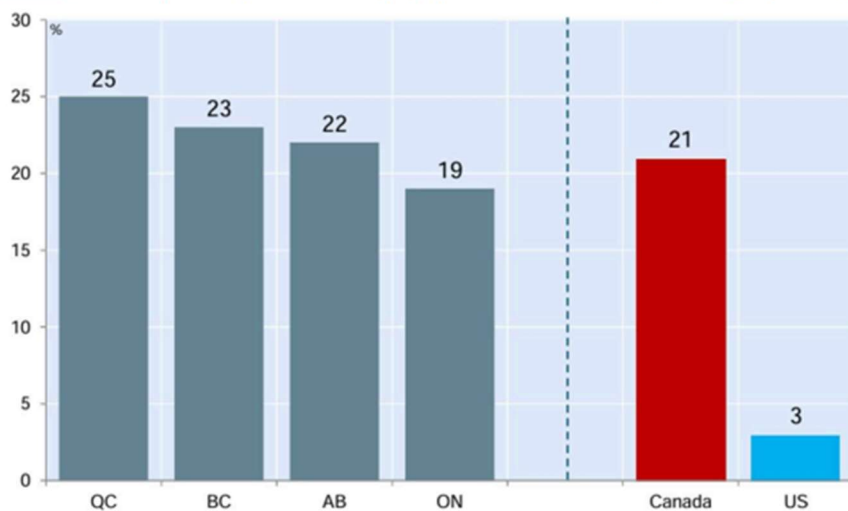


Source: [@TheTerminal, Bloomberg Finance L.P.](#)

SOURCE: Daily Shot March 6, 2025

**Canada has work to do at home:** Canada's internal trade barriers are ill advised.

**Exhibit 2: The average tariff equivalent for non-geographic trade barriers: Canada, its 4 largest provinces, and versus the U.S.**



Source: NBC Economics & Strategy (data via IMF)



## Contrarian BUY signals

Retail investors are showing higher than average anxiety.

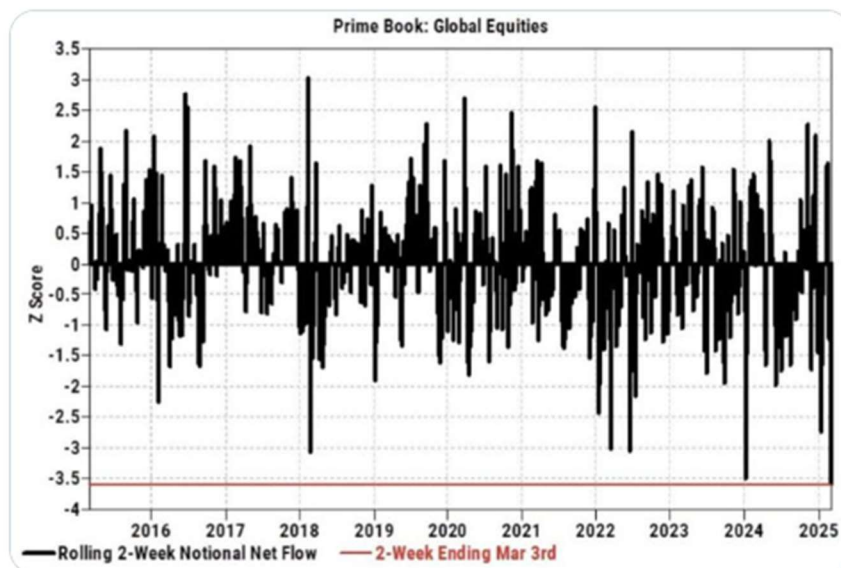
What Direction Do AAI Members Feel The Stock Market Will Be In The Next 6 Months?



<https://www.aaii.com/sentimentsurvey>

**Hedge Funds have dumped stocks at a record pace.** Leverage hurts on the way down.

**Barchart** @Barchart · 13h  
 Hedge Funds have dumped stocks over the last 2 weeks at the fastest pace in history 📉



Ray Dalio has been getting media attention lately

## Dalio Warns of US Debt Crisis 'Heart Attack' Within Three Years

Bridgewater's founder on gold, Bitcoin and why the new administration must get to work on deficit reduction



Ray Dalio, billionaire and founder of Bridgewater Associates LP. Photographer: Victor J. Blue/Bloomberg

SOURCE : [Bloomberg Mar 3, 2025](#)

### 'Predicting a Financial Crisis' – Mar 4, 2024, Ben Carlson A Wealth of Common Sense

Ben Carlson reviews Ray Dalio's record of predictions. It makes for entertaining reading.

<https://awealthofcommonsense.com/2025/03/predicting-a-financial-crisis/>

Is this link the same as before? Please confirm

### Dealing with Uncertainty – Joe Wiggins the Behavioral Investment Feb 19. 2025

<https://behaviouralinvestment.com/2025/02/19/dealing-with-uncertainty/>



## Are we living in times of Big Winds or will this be Trump Wind?

Canada's last? decade of anti-business and investment policies may be changing. History says lower interest rates, decreased regulations, smaller governments and lower taxes (that do NOT increase deficits) improved productivity, increased profits, lowered inflation, resulting in increased purchasing power and wealth. More wealth means more savings. Good for stock prices. A low base is a great place to start...and then Trump 2.0 happened.

History also says policies that increase regulatory burdens (border regulations), increase fiscal deficits (tax cuts not paired to spending) restrict trade, will increase inflation, reduce productivity, lower purchasing power, savings and investment. Bad for stocks. Insulting one's allies doesn't help. Markets have recently been voting.

While Mr. Trump will become history, we have short-term contrary indicators that are tough to call (if I have any hair left by Friday it's a miracle). We've landed on trimming risk, pairing holdings that look expensive, holding the cash. Clients will note increased cash holdings over the past quarter. Our confidence in this stance is low!

## Have a Great Weekend

Steve & Anna Hilberry



Steve Hilberry  
Wealth Management Advisor, CIM

Anna Hilberry  
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### FOR THE RECORD May 6, 2025 close

DOW INDUSTRIALS:	42.579
S&P 500:	5,738
S&P/TSX COMP:	24,584
WTI:	\$67.08
LOONIE IN \$USD:	\$0.69648 \$US





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