



## **REVIEW AND COMMENTARY**

### **1st QUARTER – 2025**

One day after Liberation Day, it is hard to imagine that most Americans, in the coming months, will feel liberated after President Trump implemented the largest tax hike (through tariffs) in the country's history. The imminent uptick in prices to most household items will be a significant reminder that campaign promises can be misleading and usually come with an undisclosed cost. While it is hard to imagine one person, in a democratic country, having the power to disrupt global trade unilaterally, it is a reality. Certainly, for U.S. citizens, the assurance that political checks and balances among the executive branch are presently in place no longer exists. U.S. economic isolationism, which the U.S. last attempted in the 1930's, did not end well.

The irony of billionaires trying to share in the economic pain with the average citizen is notable. Elon Musk, who has disrupted the entire US Federal workforce in the past 100 days, on a recent TV interview seemed concerned about his diminishing wealth. The same person that donated close to \$250 million to Trump's election campaign and lesser amounts, though still significant by normal standards, to the unsuccessful far-right party in Germany's national elections, and a Republican Supreme Court Judge candidate for Wisconsin's Supreme Court. Talk about waste. *Le Monde*, in an April 6<sup>th</sup> article, estimated that over the past 20 years Tesla and SpaceX (two of his many companies) have benefited from \$38 billion in aid, funding and government orders.

Where does Canada stand in all this liberation? Initial reactions are mixed. On Liberation Day +1, our currency strengthened as tariffs were not as far reaching as feared. Canada escaped, on a relative basis, the economic wrath imposed on other G7 countries. Of course, this may change. Retaliation from Canada, is likely. From other harder hit countries, it is a certainty. Those that consider Trump's tariffs a bargaining tool may be disappointed if GOP leadership remains compliant. Trump has fixated over trade imbalances for decades. However, there is evidence that GOP resistance is growing. On Liberation Day, four Senators voted alongside of their democratic colleagues to pass a bill that would terminate the national emergency that Trump declared on Jan. 22. It linked the illegal imports of the deadly fentanyl drug from Mexico, Canada and China to target Canada, among the others named, with steep tariffs. The bill is now on its way to the House where it will likely not get passed, if the Speaker allows it to get that far. However, we may look back at this Senate vote as an inflexion point in the GOP's unconditional support of the present Administration's trade policies.

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North American equity markets in the first quarter 2025 were mixed. The greatest surprise was probably that of all the major North American equity index performances, Mexico was the strongest, up more than 7%. Canadian equity markets, namely the SP/TSX Total Return index, was marginally positive. This compared favourably with major U.S. indexes which were all down, led by the Nasdaq which was down over 10% (measured in both Canadian and US dollars). The SP/TSX is more weighted towards Financials, Energy, and Materials, in that order, of which the Material sector, namely Gold companies, were strongest.

The more conservative Dow Jones was down less than 1%. We have regularly cautioned investors about US indexes – given they are so heavily weighted toward a handful of stocks, they do not accurately reflect the broader markets. As we stated in our year end review, tech stock prices were overdue for a pullback. That pullback is underway.

SIM has always been defensively minded. Most of our investments pay dividends, and while the duration of this economic turbulence is uncertain, those defensive sectors will be among the strongest performers going forward.