

When Best Friends Fight The Dumbest Trade War in History - WSJ



The tariff war has begun, and while we still don't know if this conflict will remain regional or evolve into a global battle, one thing is clear: there will be no winners in this war. These tariffs are expected to drive up inflation and slow economic growth in major economies such as Canada, Mexico, the United States, and China. Not surprisingly, President Trump has followed through on his promise.

His impulsive, dictatorial and megalomaniacal, gun-slinging approach to decision-making has added much to the uncertainty—many critics question whether such a rapid-fire style is well-suited for today's interconnected global economy, especially his style of sidestepping Congress.

Market Reaction

The markets reacted with notable volatility last night when Asian markets opened. The Canadian dollar fell by over one cent, but has almost fully recovered as of this writing. Similarly, global stock futures, including those on the Toronto exchange, dropped by as much as 3% overnight before easing to less than a 1% drop. Given record levels of debt and historically high stock valuations, it isn't surprising that markets are seeking reasons to adjust. As we noted in our recent year-end review last week, while it's hard to predict every shock to the system, these tariffs are inflationary and could reduce economic growth by 1 to 2%, adding recessionary pressures. We don't know how long it will last or what the new trade deal will look like.

Opportunities for Canada

Amid these challenges, there is a silver lining for Canada. This situation might be the catalyst needed to address longstanding domestic issues such as interprovincial trade barriers. It is inefficient for provinces like Ontario and Quebec to rely heavily on imported oil from the United States, Saudi Arabia, Nigeria, and Algeria. We import oil to supply our refineries in eastern Canada that can't produce heavy Western Canadian oil. With strong leadership and smart policies, Canada—rich in natural resources including freshwater—could become much more competitive in the global market.

Looking Ahead: Our Commitment to You

We are expecting more turbulence over the next four years as markets adjust to these shifts. **Rest assured that our portfolios are built to withstand market corrections—even bear markets.** Our strategies have been designed with these challenges in mind, so you don't have to worry about the ups and downs. We remain steadfast in our commitment to protecting your investments and ensuring your financial future remains secure. Together, we will navigate these uncertain times with confidence and resilience.

As always, please reach out with any questions or comments that you might have.

Until then,

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