CIBC PRIVATE WEALTH

"WOULDN'T IT BE NICE"

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By Brahm Satov

Wouldn't it be nice if countries put up tariffs and then other countries paid them. But we know that is not how it really works. Wouldn't it be nice if the stock markets just kept going higher and corrections were a thing of the past. And wouldn't it be nice if we could somehow slowdown time, so we could prolong youth. My youngest son is turning 19 this month and I have to wonder what this world will look like as he grows up. I am thankful to my family, extended family, friends and all of you who take the time to read my thoughts. I'd also like to thank Brian Wilson and the Beach Boys for the title, "Wouldn't it be Nice."

As a refresher, tariffs are a tax imposed by a government on imported goods and services, designed to make foreign products more expensive and thus encourage consumers to buy domestic alternatives. In the U.S., tariffs (often referred to as import duties or customs duties) are paid directly to U.S. Customs and Border Protection, who bills the importer directly when goods cross the border. In other words, the entity that pays the tariff is typically the business, retailer, or manufacturer buying the foreign products. While most often it is the U.S. consumer that ultimately foots the bill, with higher prices passed along, for some reason many are under the misconception that it is the exporter that pays the tariffs. Although, in some cases, foreign exporters can/may lower their prices to remain competitive, meaning that they bear a portion of the cost through reduced profit margins, this is not the norm.

Since tariffs are designed to protect domestic industries, they often result in higher prices (increased inflation). So, when tariffs go away, we can expect lower prices, lower inflation and more competition and choices for the consumer. Keep in mind that historically, tariffs slow the economy.

We know that the Fed has a dual mandate, 1) maximum employment (lowest sustainable unemployment) and 2) stable prices (low or approx. 2% inflation). So if tariffs go away, the likeliness of lower rates in the future increases. And lower rates usually means currency depreciation and for the commodity traders, they know that this usually boosts commodity prices, especially gold and silver.

Having said that, two years ago when we were accumulating gold and silver, many wondered why and now that we have been reducing our exposure, we get the same reaction. It is not that gold and silver prices cannot go higher. It is that we now have 3 nations (Australia, New Zealand, and Japan) that I know of, that are either raising interest rates, or are expected to do so in the near future. This is supportive of their currencies and if this number continues to grow, I would expect less upward pressure on the precious metals. Agreed, that we could see exuberance take prices considerably higher, but I cannot recall anyone going broke by taking profits after substantial run-ups (gold is up approximately +150% since the end of 2023, while silver has surged over +200% over that same period).

While tariffs have the power to slow global growth, their removal can help reaccelerate it. Since the U.S. Supreme Court struck down the tariffs Trump implemented using a 1977 law called the International Emergency Economic Powers Act (IEEPA). Then the U.S. president turned to Section 122 of the U.S. Trade Act to impose the new global tariff. However, Section 122 allows temporary tariffs of up to 15%, but these tariffs can only be imposed for 150 days unless Congress approves an extension, which at this time seems unlikely. In other words, it has become far more likely that tariffs will be diminished in the months to come.

U.S markets are expensive, while some may say overvalued. I am, dare I say, somewhat hopeful that the end of tariffs can help stimulate growth. Given the likeliness of less or no tariffs in the not so distant future, this could bolster global business, alleviate trade uncertainty as well as reduce inflation. And if the world does see better growth, I would suggest that some foreign markets are attractive – offering better value and brighter prospects ahead.

Upcoming Seminars:

Seminars: If you do have any suggestions for a future seminar, please let us know. We will do our best to accommodate. We did have a few suggestions that came in recently and as such we have three seminars planned for the coming months.

1. *"Considerations When Looking for an Investment Advisor", we will strive to be as unbiased as possible.* *Wed. March 25th 6p.m.-7p.m.*

2. *"Financial Planning with special guest Andrew Duncan". Andrew is director of FP at CIBC WG.* *Wed. April 15th 6p.m.-7p.m.*

3. *"Getting to know your Investments", the basics, lessons from Buffett and investments we could consider at this time* *Tues. April 21, 7p.m.-8p.m.*

Please let us know if you would like to reserve a spot early, although we will send out slightly more formal invitations in the near future.

Thank you very much for taking the time to read our newsletter and feel free to send us any comments or suggestions.

Sincerely,

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