BREZER, MANDELL, REEMS & HAO GROUP

BMO Nesbitt Burns

April 2025 Newsletter

What Happened Wednesday?

Wednesday, or should we say, “Trumps Liberation Day”, the president held a Whitehouse press conference to announce a new broad set of “reciprocal tariffs” to it’s global trading partners. Here are the facts:

- The US will apply a universal baseline tariff of 10% to all countries. These will be stacked on top of prior tariffs and have an effective date being April 5th.
- For countries that run large goods trade surpluses against the US, Trump is levying an individualized reciprocal tariff. These will go into effect on April 9th and will not be stacked on top of the 10% tariff mentioned above.

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Côte d'Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%

Source: The White House

- Canada and Mexico are exempt from the tariffs listed above. Additionally, the exemptions for the 25% comprehensive tariffs (also known as the ‘fentanyl tariffs’)

BMO Private Wealth | Brezer, Mandell, Reems & Hao Group BMO Nesbitt Burns

595 Burrard Street, 25th Floor Vancouver BC V7X 1J1 · T: 778-331-9428 (Jed Brezer) · F: 604 665-7461

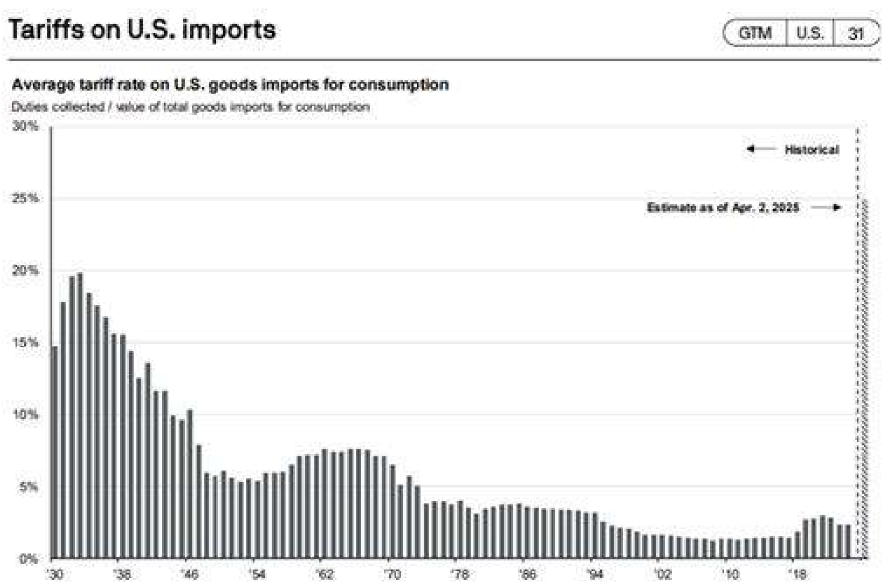
will continue. For now, non-USMCA compliant goods will be charged a 25% tariff, while non-USMCA compliant energy and potash will still see a 10% tariff.

Current US Tariffs on Canadian Goods

Sector	Tariff Rate
Autos	25%
Steel/Aluminum	25%
Non-USMCA Compliant (ex-Energy)	25%
Non-USMCA Complicant (Energy)	10%
USMCA Compliant	0%

Source: BMO Global Asset Management

Our Asset management division expects that Wednesday's announcement if evoked will lead to further deterioration in the growth/inflation trade-off. Their rough math indicates the trade-weighted US effective tariff will go from 2-3% to 20-23%. This would translate into a likely 1.5% direct contribution to Core Personal Consumption Index (the Federal reserves preferred measure of inflation) – which represents a meaningful shift higher in goods prices for Americans. JP Morgan has raised its recession probability of a recession in 2025 to a 40 to 60% chance, citing that tariffs may lead an economic downturn. Similar, Barclays has raised their recession forecast to "high". For Canada this may slow our nations growth further leaving us more vulnerable to potential sector tariffs (lumber, agriculture) that are still on the table.



Source: JP Morgan Asset Management

On the other hand, the US administration is still promising corporate tax breaks and the US FED has indicated they will cut interest rates to support the labour market if it significantly starts to deteriorate. Keeping these factors in mind, along with low teen expected EPS growth over the next couple of years, leads us to believe that there's a strong floor beneath this market sell off.

Market impacts

These new tariffs came as a shock to markets, with S&P 500 futures reversing about ~10% from Wednesdays highs to today's lows. This is the largest three day sell-off in the S&P 500 since the June 2022. Value/low-volatility oriented stocks have continued to fare well compared to the once highflying growth stocks that contributed most to market performance over the past couple of years. We have also continued to see strength in US Treasuries bonds (weakness in yields) and Gold/Goldminers. These asset class have been acting as a "flight to safety". With bonds rallying due to the "Fed Put Effect" (lower interest rates if the economy weakens), while gold is now over $3,000 US per troy ounce likely due to its use as a long-term inflation hedge.

Source: Tradingview

Your Portfolio

Since our last update, we have continued to raise cash and rotate our cyclical names into more stable stocks.

That being said, we're still exposed to generic "market-risk" and uncertainty that has lowered equity prices across the board. We see this risk as essential for the long-term capital appreciation of your portfolio.

We will look to strategically deploy idle cash at opportunistic times in the event markets get severely under-valued and if we believe there is a significant "mean-reversion" opportunity, or in the event we see market volatility and trade tensions significantly dial down and investors regain confidence in the market.

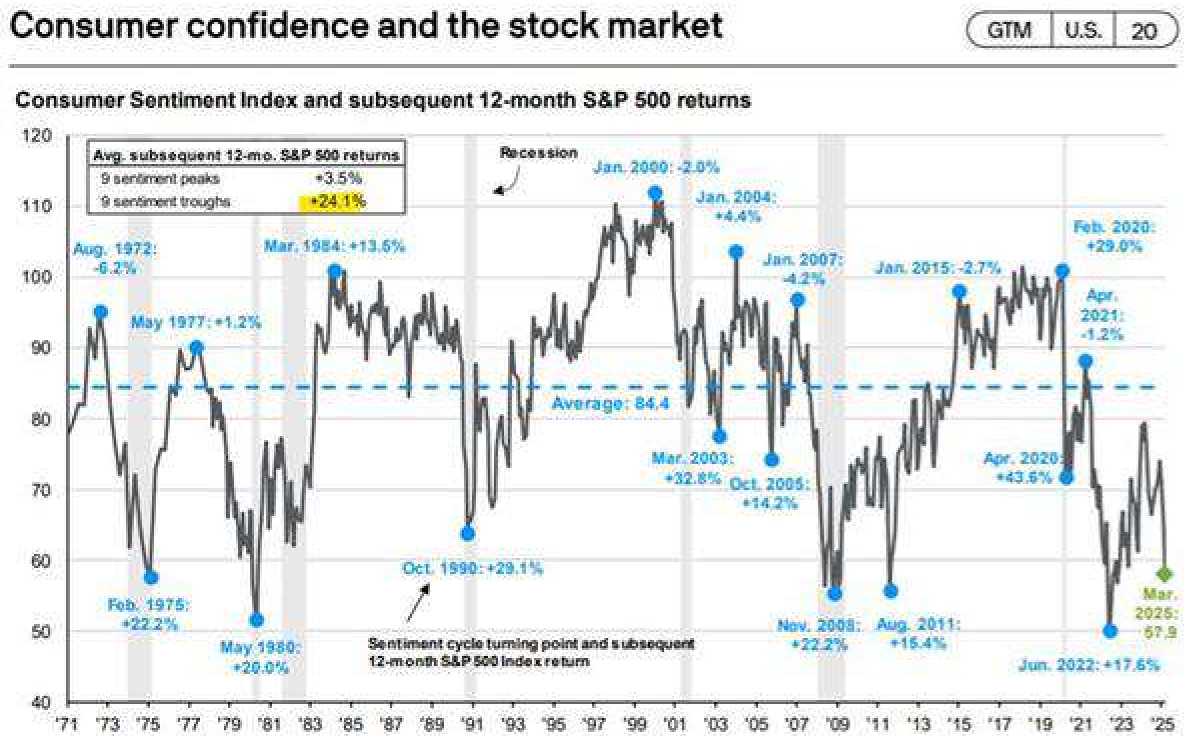
It's prudent we "stay the course" and focus on the long-term in these times of stress. It's challenging to see our friends south of the boarder turn their backs on us. But overall, we're taking our emotions out of it and focusing on the quality of our business and risk management at large. We're navigating these challenging times with diligence and caution and we remain confident in the long-term growth/income objectives of our portfolio companies.

Zooming Out

In these environments it can be hard to stomach the daily ups and down of your portfolio. We believe it's critical we take time and "zoom out" and reflect on history so we can get a better grasp of the bigger picture regarding the US equity market. Below shows the long-term growth of $10,000 invested in the S&P 500 index over a period of ~52 years along with all the catastrophic events that it's overcome.

Source: Bloomberg | Edwin L. "Lee" Peters

Now let's look deeper with one of our favourite charts. When Consumer confidence falls to extremely low levels, what has happened next is, significantly high above average returns over the next 12 months. Now we don't know we have bottomed yet… But those who have stomached the tough times have been rewarded after.



Source: JP Morgan Asset Management

To drive the point home, those who cannot stomach the drawdowns and flipflop in and out of the market on impulse, can miss all the upside of being invested in the equity market. Not to mention that 7 of the 10 best days in the market occurred within just two weeks of the 10 worst days.

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Source: JP Morgan Asset Management

Please reach out to any of our team members if you have any questions.

All the best from our team.

Brezer, Mandell, Reems & Hao Group
BMO Nesbitt Burns Inc.
595 Burrard St – 25th Floor, Vancouver, BC V7X 1J1
Phone: 778-331-9428 | Fax: 604-665-7461