Market Insights

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RICHARDSON Wealth

Latest commentary from the Action Desk

USA vs. the World

A tariff for everyone

Canada may have narrowly escaped the worst of Trump's new revenue tool, for now at least, avoiding the retaliatory tariffs that were imposed on dozens of nations. While some countries fared better than others, no trading partner is entirely safe from the wave of levies the president aims to implement, both as a revenue source and as a means to penalize what he sees as long-standing trade "injustices" against the United States. Yesterday, Trump made it clear that he is willing to disrupt the global trade order that has relied on decades of global cooperation.

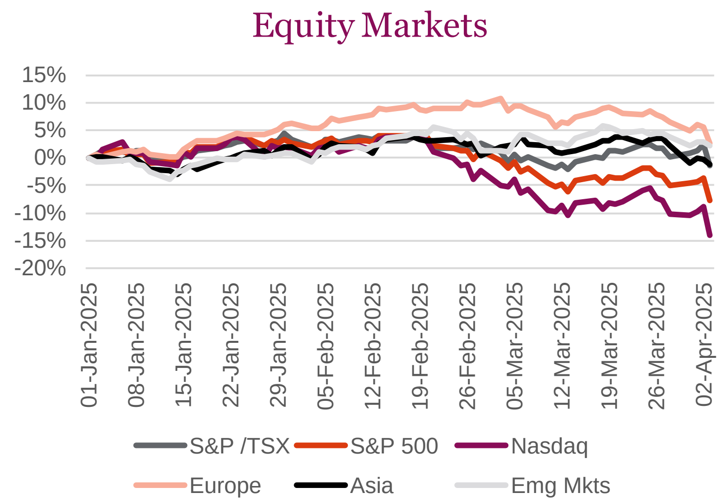
Trump rolled out a broad tariff plan on April 2, setting a 10% levy on imports from 185 countries, with steeper rates for key trading partners that were deemed to be "bad actors". Canadian goods that comply with the USMCA will be exempt from the 10% baseline tariff, but non-compliant items will still face a 25% levy, with 10% applied to energy and potash. No exemptions have been made for Canadian steel and aluminum tariffs, and the 25% tax on imported vehicles remains intact. China faces the steepest increases, with tariffs climbing to 54% once combined with existing duties. Other significant hikes include 20% on the EU, 46% on Vietnam, 32% on Taiwan, and 26% on India. This represents the highest U.S. tariff levels in over a century, raising concerns about its economic consequences. This is based on information we know so far. As we have seen with past tariff threats, policies can change quickly. For now, we will take a look at the market's reaction and potential implications to Trump's latest salvo of retaliatory tariffs.

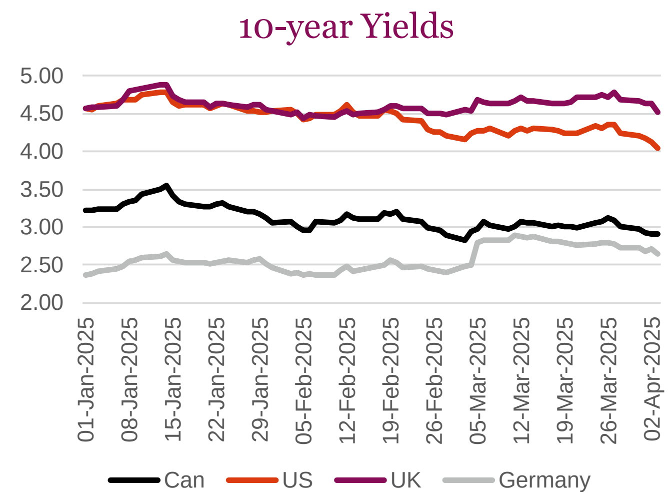
Market reaction

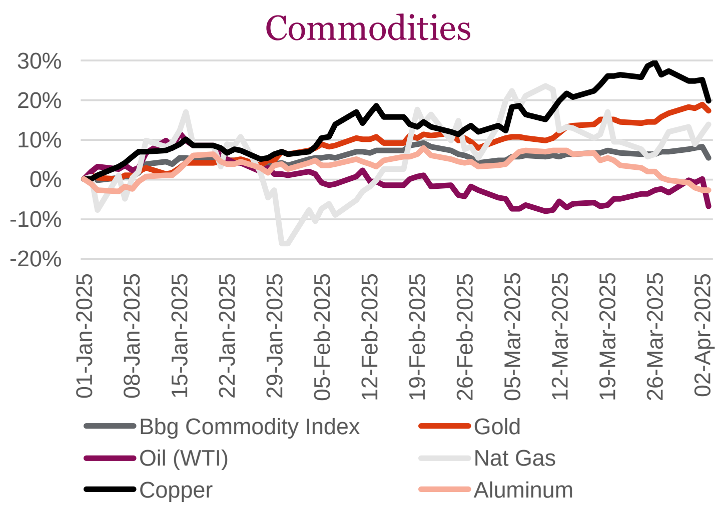
Equity Markets: President Trump's "Liberation Day" tariffs seem to have introduced significant volatility and uncertainty into global markets, prompting concerns about potential economic repercussions. The tariff announcement sent global markets into a tailspin (performance calculations as of 2:30 pm ET) with the S&P 500 and Nasdaq Composite plummeting -4.3% and -5.5% respectively the day following the announcement. These tariffs, perceived by some as more aggressive than anticipated, also impacted global markets including Germany's DAX, France's CAC, and UK's FTSE indexes which were down -3.1%, -3.3%, and -1.5% respectively. Meanwhile in Asia, Japan's Nikkei, and Hang Seng Index in Hong Kong were similarly down -2.8% and -1.5%. This highlights the interconnectedness of global financial markets and the far-reaching implications of U.S.'s trade policy shifts.

Gold and bonds: Investors seem increasingly concerned about the impact that tariffs could have on both global economic growth and inflation. Increased policy uncertainty and the risk of a recession have supported gold prices so far this year. Against this backdrop, gold has emerged as a preferred investment, hitting record highs in 2025. However, in the aftermath of the "Liberation Day" announcement, gold saw significant fluctuations. Initially, there was a rally in gold prices, followed by a collapse, then followed by another rally. The fluctuations could be, in part, due to the initial reaction to the tariffs, then exemptions the White House announced for commodities such as gold, silver, platinum, palladium, and copper. Meanwhile the bond market has experienced a flight to safety, with yields on U.S. Treasuries declining as investors seek refuge from potential economic slowdowns. U.S. Treasury 10-year yields declined to below 4% at one point, offering some level of portfolio diversification amid expectations of potential Federal Reserve rate cuts.

Currency: The immediate effects of the tariffs on the U.S. dollar and other currencies have been notable. Contrary to expectations, the dollar declined, while the euro has seen significant gains. This highlights the complexities of currency movements in response to trade policies and the broader economic environment.







	3-Apr	YTD
Equities		
S&P /TSX	-3.6%	-1.4%
S&P 500	-4.3%	-7.7%
Nasdaq	-5.5%	-13.9%
Europe	-2.6%	2.7%
Asia	-1.0%	-1.3%
Emg Mkts	-0.8%	2.1%
10-yr Yield (bps change)		
Can	-0.90	-31.90
US	-8.90	-52.73
UK	-12.00	-4.80
Germany	-7.00	28.60

	3-Apr	YTD
Commodities		
Bbg Commo	-2.6%	5.6%
Gold	-1.2%	17.5%
Oil (WTI)	-6.8%	-6.8%
Nat Gas	1.9%	13.8%
Copper	-4.3%	19.8%
Aluminum	0.0%	-2.8%

Source: Bloomberg, As of April 3, 2025 2:30 pm ET

Political landscape and potential for retaliation

Political landscape: With less than 30 days until the Canadian election, the impact of tariffs will likely weigh on the minds of Canadians and therefore influence how the election unfolds. As we've seen, economic strain from U.S. tariffs may galvanize voter support for parties that advocate for more protectionist policies or stronger trade negotiations. How each party leader handles the tariffs will likely be a critical issue in their campaigns, as will regional/provincial concerns. Ultimately, the tariffs will likely push Canadians to make a clear decision on their priorities. South of the border, the political landscape in the U.S. remains complex, with President Trump facing pressures from both domestic and international fronts. A symbolic resolution passed by the Senate on Wednesday, April 2 whereby a coalition of four Senate Republicans issued an unusual criticism of President Donald Trump and supported a Democratic-led resolution to block his tariffs on Canadian goods as he intensified his wider trade conflict.

Potential for retaliation: Countries face a range of potential ramifications when deciding between retaliating with tariffs, attempting to negotiate with President Trump or make outright concessions. In an effort to protect key industries and assert their interests, countries that retaliate with tariffs risk further destabilizing their economies and risk global trade relations, potentially leading to a prolonged and economically damaging trade war. On the other hand, negotiating or making concessions could avoid immediate economic pain but may come with political and long-term trade ramifications. Politically, any perceived concessions would likely prove disastrous among domestic industries and voters as politicians may face criticism for appearing weak or overly conciliatory. Moreover, the impact of concessions over the long-term could embolden Trump's tariff strategy, encouraging him and future administrations to use similar tactics again. Ultimately, each country must weigh the potential economic impact, political consequences, and long-term trade goals when deciding how to respond to Trump's tariffs.

What's next?

The impact of tariffs on the global economy is complex, affecting equity and bond markets, currency movements, and potentially, the political landscape. So far, financial markets have responded with increased volatility, with stocks potentially facing earnings risks, and bonds and commodities reacting to a flight to safety. For the world, understanding America's end game, the trade policies that will get them there, and the potential for retaliatory measures from impacted countries will be crucial to determine the longer-term requirements for global economic stability and future trade dynamics.

Source: Charts are sourced to Bloomberg L.P., and Richardson Wealth unless otherwise noted.

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