

We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding any observations.



**MACNICOL & ASSOCIATES**  
ASSET MANAGEMENT

Contact us today if you would like to meet about your investment future. [info@macnicol.com](mailto:info@macnicol.com)

## BEACONS OF THE WEEK

*The two main purposes of a Lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.*



### ***Recalada a Bahía Blanca, Monte Hermoso, Argentina***

This lighthouse is an active lighthouse located off the east coast of Argentina, a few hours southwest of Buenos Aires. The lighthouse is the world's 11<sup>th</sup> tallest traditional lighthouse. The light station is staffed and the tower is open to guided tours.



### ***Adziogol Lighthouse, Kherson Oblast, Ukraine***

This lighthouse is located off the south coast of Ukraine near Odesa. The lighthouse was constructed in 1911 and stands at 211 feet tall. On 22 July 2022, the lighthouse was damaged by a Russian missile attack, 3 rockets hit the lighthouse.

*\*Feel free to send us your photos of Lighthouses to be featured in our weekly market observations.\**

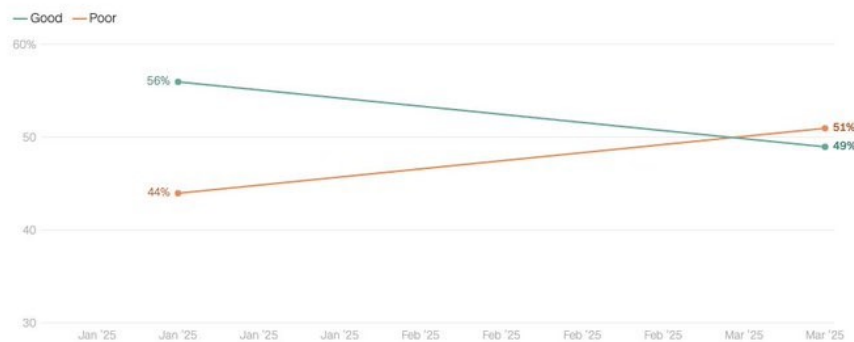
### **White House changes again**

According to numerous outlets, the White House plans to scale back its April 2nd tariff plan and focus instead on targeted reciprocal levies. This news contradicts what has been reported for a few weeks and provides investors and consumers with some short-term hope that mass tariffs on ally countries (like Canada and the U.S.) will be limited. According to insiders, Trump is softening his stance on the use of tariffs. Perhaps, Trump's team has convinced him to change his stance or perhaps the forecasted economic weakness has caused him to pivot, we will never know. We also are not sure if this is even 100% true.

The tariffs and economic uncertainty that we have seen in the last 3 months have led more Americans to become bearish on their economy.

**The share of Americans expecting good economic conditions has fallen since January**

Q: "Thinking about a year from now, do you expect economic conditions in this country will be:"



Methodology: The latest CNN poll was conducted by SSRS from March 6-9 among a random national sample of 1,206 US adults drawn from a probability-based panel. Interviews were either conducted online or by telephone with a live interviewer. Results among all adults have a margin of sampling error of +3.3 percentage points.

Just a few hours after this report, Trump threatened any country buying Venezuelan oil, citing that they would face a 25% tariff. This policy correlates with a Trump campaign promise that aims to free Venezuela of its dictator through economic sanctions. Trump said any nation buying Venezuelan oil and gas will face a 25% tariff on all U.S. goods as of April 2nd. This is a targeted tariff that we can fully support and understand.

Trump recently accused Venezuela of sending gang members from a known Venezuelan gang to the U.S. This gang, Tren de Aragua is designated as a foreign terrorist organization by the U.S. government.

Trump has labeled April 2nd as 'Liberation Day', a day when his administration will announce sweeping tariffs on countries across the world.

Equity markets were not impeded by these tariff threats against Venezuelan trade partners. Markets moved higher on the news that tariffs overall could be softer than once thought. The price of oil moved higher as well as the available supply of oil could shrink for U.S. partners.

In 2023, Venezuela's oil exports grew by 11%. China was the largest buyer of Venezuelan oil followed by the U.S. who relaxed sanctions against the country under the Biden administration. In February, Trump terminated a 2022 permit allowing Chevron to export Venezuelan oil, cutting off a key financial lifeline for the country. Last year, Venezuelan oil accounted for 3.5% of U.S. crude imports.

Oil exports have decreased significantly over the last few decades in Venezuela due to skyrocketing inflation and failed economic policy.

### **Higher for longer**

Atlanta FED President Raphael Bostic said on Monday that he only sees one rate cut this year. This outlook is down from his forecast at the start of the year when he saw two rate cuts. In an interview with Bloomberg – Bostic cited inflation as his reasoning for changing his outlook and said inflation numbers could be “very bumpy” this year.

Bostic went on to claim that the U.S. will not get inflation under 2% until early 2027. Bostic also said that the Federal Reserve needs to accept that tariffs will lead to inflation, and it will not be “transitory”. FED Chairman Jerome Powell said inflation from tariffs will be “transitory” just a few weeks ago.

We have been saying rates will be “higher for longer” for quite some time and continue to remain bearish on bonds for the short term. The biggest loser in this interview could be the Trump administration who have been attempting to lower interest rates for the last few weeks. The Trump administration wants to refinance federal debt maturing at lower interest rates.

After this interview, U.S. interest rates increased to one-month highs.

Regardless of the way you slice it, tariffs will cause inflation, and retaliatory tariffs will make the situation worse. We hope you are positioned for a second wave. We know we are.

The average year-ahead inflation expectations rose again recently—from 5.8% in February to 6.2% in March according to economists at The Conference Board.

On a positive note, egg prices which have been surging over the last 5-6 months have collapsed by more than 63% this month, the largest monthly decline in history.

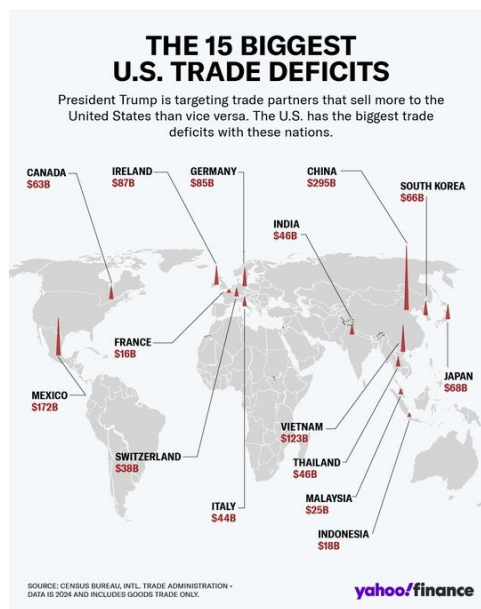


We have a feeling that some brilliant politician will get smart and suggest eating breakfast for dinner to improve personal financial circumstances.

### **Liberation Day**

So, as we approach April 2nd, a day Trump has nicknamed 'Liberation Day', what should we expect? We have no clue. The reports are all over the place - Trump's tariffs will come in softer than expected, they will come in strategic on only a few industries, and Trump is happy with Canada and Mexico.

Beyond the headlines we shared in the paragraph above, some Trump insiders pushed a message on Wednesday that we thought was important. Trump officials have been claiming that markets are overstating the scope and scale of tariffs that will come into place on April 2<sup>nd</sup>. These tariffs by the U.S. will aim to shrink the U.S. trade deficit and retaliate against countries with unjust tariffs already in place against U.S. products (we are not supporting the trade sanctions; we are purely communicating their purpose).



Getting back to what members of the Trump administration have been saying. Many believe the tariffs could narrow to the 'dirty 15' and only target the 15 countries above with the largest trade deficits with the U.S.

We are not naïve and understand these are 15 of the world's largest economies, and tariffs on these nations will be felt globally. However, in an optimistic sense, it seems we are getting somewhere, albeit very slowly.

### **Tesla sales struggling**

Over the last month, we have highlighted the struggles of Tesla. The company saw its stock crater by 50% in a matter of 3-4 months. Over the last few days, the trend has reversed but for the most part, it took the weakness of equity markets over the last few months the hardest. We highlighted the downturn in its stock price correlated with Elon Musk's involvement with the Trump administration. However, we went on to explain that sales and Tesla's dominance fading are the real reasons for the poor stock performance. Sales have majorly slipped in China and according to data released on Tuesday, sales continue to struggle in Europe.

For the second straight month, Tesla sales plunged in Europe. Sales declined by 47% in the European Union and 40% in the UK and other key markets in February year over year. Meanwhile, numerous companies including Volkswagen have seen their sales jump over the same period. Through the first two months of 2025, Tesla sales are down 43% year-over-year.

Musk's politics from a macro level are being blamed for this trend however, cheaper alternatives are coming to market and Tesla is currently overhauling its most popular model. Before you jump to conclusions, it's important to look at the data.

Tesla's market share in February in the European market dipped once again.

It is important to note that Tesla's largest two markets by a wide margin remain the U.S. and China. Numerous Chinese EV producers continue to penetrate the European market, something they are restricted from in North America. Europe has imposed tariffs on these companies, but they have yet to deter consumers. Numerous automakers in Europe have warned their leaders that their Chinese competitors impose security risks and could economically harm them.

We will have to wait and see what the EU will do regarding Chinese EVs, for now, the prices are much lower than Western-made EVs and the tariffs on them are much lower than the ones imposed by Canada and the U.S.

Tesla shares initially dipped on this news on Tuesday but recovered throughout the day.

### **Copper breakout**

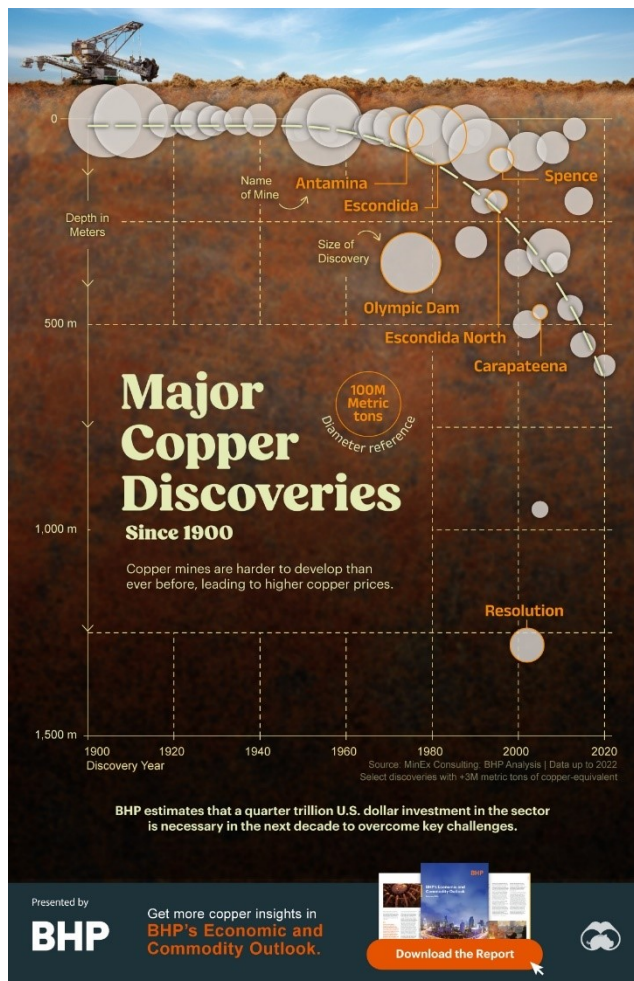
Copper prices are breaking out of a four-year horizontal trend to all-time highs (as of Tuesday).



The metals market continues to express concerns over a global trade war spurred by President Trump's policies. So far this year, the price of copper has surged 27% according to mining.com. Since Trump's tariffs have been announced consumers, businesses, and traders have rushed to onshore copper and other metals. Many believe copper could be a major commodity targeted in pending tariffs announced on Trump's "Liberation Day". Analysts at the trading group Mercuria estimate 500,000 tonnes of copper are in transit to the U.S. compared with the normal monthly imports of approximately 70,000 tonnes.

The copper rally also coincides with some tightness in the market. After years of underinvestment and reduced refinery capacities, there is a growing shortage of copper. Mercuria is predicting copper

demand this year to outstrip supply by 320,000 tonnes. It is important to remember that the energy transition requires vast amounts of copper which will almost certainly lead to higher prices for the metal. At the same time, there has not been a large copper discovery in years, even as demand has increased.



Another tailwind for copper prices has been the recent stimulus announced by China, the world's largest manufacturer and a major market for copper.

The most interesting aspect regarding copper currently is the widening gap between London and New York prices. The spread has risen to more than \$1,350 a tonne. Many believe this could lead to a potential arbitrage opportunity:



### New York Copper Vaults Above Other Price Benchmarks Tariff uncertainty creates enduring arbitrage opportunity



Although copper is not physically consumed by most consumers, it is a major input for a wide variety of industries including technology, construction, and renewable energy.

Copper stocks in Comex warehouses in the U.S., rose to their highest level in February since 2019 as the threat of tariffs looms. The volume of copper waiting to leave the LME network of warehouses is also close to a four-year high.

This price action is not encouraging for consumers as it could lead to higher prices and a surge in inflation over the coming months.

*Disclaimer: MacNicol & Associates Asset Management Inc. holds shares of various North American copper miners across various client accounts.*

### Energy market rally

Energy stocks are rallying this year and if you have no exposure, you probably would be surprised it's the leading sector in the S&P 500 in terms of performance in 2025. Overall, the S&P 500 is down 1.8% in 2025 while the energy sector is up 8.9%. Healthcare is the second leading sector so far in 2025.

If you follow only the headlines, you will probably think energy is having a bad year as oil and spot uranium prices have pulled back. However, stocks are for the most part hanging in there as most companies are still free cash flow positive, and natural gas prices have surged this year.

As energy prices have pulled back, earnings will for most slow, investors are still piling into the trade as energy still has some upside with its cheap valuation. Investors have piled out of growth names in tech and consumer discretionary over fears of a major pull back.



The energy sector is not perfect, we know that, however, it is a real value play in today's market, provides a hedge against inflation and is currently the best house on a bad block. The bad block being today's market conditions.

However, we will warn our readers that now is not the time to greatly overweight yourself in energy. We have been holding energy for some time and have trimmed various positions. We are content with the strong names we own across the industry and think they can sustain the market volatility. We also own a diverse basket of names that operate in various industries across the energy sector. This diversification has helped us still deliver strong performance from our energy names despite uranium miners and physical uranium prices pulling back over the last few months.

*Disclaimer: MacNicol & Associates Asset Management Inc. holds various energy stocks across client accounts including stocks that operate in the uranium, oil, and natural gas industries.*

### **Tech abandoning the AI race**

It seems the artificial intelligence bubble is slowly deflating in front of our eyes. After a year and a half of investment and commitments from tech firms and a meteoric rise in the stock prices of AI companies led by Nvidia, AI seems like it has some issues. We are not claiming AI has issues or the technology is dead, we are simply stating that it may not be as profitable as once thought and its growth could be slower than many have forecasted.

This week Microsoft announced plans to abandon data center projects in Europe and the U.S. TD Cowen analysts attribute the abandonment of these projects to an oversupply of the clusters of computers that power AI. Microsoft's cancellation of these projects more than likely are the result of internal forecasts where this extra energy demand they forecasted last year does not exist in the medium term.

This news comes weeks after Microsoft announced they will not pursue new business from OpenAI. Microsoft still expects to spend their forecasted \$80 billion building out AI data centers this year but expects that number to slow after that where they will shift focus from new construction to equipping data centers with servers and equipment.

We think this abandonment will be the start to a trend as the mass investment in AI slows down and companies slowly invest into the space. The fact is a company like DeepSeek could completely upend AI overnight with the right infrastructure and team. We think this pivot from Microsoft is good for the company in the long term.

This news sent numerous AI stocks including those that provide infrastructure lower on Wednesday on investor worry regarding demand. We only hold one AI infrastructure stock across our client accounts. The company provides data center cooling to its customers along with several other services. We have scaled out of the holding over the last year and a half and now only hold a small position in the stock.

We still think the demand will be there in the future for the company but at these valuations and in these markets, the risk of holding the position in full is too high.

**MacNicol & Associates Asset Management**  
**March 28, 2025**