Focus

Feature Article

Escalation Day

Our Thoughts

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Forecast Changes

- Bank of Canada likely to delay expected three rate cuts until June due to tariff-related inflation uncertainty
- Fed likely to cut rates three times this year instead of two amid tariff-led rise in jobless rate, but still starting in September due to rising inflation

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Making Smoot-Hawley Great Again

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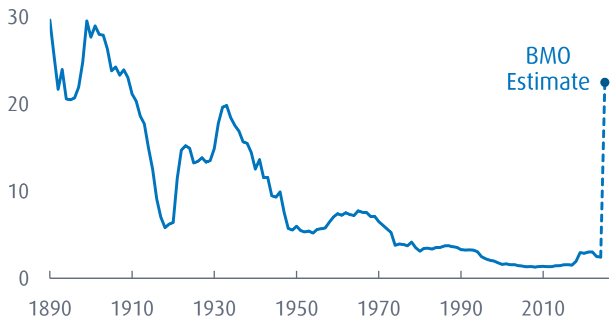
There is perhaps a handful of economists out there who would be on board with the U.S. decision to impose sweeping tariffs on almost the entire known world. We are certainly not in that hand. Sharp eyes quickly determined after Wednesday's big reveal that the tariff formula was a derivation of bilateral deficit/U.S. imports, with a minimum of 10%. Yet consider this example from the past: Saudi Arabia would have faced a 39% tariff when oil prices soared to record highs in 2008, by the calculations of the current 'reciprocal' tariffs, for the temerity of being the main supplier of crude oil to America. This case lays bare how unsound the latest moves are, without even resorting to the now infamous island of penguins that faces a 10% tariff.

Chart 1
The Day That Globalization Died

United States (percent)
Average Tariff Rate



Sources: BMO Economics, USITC, Yale Budget Lab

While the world was primed for the reciprocal tariff announcement, it's safe to say that **the details over-delivered**. If anything, markets were leaning the other way, based on the unfortunate assumption that the President's bark was worse than the bite, and also lulled by his comments that others would be treated very "*generously*". Generous is one word we could use for the shockingly large tariffs on much of Asia and even some of Africa: Vietnam 46%, China 34%, Korea 25% and Japan at 24% were some standouts. The 20% rate on the EU was one of the few that met expectations, while even nations with which the U.S runs trade surpluses—like Australia, Brazil, Singapore and the U.K.—were hit with a 10% minimum. This week's Focus Feature has all the gory details, and we go through the forecast revisions in Thoughts, but the key point is that **the average U.S. tariff rate has just soared well above 20%, from about 2% in 2024, and even higher than the ill-fated Smoot-Hawley regime in the 1930s** (Chart 1).

Financial market reaction was swift and punishing. If anything, the initial and relatively calm down-move was contained by hopes that weaker markets may well force a backing down by the Administration—but, unfortunately, most of the messaging since has doubled down on the hard-line trade stance. For markets and economists and central banks, the key question is **how long does this tariff regime persist**, and does it actually get even worse? We had been assuming that serious tariffs may persist for a year, but that was on the assumption that the global tariffs would not be as meaty as what was revealed on Wednesday. Our core assumption is that this level of tariffs—and some of the early retaliation, including from China—is simply not sustainable. No one can know how soon there will be some cooling off, and to what extent, but **we suspect there will be an ebbing of the trade war within six months**. For now, we are clipping our global growth forecast for this year by a couple ticks to 2.6%, down half a point from last year.

But even six months of trade turmoil is a veritable lifetime for markets. The tariff assault has cut the S&P 500 by 17% from its February high, taking it below the lows seen in the tempest last August, and has effectively erased the gains of the past 12 months. It's a similar story in the rest of the world, as the Nikkei has also dropped 15% since the start of 2025, and down 9% this week alone. The U.S. dollar see-sawed on the news, initially falling hard in the wake of the tariff announcement—including its biggest daily loss in three years on Thursday. But the persistent drop in equities led to a more traditional flight to safety and some firming in the greenback. By Friday, the euro had settled just above $1.09, up almost 1% on the week.

The Fed's world just got a lot more complicated, with downward revisions to GDP, but upward revisions to core inflation. Our view, and apparently that of the markets, is that the heavy hit to growth will ultimately be much more important than the upward pressure on prices from tariffs. Helping fuel that view is the deep slide in crude oil prices this week, on the expected trauma for the global economy—as well as the surprising decision by OPEC+ to loosen production cuts. As a result, WTI tumbled this week by a cannonading 11% to $62/bbl. Wholesale gasoline prices also promptly plunged more than 10% in a matter of days, at a time of year when pump prices typically rise, pointing to much milder headline inflation results further down the road.

The net result of financial market turmoil, lower energy costs, and a darker growth outlook is that traders are now pricing in four to five Fed cuts in calendar 2025. As a reminder, the Fed itself had pencilled in only two cuts as recently as two weeks ago, and Chair Powell drove home a message of patience on Friday. Still, the rapid reassessment of the Fed and the equity trauma fuelled a massive bond market rally, with Treasuries stepping down 24-25 bps all the way from two-years out to tens, slicing the latter to 3.9% at one point after it visited 4.4% just last week. That rally was largely mimicked in Canada, albeit the moves were milder at 11-13 bp declines, given the much lower starting point for GoC yields. As a result, Canada/U.S. 10-year spreads narrowed to -110 bps less than two months after hitting records of more than -150 bps.

Canada found itself in an odd spot amid this week's tariff assault. After being in the forefront of the trade war for the past three months, along with Mexico and China, it went backstage this week. **Along with Mexico, Canada was spared from the reciprocal tariffs**, and the initial 25% wave was kept on ice for USMCA-compliant goods. No one was calling it a win, other than in a relative sense, but there was some relief. Partly reflecting this, the Canadian dollar actually managed to rise 0.6% to 70.3 cents (or to $1.423/US$) on net for the week, a truly remarkable outcome given the deep sag in global equities and oil prices. (We seriously doubt there has ever been that combination before in a week.) While Canada escaped new damage, the reality is that it still faces tariffs on its second-largest export (autos, to the tune of 12.5%) and 25% on steel and aluminum, and on non-compliant goods. And, Prime Minister Carney chose to retaliate to the auto tariffs with a reciprocal measure of his own—25% on U.S. assembled vehicles, although, crucially, not auto parts.

As a result of the combination of a lighter-than-expected touch on Canada but a much-tougher-than-expected hit to the global economy, we have left our growth call on Canada roughly unchanged on net. Our earlier call of just 0.5% GDP growth was far below consensus, but looks very reasonable now, especially with employment and home sales sagging in March, amid the deep freeze in business and consumer sentiment. This week's extremely sour market reaction will only further weigh on confidence more broadly, and increase the odds of at least a temporary economic contraction, depending on how soon the Administration calls a halt to the trade war.

Canada: Time to Adapt

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Canada was seemingly spared the worst of the tariff reign of terror, but the country is hardly unscathed. We still have to deal with tariffs on autos, steel, and aluminum, while other sectors will likely soon be impacted as well. BMO was already assuming a weak outcome for the economy due to 25% tariffs across the board. While this week left Canada with weighted average tariffs of 6%-to-7%, the anticipated hit to U.S. growth meant that on net **our forecast is little changed**. Indeed, the March employment drop isn't encouraging as that was just the first taste of tariffs.

The government announced tariffs on U.S. auto imports, which won't help the outlook, lifting prices on autos when consumer sentiment has already taken a hit. Beyond that, Canada continues to tariff another $60 bn or so of U.S. products. While these policies are designed to stand up to bullying from our southern neighbour, they will not help the economy through what will be a rough period. Instead, **Canada needs to focus on policies that will improve productivity and global competitiveness** to allow our products to find new markets outside of North America. This should be the focus of the federal election, though announcements on that front have been underwhelming thus far. If there is a time for Canada to think big, this is it.

One **potential silver lining** to this week is that Canadian firms now have a competitive advantage over firms domiciled in countries facing higher tariffs. If the product is USMCA-compliant, it faces no tariffs, while a competitor out of Europe has to manage 20% with other countries even higher. Autos face a similar dynamic, as about 50% of Canadian auto exports are U.S.-made, meaning the 25% tariff is effectively 12.5%. That compares to cars out of Korea, Germany or Japan that are subject to the full 25%. There's little doubt that higher prices and a slowing economy will weigh on U.S. household consumption, but Canada's relatively lower tariff could mean other countries' exports take a larger hit. Notably the same is true for Mexico, who is better positioned for some lower value-add products that will likely migrate away from Asia.

This leaves the Bank of Canada in a challenging spot amid weakening growth and an uncertain inflation outlook. The latter will be impacted by counter-tariffs, but softening growth and plunging commodity prices will drive disinflationary pressure. And, the labour market likely continuing to soften will dampen wage gains even further. Still, following the largest inflation shock in a generation, Governor Macklem has made it clear that he's committed to controlling inflation and isn't itching to cut rates further at this point. That suggests that, barring a market meltdown over the next two weeks, **the BoC will pause its rate cut campaign at the next policy decision**.

The other major lever for Canada is **fiscal policy**. While we've squandered some fiscal capacity over the past few years, it still has the ability to drive growth. Higher defence spending looks certain; it's a question of how much and how fast. Fiscal is where Canada has a relative advantage over the U.S., where deficits are already a serious issue. However, it's essential for fiscal stimulus to focus on improving productivity and long-term economic potential—handouts will only put Canada deeper in the hole.

Key Takeaway: The global economic paradigm has changed. While Canada is heavily dependent on the U.S., we're not powerless. It's time to adapt and adjust, with government playing a key role. Now we just have to hope whoever wins the election picks the right policies.

Risking Our Economic and Financial Future

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Tariff threats have already turned into **tariff reality with profound implications for the U.S. and global economic outlook**. Indeed, the entire international rules-based order the U.S. helped build in the aftermath of World War II is being shaken to its core. If you think those abstract global macroeconomic concepts don't impact you, think again. You are about to feel it to some degree, and not in a good way, in your monthly budgets, your retirement savings, and your job security. Given the global nature of these reciprocal tariffs, it will be almost impossible to avoid being impacted.

Economists have a word for it, stagflation, and it's one of the most painful economic conditions a household will ever face if it's severe enough. In fact, stagflation got so bad in the 1970s that economists invented a Misery Index that combined the inflation rate and unemployment rate to better describe the economic pain. Stagflation wasn't kind to equity investors either. Over the entire decade of the 1970s, the S&P 500 increased only 17.2%—or an average 1.7% a year. The **Federal Reserve will have a tough time coming to the rescue** as it can't fight a slowing economy without aggravating inflation and can't deal with inflation without causing slower growth and more potential job losses. The risk of an outright recession over the next twelve months is palpable, probably near 50%, if the tariffs are left in place as they are now.

We have warned our readers about the growth and inflation risk from tariffs since the November election—and even downgraded our growth outlook and increased our inflation outlook once already—based on the March tariff announcements. But with this week's reciprocal tariffs and 25% sectoral tariff on autos now in effect, and threats of additional tariffs on pharmaceuticals, semiconductors, copper and lumber coming soon, **it's time to once again revisit our baseline U.S. forecasts**.

The **reciprocal tariffs proved more far-reaching and severe** than nearly any analyst dared anticipate. Almost no country is immune with a 10% universal baseline tariff going into effect. The tariffs were especially harsh on Asian exporters. Many countries have already threatened retaliation, so a full-blown trade war looks to be in the cards unless cooler heads can walk us back from the ledge.

We estimate the weighted average tariff rate for the U.S. today is around 24%, higher than in the 1930's Smoot-Hawley tariff era and about double what we had baked into our previous baseline forecasts. As a result, we are **sharply cutting our U.S. growth outlook and increasing our inflation outlook for 2025 and 2026**. We marked down our U.S. GDP growth forecast over the next two quarters to around 0.5% annualized which puts Q4/Q4 GDP growth for 2025 at an anemic 0.6%, six-tenths lower than our prior forecast. Below-potential growth is expected to linger into 2026, though will begin to recover modestly as the Fed cuts interest rates and inflation begins to decline from its peak. Annual core PCE inflation is expected to increase to around 4.0% by the end of the year, instead of the 3.3% previously forecast, before easing in 2026 as consumer demand softens, the labour market slackens, and services inflation moderates. Stagflation-like conditions will leave a visible mark on the labour market as the unemployment rate rises to 5.0% by year-end and holds near that elevated level in 2026. The biggest change in U.S. tariff policy in more than 80 years is turning into a risk for the economic and financial future.

Europe Will Not Take This Sitting Down

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Perhaps the U.S. and the EU should've tried a little harder back in **2016** when they ended talks to set up the **Transatlantic Trade and Investment Partnership**. Then there were attempts to come up with another agreement in **2018**, including ways of increasing European gas imports from the U.S., and lowering bureaucratic trade hurdles. Sound familiar? That, too, went nowhere.

The U.S. is the region's biggest customer. Last year, 20% of all **EU exports headed for the U.S.**, totalling €532 bln, most of which were **pharmaceutical products** and **motor vehicles**. The biggest exporter: Germany. **Imports from the U.S.** totalled €334 bln (or just under 14% of total imports), the majority of which is energy (oil and natural gas). The biggest importers: Germany and the Netherlands. The €198 bln **surplus** with the U.S. has rankled the current Administration… it sits just behind China's massive surplus.

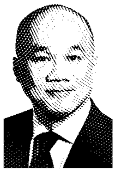
And here we are. **The EU**, after being accused of "*ripping off*" the U.S. since it was formed in '92, **faces a 20% tariff on its exports to America**. There's also the **25% tariff on steel & aluminum imports** and the **25% tariff on all auto imports**, which will hurt Germany in particular. Before all of these 2025 developments, there were already tariffs in place: the U.S. had a 2.5% tariff on **European cars**, and the 25% tariff on **light trucks**. The EU had a 10% tariff on **U.S. vehicles** and a 12% tariff on U.S. clothing and accessories. This time, however, the levies are much broader in nature.

Assuming no retaliation, some estimates have EU growth slashed in half to under 1% for 2025. But Brussels is not going to take this sitting down, and there will also be a fiscal and a monetary policy response (that is, more ECB rate cuts, potentially). And lower energy prices will cushion growth.

Now what? European Commission President Ursula von der Leyen said that the EU has a "*strong plan*" to retaliate. Well, the time has come to reveal that plan. We already knew that **services exports** would be high up on that list. The U.S. may not be thrilled with the EU's goods trade surplus, but it hasn't mentioned the EU's €125 bln services deficit with the U.S. in areas such as technology and financials. That is the EU's trump card. It can **tighten up regulations** for American tech companies and banks. It can also drag out the **Anti-Coercion Instrument**. The name is self-explanatory: it acts against coercion by giving the EU a "*wide range of possible countermeasures when a country refuses to remove the coercion*" such as tariffs, restrictions in services trade and use of intellectual property, or access to foreign direct investment and public procurement. But first, it will make use of that **target list of €26 bln of U.S. products**, which includes Harleys, bourbon/whisky, and soy products. Phase one will start April 12th. Brussels needs the buy-in of a qualified majority of the 27 countries before it can act. Some (Germany, France) are more eager to act than others. But, even Italy's PM Meloni, who seemed to align herself more with the U.S. than the EU recently, called the tariff "*wrong*".

Bottom Line: This trade war, along with the Russia/Ukraine war, is unifying most of Europe. The unleashing of fiscal spending, led by Germany, will go a long way to providing a backstop to the tariffs, as will central bank rate cuts and lower energy prices.

Crude Oil Outlook: Down But Not Out



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The outlook for crude oil has dimmed in recent days, which is bad news for producers but good news for consumers. President Trump's decision to jack up tariffs on Liberation Day has clearly dented the outlook for global growth and, in tandem, oil demand. Meanwhile, **OPEC+ surprised the market** by revealing a day later that it would accelerate the unwinding of prior voluntary production cuts in May. These twin developments have negated recent optimism that crude oil could benefit from greater efforts by the Trump Administration to crack down on Iranian, Russian and Venezuelan crude shipments. As a consequence, **we have trimmed our forecast** for benchmark West Texas Intermediate (WTI) crude to US$68/bbl for 2025 (vs. $70 previously) **and acknowledge that risks remain tilted towards the downside**.

The cartel's decision was very surprising, especially given that the outlook for global oil demand was already being hit hard by Trump's tariffs. More specifically, eight key OPEC+ members, who had been part of the 2.2 mb/d in voluntary cuts implemented in 2023, will increase their production by a combined 411 kb/d in May, up from the prior planned increase of 135 kb/d that was indicated in early March. Based on leaked comments made by Saudi Energy Minister Abdulaziz bin Salman, most energy forecasters have chalked up this decision as an effort by the cartel's leadership to place pressure on its longstanding rogues/over-producers, namely Kazakhstan, Iraq and even Russia, to comply with its quotas. Still, the timing is bizarre as increasing output at a time when global oil demand is set to soften will likely lead to an excess of supply, at least on the margin. We can't help but wonder if Trump's stated desire to bring down energy prices is also influencing the cartel's decision-making process these days.

Otherwise, this decision highlights how quickly the cartel can change tack, especially since it is now reviewing its near-term production strategy on a monthly basis. Thus, we think that concerns over the health of the global economy may play a more dominant role in driving oil prices for the time being, particularly as America's trading partners weigh potential tariff counterattacks (e.g., China's 34% reciprocal duty on all U.S. goods). **The good news**, if you can call it that, is that the majority of the economic forecasting community is still of the view that the U.S. economy—the world's largest consumer of crude oil—can avert a major recession. Indeed, BMO Economics has only lowered its U.S. real GDP growth projection to 1.4% in 2025 (from 1.7%).

Across the Pacific, the outlook remains fairly encouraging as Beijing has gotten an early start on fiscal stimulus. Although we are not of the view that China will be able to meet its *"about 5%"* growth target for this year given the escalating trade war, its economy is in much better position than it was, say, compared to last summer. Much the same holds true in India, which has become an increasingly important driver of global oil demand in recent years. The Indian economy has recovered of late after hitting a bump last year and is still forecast to grow in excess of 6% this year. All in all, we estimate that global oil demand may still be able to grow by around 500-to-600 kb/d in 2025, compared to 830 kd/b in 2024. This is not a disaster, but make no mistake that the risks to this projection lie firmly on the downside given growing uncertainties stemming from Trump's global trade war.

Key Takeaway: The coming weeks will likely remain a nerve-wracking time for the crude oil market given the twin challenges of rising supply and falling demand.

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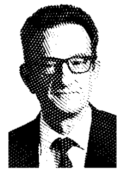
Indications of stronger growth and a move toward price stability are ***good news*** *for the economy.*

	Good News	Bad News
Canada ▪ Canada largely unscathed from U.S. reciprocal tariffs… ▪ …but more industry-specific tariffs to come? ▪ PM Carney announces matching tariffs on U.S. autos ▪ S&P downgrades B.C. to 'A+' with negative outlook	**Auto Sales** +11.4% y/y (Mar.)—buying ahead of tariff impact **Average Hourly Wages** slow to +3.6% y/y (Mar.)	**Employment** -32,600 (Mar.)—biggest drop since Jan. 2022 **Jobless Rate** +0.1 ppts to 6.7% (Mar.) **Merchandise Trade** swung back to a $1.5 bln deficit (Feb.) **S&P Global Manufacturing PMI** -1.6 pts to 46.2; **Services** -5.3 pts to 41.2 (Mar.)
United States ▪ President Trump announces steeper-than-expected reciprocal tariffs ▪ Fed Chair Powell signals no rush to change policy ▪ Stocks sink, Treasury yields fall, dollar weakens	**Nonfarm Payrolls** +228,000 (Mar.)—but in the rear view **Average Hourly Earnings** +0.3% (Mar.) **Initial Claims** -6k to 219k (Mar. 29 week) **Auto Sales** jumped to 17.8 mln a.r. (Mar.)—buying ahead of tariff impact **Construction Spending** +0.7% (Feb.) **Factory Orders** +0.6% (Feb.) **Goods & Services Trade Deficit** narrowed to $122.7 bln (Feb.) **Global Supply Chain Pressure Index** -0.07 (Mar.)	**Jobless Rate** +0.1 ppts to 4.2% (Mar.) **Job Openings** fall to 7,568k (Feb.) **ISM Manufacturing PMI** -1.3 pts to 49.0; **Services PMI** -2.7 pts to 50.8 (Mar.)
China ▪ Beijing retaliates with a 34% tariff on all U.S. imports ▪ Fitch downgrades China to 'A'	**Manufacturing PMI** +0.3 pts to 50.5; **Non-manufacturing PMI** +0.4 pts to 50.8 (Mar.) **Caixin Manufacturing PMI** +0.4 pts to 51.2; **Services PMI** +0.5 pts to 51.9 (Mar.)	
Japan ▪ PM Ishiba pledges strong fiscal support for domestic industries ▪ Yen strengthens in flight to safety	**Industrial Production** +2.5% (Feb. P) **Retail Sales** +0.5% (Feb.) **Jobless Rate** -0.1 ppts to 2.4% (Feb.)	**Tankan Large Manufacturing Index** -2 pts to 12 (Q1) **Household Spending** -0.5% y/y (Feb.)
Europe ▪ Euro jumps to a 6-month high ▪ France suggests targeting U.S. tech in tariff retaliation; EU leaders set to meet next week	**Euro Area—Consumer Prices** slow to +2.2% y/y (Mar. P) **Euro Area—Jobless Rate** -0.1 ppts to 6.1% (Feb.) **Germany—Retail Sales** +0.8% (Feb.) **France—Industrial Production** +0.7% (Feb.) **Italy—Retail Sales** +0.1% (Feb.) **Italy—Jobless Rate** -0.3 ppts to 5.9% (Feb.)	**Germany—Factory Orders** unch (Feb.) **France—Jobless Rate** +0.1 ppts to 7.4% (Feb.) **U.K.—DMP 1 Year CPI Expectations** +3.4% y/y (Mar.)
Other ▪ RBA on hold ▪ WTI drops toward $62; OPEC+ accelerates the pace of unwinding of production cuts	**Australia—Household Spending** +0.2% (Feb.)	**Australia—Retail Sales** +0.2% (Feb.)—slowing **Australia—Building Approvals** -0.3% (Feb.) **Australia—Trade Surplus** narrowed to A$3.0 bln (Feb.)

Escalation Day

Though granting Canada and Mexico a much welcomed reprieve, the White House's new global baseline and reciprocal tariffs will have serious consequences for the global and U.S. economy.



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On April 2, President Trump unveiled the Administration's much-anticipated **reciprocal tariff plan**. The scheme has two streams. The first is a minimum 10% tariff on all trading partners, even those for which the U.S. sports a trade surplus. This is effective April 5. It fulfills the President's request in the America First Trade Policy Memorandum, signed on Inauguration Day, to investigate establishing a *"global supplementary tariff"* that would be applied to all trading partners. The new levy was not given an official name, so we'll simply refer to it as the 'global base tariff'. The second, for a group of 57 countries/regions that contribute the most to America's trade deficit, is instead a jurisdiction-specific tariff that runs as high as 50%. This is effective April 9. Canada and Mexico were excluded from the plan.

To establish such a comprehensive tariff scheme, the President once again invoked the International Emergency Economic Powers Act (IEEPA). This was used for the first time to justify tariffs in February to establish hefty fentanyl/migration related levies on Canada and Mexico. The April 2 Executive Order said that the *"lack of reciprocity in our bilateral trade relationships, disparate tariff rates and non-tariff barriers, and U.S. trading partners' economic policies that suppress domestic wages and consumption, as indicated by large and persistent annual U.S. goods trade deficits, constitute* ***an unusual and extraordinary threat to the national security and economy of the United States****. That threat has its source in whole or substantial part outside the United States in the domestic economic policies of key trading partners and structural imbalances in the global trading system. I hereby declare* ***a national emergency with respect to this threat****."*

Financial markets were not expecting such a comprehensive and punitive plan, which helps explain their extreme reactions. Before the unveiling, the Administration appeared focused on reciprocal tariffs for the so-called "Dirty 15", again, the group with the largest contributions to the trade deficit. Note that the top four contributors alone —China, European Union, Mexico, and Vietnam—account for around two-thirds of the U.S. trade shortfall. A reciprocal tariff was intended to mirror the duties and non-tariff barriers American businesses faced in foreign markets. But calculating it would be a Herculean task, even for just 15 entities, particularly under the short timeline set by the President. The crafters had to take a shortcut.

How did the Administration calculate the tariff rate equivalent of the various duties and non-tariff barriers faced by U.S. businesses? Well, it didn't. Instead, it employed a thought exercise that answers the question: For a specific country, given America's trade deficit with it and imports from it, **what is the tariff rate that would reduce imports enough to eliminate the deficit**? The answer is determined by the degree to which tariffs pass through to the prices faced by final U.S. customers and the degree to which the demand for imports decreases owing to higher prices (the elasticity of demand). The Administration assumes the pass-through is 25%, so three-quarters of the tariff increase would be absorbed by narrowing profit margins of foreign exporters and U.S. importers. A higher pass-through proportion would require a lower tariff rate to eliminate the deficit (and vice versa), other things equal. The Administration assumes an elasticity of 4, meaning a 1% increase in prices will lower import demand by 4%. A lower elasticity would require a higher tariff rate to eliminate the deficit (and vice versa), all else equal. These two assumptions were used for all jurisdictions, and, when multiplied, effectively cancel out as they equal unity. The result is that the bilateral tariff rate is simply the U.S. trade deficit divided by imports from the country or region.

This is not a reciprocal tariff that quantifies the duties and non-tariff barriers faced by U.S. businesses abroad, despite being touted as such. The actual 'reciprocal tariff' being applied to U.S. trading partners is set at half the calculated rate (*see Table 1*). From the get-go, the Administration said it was open to negotiating lower rates, but the global base tariff of 10% was non-negotiable. So, the horse-trading and retaliatory measures will now commence.

Table 1
Tit for Tat, Sort of?
U.S. Goods Trade Balance with Select Regions
January 2025

	Trade deficit	Imports to U.S.	Tariff rate
	— (US$ blns: 12-mo. m.s.) —		(%)
China	303.4	444.8	34.0
European Union	242.1	613.6	20.0
Vietnam	126.8	140.0	46.0
Taiwan	76.6	119.2	32.0
Japan	68.4	148.4	24.0
South Korea	65.6	131.2	26.0
Switzerland	59.0	83.0	32.0
India	46.5	88.7	27.0
Thailand	46.1	64.2	37.0
Malaysia	25.3	53.6	24.0
Indonesia	18.4	28.6	32.0
Cambodia	12.5	12.9	49.0
South Africa	10.0	15.7	31.0
Israel	7.7	22.3	17.0
Bangladesh	6.4	8.7	37.0
Iraq	5.8	7.4	39.0
Philippines	5.0	14.3	18.0
Guyana	4.0	5.3	38.0
Pakistan	2.9	5.2	30.0
Sri Lanka	2.7	3.1	44.0
Venezuela	2.1	6.3	15.0
Other reciprocal-tariffed regions	17.2	38.1	23.5[1]
Other nations ex. Canada, Mexico	(129.3)	394.9	10.0[2]
World ex. Canada, Mexico	**1,025.4**	**2,449.4**	**25.3[1]**

surpluses shown in parentheses; [1] import-weighted avg.; [2] assuming other regions at 10% base tariff rate
Sources: BMO Economics, Haver Analytics, U.S. Census, White House

Note that the weighted-average reciprocal tariff rate listed in Table 1 is for illustrative purposes only. This is not the effective rate because goods currently facing 'Section 232' or national security tariffs are not included. For all countries, steel and aluminum, along with automobiles and parts, face separate 25% tariffs. The scheme also excludes goods currently under trade investigation (copper and lumber) and those planned to be investigated (semiconductors, pharmaceuticals, energy, and select critical minerals).

Importantly, the global base and reciprocal tariffs will **not be stacked upon sectoral duties**, including the 25% levies mentioned above and the others to follow.

The April 2 Executive Order says the tariffs will remain in place until the President deems progress has been made in reducing bilateral trade deficits and in resolving barriers on U.S. exports, as well as aligning "*with the United States on economic and national security matters*". So, **some walk-back of the tariffs is possible**, though this will likely take time and tense negotiations. The flipside is that the President can also increase tariffs if countries retaliate. The European Union, which was hit with a 20% reciprocal tariff, has said it will try to negotiate lower tariffs initially, but, if unsuccessful, could counter with a "*strong plan*". China, which was hit with a punishing 34% reciprocal duty on top of the 20% increase imposed since early February, has already announced plans to retaliate further with a 34% duty on some imports from the U.S.

Table 2

Increase in U.S. Effective Tariff Rate since February 1, 2025

U.S. Goods Imports from Other Countries

2024 (customs value basis)

	(US$ blns)	Share of imports (%)	Tariff rate (%)
Total goods imports	3,253.5		
Autos and parts	474.3	15	16.6[1]
Steel/iron	38.6	1	25.0
Aluminum	18.8	1	25.0
Minerals	6.0	0	1.0
Potash (fertilizers)	5.8	0	1.0
Oil and gas	176.5	5	1.0
Reciprocal		78	20.0[2]
Weighted avg. tariff			18.5
Plus: China 20% duty			2.7
Canada			2.5
Mexico			5.0
Weighted avg. tariff			21.2

[1] *estimated import-weighted average tariff for U.S. vehicles and parts*
[2] *due to the non-inclusion of tariffs on many goods (motor vehicles and parts, steel, aluminum, copper, pharmaceuticals, semiconductors, lumber, some critical minerals, and energy products), our estimate of the effective reciprocal tariff rate is only a rough approximation of the actual rate. We have adjusted our number lower by about 5 ppts to crudely account for these exemptions*
Sources: BMO Economics, Haver Analytics, U.S. Census

Ramifications

Elsewhere in this week's Focus, Scott Anderson and Benjamin Reitzes detail how our economic forecasts for the U.S. and Canada have changed owing to the new reciprocal and global base tariffs. Thematically, the hefty hike in America's average tariff rate has reduced our projection for U.S. real GDP growth and lifted our inflation call. This **makes the Fed's job more difficult**, but we reckon that growth concerns will eventually dominate even more, keeping an autumn resumption of rate cuts on schedule, and on a slightly more aggressive course than previously thought. Untouched by reciprocal tariffs, Canada's near-term economic outlook is now not as dire, which should **make the Bank of Canada more cautious about rate cuts**. But once the weaker U.S. economy is felt north of the border, we reckon the Bank will also resume easing and to the same extent as before. The key to these changes, particularly for the U.S., is the evolution of the average tariff rate.

Table 3

Increase in Canadian Effective Tariff Rate with the U.S. since February 1, 2025

Canada Exports to U.S.

2024 (customs value basis)

	(C$ blns)	Share of exports (%)	Tariff rate (%)
Total goods imports	596.2		
Autos and parts	75.6	13	12.5[1]
Steel/iron	18.9	3	25.0
Aluminum	15.9	3	25.0
Metal/nonmetallic minerals	52.2	9	1.0[2]
Potash (fertilizers)	5.3	1	1.0[2]
Energy[2]	148.5	25	1.0[2]
Other		47	2.5[2]
Weighted avg. tariff			4.6

[1] *assumes 50% U.S. content;* [2] *assumes potential 90% USMCA compliance*
Sources: BMO Economics, Haver Analytics, StatCan, [2] *Industry Canada*

Our material downgrade of the **U.S.** economic outlook reflects the sizeable increase in the imports-weighted average tariff rate stemming from the new global baseline duty of 10% and reciprocal tariffs ranging up to 50% (on poor Lesotho). We estimate the effective baseline and reciprocal tariff at around 20% (*Table 2*). This raises the U.S. effective tariff rate by about 11 ppts, and along with previously announced sectoral tariffs and country-specific duties on China, Canada, and Mexico, **raises the U.S. effective tariff rate by about 21 ppts since February 1** (*Table 2*). Since the U.S. effective tariff rate was 2.4% in 2024 (according to The Budget Lab of Yale University), the **level is now around 24%, the highest in more than a century**. That's about double what we previously assumed in our economic forecast, **warranting a further 0.6 ppts downgrade to our 2025 real GDP growth call** to 0.6% on a Q4/Q4 basis, lowering the annual rate from 1.7% to 1.4%. Consequently, the unemployment rate could be headed to 5.0% instead of 4.5%. Meanwhile, we **boosted our inflation forecast by another 0.7 ppts**, with the annual CPI rate likely to peak around 4% later this year, even with weaker oil prices.

By contrast, **Canada's import-weighted tariff rate with the U.S. is estimated to rise a much lighter 5 ppts since February 1** (*Table 3*). Apart from the full 25% duties on steel and aluminum, Canadian (and Mexican) exporters have been granted a reprieve from the global base and reciprocal tariffs. Moreover, the exemption on USMCA-compliant goods under the border security tariffs was extended indefinitely, materially reducing the otherwise 25% tariff paid on most goods and 10% duty on energy products, critical minerals, and potash. Some analysts have estimated this exemption could cover at least 90% of shipments to the U.S. once companies complete the necessary paperwork with customs to claim the exemption. The April 2 Executive Order states that if the border security tariffs are eventually suspended, Canada (and Mexico) would pay a lower 12% duty on non-USMCA compliant goods and perhaps no levy on energy products, critical minerals, and potash. And, it gets better for Canada: the 25% tariff rate on motor vehicles is effectively reduced by about half when accounting for the U.S. content exemption. The upshot is that the **increase in Canada's effective tariff rate with the U.S. is much lower than feared**. Moreover, the country (like Mexico) will gain some competitive advantage over other regions due to the absence of the global base and reciprocal duties, allowing both to increase their share of the U.S. market. All of this would normally warrant a meaningful upgrade to our economic forecast. But we held our 2025 real GDP growth call unchanged at 0.5%, reflecting a weaker U.S. economy, lower commodity prices (notably oil), and tighter financial conditions stemming, in part, from a reeling stock market.

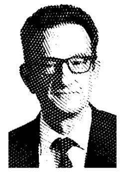
Bottom Line: The President's "Liberation Day" announcement of reciprocal tariffs provides some relief for Canada and Mexico but implies a much more challenging environment for many other countries and the U.S. economy itself. The global trade war has escalated, raising recession risks, and the outcome will critically depend on which policy response dominates: retaliation or negotiation?

Economic Forecast Summary for April 4, 2025

	2024				2025				Annual		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	2026
CANADA											
Real GDP (q/q % chng : a.r.)	1.8	2.8	2.2	2.6	1.3 ↓	-3.0 ↑	-1.0 ↓	0.3 ↓	1.5	0.5	0.5
Consumer Price Index (y/y % chng)	2.8	2.7	2.0	1.9	2.5	2.4	2.4	2.3	2.4	2.4	2.0
Unemployment Rate (percent)	5.9	6.3	6.5	6.7	6.6	7.3 ↓	7.8 ↓	8.0	6.4	7.5 ↓	7.9
Housing Starts (000s : a.r.)	244	250	238	248	239	243	232	225	245	235	225
Current Account Balance ($blns : a.r.)	-8.9	-19.0	-14.5	-20.0	-12.0 ↑	-44.9 ↑	-54.2 ↑	-56.9 ↑	-15.6	-42.0 ↑	-57.0 ↑
Interest Rates (average for the quarter : %)											
Overnight Rate	5.00	4.92	4.42	3.58	2.92	2.67 ↑	2.42 ↑	2.17 ↑	4.48	2.54 ↑	2.00
3-month Treasury Bill	4.94	4.81	4.27	3.46	2.85	2.55 ↑	2.35 ↑	2.10 ↑	4.37	2.45 ↑	1.95
10-year Bond	3.43	3.58	3.14	3.21	3.12	2.85 ↓	2.80 ↓	2.75 ↓	3.34	2.90 ↓	2.85 ↓
Canada-U.S. Interest Rate Spreads (average for the quarter : bps)											
90-day	-52	-66	-95	-112	-149	-175 ↑	-190 ↑	-170 ↑	-53	-171 ↑	-103 ↑
10-year	-73	-87	-80	-107	-133	-114 ↑	-109 ↑	-104 ↑	-87	-115 ↑	-98 ↑
UNITED STATES											
Real GDP (q/q % chng : a.r.)	1.6	3.0	3.1	2.4	0.4	0.5 ↓	0.6 ↓	1.1 ↓	2.8	1.4 ↓	1.4 ↓
Consumer Price Index (y/y % chng)	3.2	3.2	2.7	2.7	2.9 ↑	3.0 ↓	3.9 ↑	4.1 ↑	3.0	3.5 ↑	3.2 ↑
Unemployment Rate (percent)	3.8	4.0	4.2	4.2	4.1	4.4 ↑	4.7 ↑	4.9 ↑	4.0	4.5 ↑	5.0 ↑
Housing Starts (mlns : a.r.)	1.41	1.34	1.33	1.39	1.43	1.39 ↓	1.40 ↓	1.40 ↓	1.37	1.41 ↓	1.42 ↓
Current Account Balance ($trlns : a.r.)	-0.97	-1.11	-1.24	-1.22	-1.33 ↓	-1.24 ↓	-1.25 ↓	-1.27 ↓	-1.13	-1.27 ↓	-1.30 ↓
Interest Rates (average for the quarter : %)											
Fed Funds Target Rate	5.38	5.38	5.21	4.63	4.38	4.38	4.29	3.79 ↓	5.15	4.21 ↓	2.98 ↓
3-month Treasury Bill	5.45	5.47	5.22	4.58	4.34	4.30 ↓	4.25 ↓	3.80 ↓	5.18	4.15 ↓	2.95 ↓
10-year Note	4.16	4.44	3.95	4.28	4.45	3.95 ↓	3.90 ↓	3.80 ↓	4.21	4.05 ↓	3.80 ↓
EXCHANGE RATES (average for the quarter)											
US¢/C$	74.2	73.1	73.3	71.5	69.7	69.9 ↑	69.2 ↑	69.6 ↑	73.0	69.6 ↑	72.0 ↑
C$/US$	1.35	1.37	1.36	1.40	1.43	1.43 ↓	1.45 ↓	1.44 ↓	1.37	1.44 ↓	1.39 ↓
¥/US$	149	156	149	152	152	147	144 ↓	141 ↓	151	146 ↓	139
US$/Euro	1.09	1.08	1.10	1.07	1.05	1.10 ↑	1.12 ↑	1.14	1.08	1.10 ↑	1.17
US$/£	1.27	1.26	1.30	1.28	1.26	1.29	1.28	1.29	1.28	1.28	1.31

Blocked areas mark BMO Capital Markets forecasts; up and down arrows (↑↓) indicate forecast changes; spreads may differ due to rounding

United States



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FOMC Minutes from March 18-19 meeting

Wednesday, 2:00 pm

The FOMC kept policy rates unchanged on March 19 and stated that *"uncertainty around the economic outlook has increased"*. The path of trade policy and tariffs was a key source of that uncertainty. In the Summary of Economic Projections, participants' forecasts factored in the tariffs already in place with some projections accounting for even more. The Fed was seeing slower growth and faster inflation than before with a waning appetite for further rate cuts. We'll be scouring the **Minutes** for clues on how the Fed's easing appetite might change further amid a major escalation of both downward growth and upward inflation risks (thanks to reciprocal tariffs and retaliatory measures). — M.G.

Consumer Prices

Thursday, 8:30 am

Mar. (e)	**+0.2%**	**+2.6% y/y**
Consensus	*+0.1%*	*+2.5% y/y*
Feb.	+0.2%	+2.8% y/y

Ex. Food & Energy

Mar. (e)	**+0.3%**	**+3.0% y/y**
Consensus	*+0.3%*	*+3.0% y/y*
Feb.	+0.2%	+3.1% y/y

Headline **CPI inflation** is expected to hold at a moderate 0.2% in March, in line with February's increase. This should allow the year-on-year CPI inflation rate to slow two-tenths of a percentage point to 2.6%. Another 1.0% drop in average retail gasoline prices in March (to $3.14/gallon) should help keep headline inflation contained for at least one more month before import tariffs create supply-chain disruptions and goods inflation accelerates. Early-stage goods inflation is already on the rise, and it will only be a matter of time before the price hikes show up at the consumer level. The ISM Manufacturing Prices Paid Index increased sharply again in March to 69.4 from 62.4 in February—its highest reading since June 2022. The ISM Services prices paid index moderated to 60.9 from 62.6 in February, in line with its six-month average.

Core inflation (headline excluding food and energy) is forecast at a stubbornly elevated 0.3% in March, a step up from the prior month's pace. Year-on-year core inflation is expected to tick down to 3.0% from 3.1%. Core inflation is persistently above the Fed's 2.0% target, and the substantial new import tariffs implemented in April will likely keep the FOMC on hold at the next meeting in May, despite increasing evidence of a sharp economic slowdown in the first quarter. — S.A.

Canada

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BoC Business Outlook Survey and Survey of Consumer Expectations (Q1)

Monday, 10:30 am

The Bank of Canada's first quarter Business Outlook Survey was likely conducted through the month of February, when tariff threats against Canada briefly turned into action (before a last-minute agreement resulted in a one-month delay). We're expecting the **BOS indicator** to fall deeper into negative territory, ending two quarters of increases.

Trade uncertainty will continue to be a theme. In a special question in the previous survey, a third of firms said it was too early to tell if they'd be affected by the new U.S. Administration. If this question is asked again in Q1, we suspect more firms will acknowledge the downside risks as we got a first look at the broad 25%/10% tariffs and the Canadian countermeasures.

To that end, we expect a deterioration in **hiring** and **investment intentions**. We will be watching **inflation expectations** closely after the CPI surprised to the upside in February following six months at or below target. Tariffs will likely push up **input prices**, while expectations for **output prices** will indicate firms' ability to pass along those higher costs. We look for **capacity pressures** to rise on tariff front-running, though below-potential growth will keep this measure near recent lows in Q1.

The Bank's Survey of Consumer Expectations will be released at the same time and is expected to reflect similar uncertainty around trade. Confidence in the labour market deteriorated in the fourth quarter and could continue on fears of a tariff-driven slowdown. — S.K.

Financial Markets Update for April 4, 2025

		Apr 4 [1]	Mar 28	Week Ago	4 Weeks Ago (basis point change)	Dec 31, 2024
Canadian	Call Money	2.75	2.75	0	-25	-50
Money Market	Prime Rate	4.95	4.95	0	-25	-50
U.S. Money	Fed Funds (effective)	4.50	4.50	0	0	0
Market	Prime Rate	7.50	7.50	0	0	0
3-Month Rates	Canada	2.59	2.63	-4	-14	-57
	United States	4.26	4.29	-3	-4	-5
	Japan	0.40	0.35	4	7	18
	Australia	4.10	4.13	-3	-1	-30
2-Year Bonds	Canada	2.37	2.49	-12	-22	-56
	United States	3.67	3.91	-24	-33	-57
10-Year Bonds	Canada	2.89	3.01	-12	-14	-34
	United States	4.01	4.25	-24	-29	-56
	Japan	1.19	1.54	-35	-33	11
	Germany	2.58	2.73	-15	-26	21
	United Kingdom	4.45	4.69	-24	-19	-11
	Australia	4.22	4.46	-24	-19	-15
Risk Indicators	VIX	41.2	21.7	19.6 pts	17.9 pts	23.9 pts
	Inv. Grade CDS Spread [2]	65	61	4	12	15
	High Yield CDS Spread [2]	403	375	28	70	91
					(percent change)	
Currencies	US¢/C$	70.27	69.87	0.6	1.0	1.1
	C$/US$	1.423	1.431	—	—	—
	¥/US$	146.89	149.84	-2.0	-0.8	-6.6
	US$/€	1.0944	1.0828	1.1	1.0	5.7
	US$/£	1.287	1.294	-0.5	-0.4	2.9
	US¢/A$	60.39	62.87	-3.9	-4.2	-2.4
Commodities	CRB Futures Index	288.46	306.87	-6.0	-4.8	-2.8
	Oil (generic contract)	62.86	69.36	-9.4	-6.2	-12.4
	Natural Gas (generic contract)	3.83	4.07	-5.8	-13.0	5.4
	Gold (spot price)	3,037.10	3,085.12	-1.6	4.4	15.7
Equities	S&P/TSX Composite	23,279	24,759	-6.0	-6.0	-5.9
	S&P 500	5,146	5,581	-7.8	-10.8	-12.5
	Nasdaq	15,588	17,323	-10.0	-14.3	-19.3
	Dow Jones Industrial	38,314	41,584	-7.9	-10.5	-9.9
	Nikkei	33,781	37,120	-9.0	-8.4	-15.3
	Frankfurt DAX	20,642	22,462	-8.1	-10.3	3.7
	London FT100	8,055	8,659	-7.0	-7.2	-1.4
	France CAC40	7,275	7,916	-8.1	-10.4	-1.4
	S&P ASX 200	7,668	7,982	-3.9	-3.5	-6.0

[1] = as of 4:00 pm *[2] = One day delay*

Global Calendar — April 7–April 11

	Monday April 7	Tuesday April 8	Wednesday April 9	Thursday April 10	Friday April 11
China	**Foreign Reserves** [D] **Mar. (e) $3.3 trln** Feb. $3.2 trln	**Aggregate Yuan Financing (YTD)** [D] **Mar. (e) 14.1 trln** Feb. 9.3 trln **New Yuan Loans (YTD)** [D] **Mar. (e) 9.1 trln** Feb. 6.1 trln		**CPI PPI** **Mar. (e) +0.1% y//y -2.3% y/y** Feb. -0.7% y/y -2.2% y/y	
Japan	**Real Cash Earnings** **Feb. (e) -1.3% y/y** Jan. -1.8% y/y		**Consumer Confidence Index** **Mar. (e) 34.8** Feb. 35.0 **Machine Tool Orders** **Mar. P** Feb. +3.5% y/y	**Bank Lending Ex. Trusts** **Mar.** Feb. +3.4% y/y	
Europe	**EURO AREA** **Retail Sales** **Feb. (e) +0.5% +1.9% y/y** Jan. -0.3% +1.5% y/y **EU trade ministers meet to discuss tariff response** **GERMANY** **Industrial Production** **Feb. (e) -1.0% -3.6% y/y** Jan. +2.0% -1.6% y/y **Trade Surplus** **Feb. (e) €18.5 bln** Jan. €16.0 bln	**FRANCE** **Trade Deficit** **Feb.** Jan. €6.5 bln		**ITALY** **Industrial Production** **Feb. (e) -1.0% -1.7% y/y** Jan. +3.2% -0.6% y/y **UNITED KINGDOM** **S&P Global, KPMG, REC Jobs Report**	**GERMANY** **Consumer Price Index** **Mar. F (e) +0.4% +2.3% y/y** Feb. +0.5% +2.6% y/y **UNITED KINGDOM** **Real Monthly GDP (3m/3m)** **Feb. (e) +0.1% +0.4%** Jan. -0.1% +0.2% **Index of Services (3m/3m)** **Feb. (e) +0.1% +0.5%** Jan. +0.1% +0.4% **Industrial Production** **Feb. (e) +0.1% -2.3% y/y** Jan. -0.9% -1.5% y/y **Manufacturing Production** **Feb. (e) +0.2% -2.3% y/y** Jan. -1.1% -1.5% y/y **Trade Deficit** **Feb. (e) £17.9 bln** Jan. £17.8 bln
Other		**AUSTRALIA** **Westpac Consumer Confidence** **Apr.** Mar. +4.0% **NAB Business Confidence** **Mar.** Feb. -1	**NEW ZEALAND** **RBNZ Monetary Policy Meeting** **INDIA** **RBI Monetary Policy Meeting**		

[D] = date approximate

Upcoming Policy Meetings | Bank of England: May 8, June 19, Aug. 7 | European Central Bank: Apr. 17, June 5, July 24

	Monday April 7	Tuesday April 8	Wednesday April 9	Thursday April 10	Friday April 11
Canada	**10:30 am BoC Business Outlook Survey and Survey of Consumer Expectations (Q1)**	**10:00 am Ivey PMI (s.a.)** **Mar.** Feb. 55.3 10:30 am 3-, 6- & 12-month bill auction $25.0 bln (new cash -$7.5 bln) 11:15 am Cash management bond buybacks $0.5 bln Noon 1-month bill auction $2.5 bln	**Newfoundland Budget** Noon 2-year bond auction $6.0 bln	**8:30 am Building Permits** **Feb. (e) -1.5%** Jan. -3.2% Noon 5-year bond auction $5.25 bln	
United States	**3:00 pm Consumer Credit** **Feb. (e) +$17.0 bln** *Consensus +$15.0 bln* Jan. +$18.1 bln Fed Speaker: Governor Kugler (10:30 am) 11:30 am 13- & 26-week bill auctions $144 bln 1:00 pm 14-day cash management bill auction $50 bln	**6:00 am NFIB Small Business Economic Trends Survey** **Mar.** Feb. 100.7 Fed Speaker: San Francisco's Daly (2:00 pm) 11:00 am 4-, 8- & 17-week bill auction announcements 11:30 am 6-week bill auction $70 bln 1:00 pm 3-year note auction $58 bln	**7:00 am MBA 30-year FRM** **Apr. 4** Mar. 28 6.70% **10:00 am Wholesale Inventories** **Feb. F (e) +0.4%** Jan. +0.8% **2:00 pm FOMC Minutes from March 18-19 meeting** Fed Speaker: Richmond's Barkin (noon) 11:30 am 17-week bill auction 1:00 pm 10[R]-year note auction $39 bln	**8:30 am Consumer Prices** **Mar. (e) +0.2% +2.6% y/y** *Consensus +0.1% +2.5% y/y* Feb. +0.2% +2.8% y/y **8:30 am CPI ex. Food & Energy** **Mar. (e) +0.3% +3.0% y/y** *Consensus +0.3% +3.0% y/y* Feb. +0.2% +3.1% y/y **8:30 am Initial Claims** **Apr. 5 (e) 225k (+6k)** Mar. 29 219k (-6k) **8:30 am Continuing Claims** **Mar. 29** Mar. 22 1,903k (+56k) **10:00 am Fed Gov. Bowman has nomination hearing with Senate Banking Committee for the position of Vice Chair for Supervision** **2:00 pm Budget Balance** **Mar. '25** Mar. '24 -$236.6 bln Fed Speakers: Dallas' Logan (9:30 am); Chicago's Goolsbee (noon); Philadelphia's Harker (noon) 11:00 am 6-, 13-, 26- & 52-week bill, 20[R]-year bond, 5-year TIPS auction announcements 11:30 am 4- & 8-week bill auctions 1:00 pm 30[R]-year bond auction $22 bln	**8:30 am PPI Final Demand** **Mar. (e) +0.2% +3.1% y/y** *Consensus +0.2% +3.1% y/y* Feb. unch +3.2% y/y **8:30 am PPI Final Demand ex. F&E** **Mar. (e) +0.3% +3.6% y/y** *Consensus +0.3% +3.6% y/y* Feb. -0.1% +3.4% y/y **10:00 am University of Michigan Consumer Sentiment** **Apr. P (e) 55.0** *Consensus 55.0* Mar. 57.0 Fed Speakers: St. Louis' Musalem (10:00 am); New York's Williams (11:00 am)

[C] = consensus; [D] = date approximate; [R] = reopening

Upcoming Policy Meetings | Bank of Canada: Apr. 16, June 4, July 30 | FOMC: May 6-7, June 17-18, July 29-30

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