

Thackray Newsletter

— Know Your Buy & Sells a Month in Advance —

Published the 10th Calendar Day of Every Month

Volume 19, Number 4, April 2025

Written by Brooke Thackray

Market Update



China stands alone as the main target of U.S. tariffs....and there might not be an easy solution.

One of the most important parts of the Chinese culture is to “save face.” In the Chinese culture, it is better to protect your honor, rather than make a “bad deal,” or even a good deal that makes you seem weak.

China announcing that they are raising tariffs on U.S. goods to 84% is not unexpected. This standoff with China has the makings of a protracted problem.

Almost all countries around the world are trying to resolve the tariff situation through negotiations holding back on their right to implement counter tariffs at a later date. China and Canada are the only countries that have introduced retaliatory tariffs.



S&P 500 Technical Status

The next major support level for the S&P 500 is 4800, which was the high at the beginning of 2022.

The 50 Day Moving Average (DMA) is set to cross the 200 DMA, which is called a “death cross.” I do not put too much faith in the death cross, but it will probably be posted in the media.

The S&P 500 has become oversold and a bounce is likely unless another large negative event occurs. If it does occur, watch for the bounce to take the S&P 500 up to a lower trend line, which would be approximately at the potential death cross.

Global X Seasonal Rotation ETF (HAC : TSX)
Top Ten Holdings as of **March 31, 2025**

USSX	GLOBAL X S&P 500 INDEX ETF	17.80%
CNDX	GLOBAL X S&P/TSX 60 INDEX ETF	15.17%
HUG	GLOBAL X GOLD ETF	9.39%
XLI	INDUSTRIAL SELECT SECT SPDR	7.24%
XLB	MATERIALS SELECT SECTOR SPDR	7.23%
XLE	ENERGY SELECT SECTOR SPDR	6.72%
XME	SPDR S&P METALS & MINING ETF	5.83%
MART	GLOBAL X EQUAL WEIGHT CANADIAN GROCERIES & STAPLES	5.30%
RING	GLOBAL X EQUAL WEIGHT CANADIAN TELECOMMUNICATIONS	5.26%
UTIL	GLOBAL X EQUAL WEIGHT CANADIAN UTILITIES INDEX ETF	5.21%

The objective of HAC is long-term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends. The Thackray Market Letter is for educational purposes and is meant to demonstrate the advantages of seasonal investing by describing many of the trades and strategies in HAC.

The current tariff situation with China is not going away quickly. In February and March, when tariffs were announced, the modus operandi was to quickly suspend or modify them. There were a few exceptions where the tariffs “stuck” such as the tariffs on China. Investors took to the narrative that the tariffs were just a bargaining tool and would fade away in the future, or some nominal tariff amount would be the end result.

The current administration is in “talks” with a large number of countries, negotiating tariffs and non-tariff trade barriers. As of April 9, Trump has paused tariffs for 90 on almost every country, taking their tariff rate down to 10%. The exception was China, which Trump raised the tariff rate.

The calculation for the previous tariff rates was nonsense.

On April 3, I posted a video on the tariff situation after “Liberation Day.”



I used South Korea as an example of how this is going to be difficult to resolve. On the placard that Trump held up with examples of what tariffs that Trump was placing on different countries, it was listed that South Korea currently had a 50% tariff on U.S. goods and the U.S. was going to enact a 25% tariff as a retaliation.

The problem is that 99.7% of all U.S. goods coming into South Korea are tariff exempt. Just recently, in 2021, the U.S. and South Korea signed a free trade agreement.

In all fairness, the U.S. is also trying to get countries to remove their non-trade barriers. Below are some examples of non-trade barriers:

- ◆ *quotas*
- ◆ *import licensing requirements*
- ◆ *subsidies*

- ◆ *technical standards and regulations*
- ◆ *customs delays*
- ◆ *sanctions*
- ◆ *local content requirements*
- ◆ *currency controls*
- ◆ *anti-dumping measures*

I do not know the requirements for importing U.S. goods into South Korea, but I doubt that the non-tariff trade barriers add up to a tariff of 50%.

How did the White House administration come up with the 50% tariff rate. Essentially, they looked at the trade deficit and stated that since the trade was not balanced, it was because of trade barriers. I disagree with this calculation as a country can export a large number of goods to the U.S. but have different needs and wants and imports goods from more local countries.

China’s economy is struggling despite large injections of stimulus. The yuan is being devalued in order to compete with shackle of tariffs. The trade wars will probably lead to currency wars.

Historically, trade wars have often been the precursor to a kinetic war. My big concern is China getting entangled in a kinetic war with Taiwan. I am not a geopolitical expert, but cycles do repeat and increasing trade and currency wars will increase the likelihood of a kinetic war.



China’s economy is struggling despite the large amounts of stimulus injected into the economy. The greatest fear that the Chinese government has is if the people start to rebel if the economy becomes too weak. In this situation, governments are prone to starting wars to distract and unify their people around a common cause. It is possible that China could start to increase its rhetoric around Taiwan, which could lead to a more serious situation. Hopefully this does not happen.

So why did Trump pause the tariffs, except for China?

The Treasury Secretary, Scott Bessent claims that the pause was always planned and they just wanted to single out China. Not to be political, but I call BS.



When Trump was asked why he put the tariffs on pause, he stated that “people were getting yippy and afraid.” Trump’s words.

Trump later claimed that he watched Jamie Dimon being interviewed by Maria Bartiromo, in which Dimon said he thought a recession was likely. As a result, he decided to pause the tariffs.



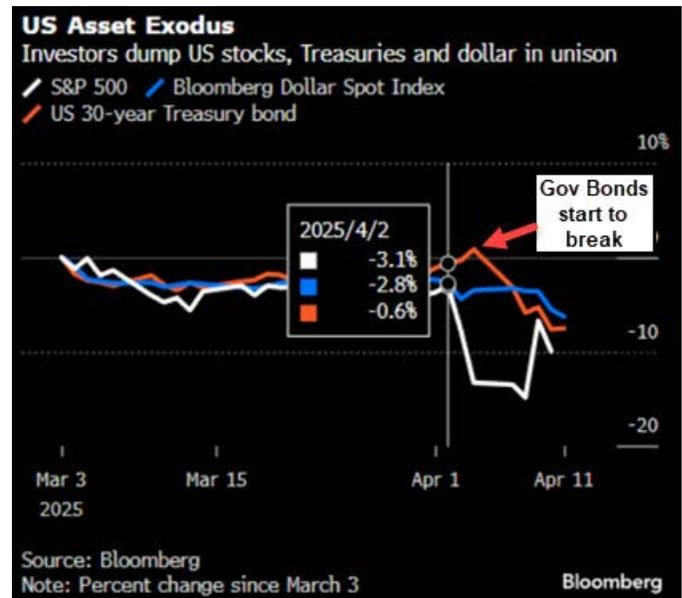
The Bond Market Broke Trump-

Background

US Stocks & Bonds & Dollar are Getting Sold

The graph below shows the recent relationship US government bonds, USD and S&P 500. The self-proclaimed “Liberation Day” was April 2. After global tariffs were announced, stocks plummeted, government bonds in-

creased (yields went down) and the US dollar went lower. When China announced counter-tariffs shortly after, government bonds peaked and started to decline. I have added a red arrow and comment on the Bloomberg graph at this point. It is not normal for the US dollar and government bonds to decline in a risk-off environment.



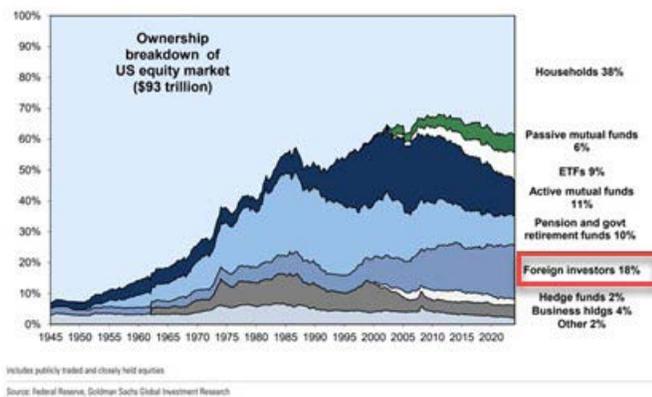
How Did the Bond Market force Trump to pause the tariffs

Scott Bessent and Trump want and need lower interest rates. The tariff war was adjusting expectations for slower growth, which should have put downward pressure on interest rates. However, this has not happened. In fact, interest rates have been rising. Why?

There has been a lot of argument about what factors are responsible for driving US government debt yields higher and which ones are the most important. There has been a confluence of factors driving the yields higher on US government debt.

1) There has been an anti-USA sentiment building in many parts of the globe. Countries/institutions/investors around the world losing their appetite for US assets as uncertainty has increased. As a result, foreign investors are shying away from US debt and looking for other alternatives. The data supporting such notions is not out in the public yet, but there probably is some truth in this factor.

Exhibit S: Ownership of US equities by investor type as of 4Q 2024



Foreign investors own a huge percentage of the equity market, and bond markets. The above graph shows how foreign investors have grown to 18% of the equity market. Although the equity market and debt market are different, the equity market allocation shows how foreign appetite for US assets has grown over the years.

Trump chaos prompts big pension funds to cool on US

Rethink comes as tariffs and talk of territorial expansion stoke market instability and geopolitical tension



It is not just individual investors that have started to cool on US investments, but also large pension funds.

2) Investors anticipating foreigners having less US dollars to spend on US treasuries is having an impact on bond yields. There has been an informal arrangement between non-US companies (mainly China). Using China as an example. The US has been buying Chinese goods and the Chinese in turn take the US dollars from the sale of those goods and buy US Treasuries. However, with tariffs less Chinese goods will be sold into the US and therefore there will be less US dollars in the hands of the Chinese to buy US Treasuries. Although the Chinese have not been large buyers of US Treasuries for years, the lack of circulation

of money between the US and other countries still puts downward pressure on US Treasuries.

2) The breaking of the basis trade is thought to be having a large influence. The basis trade is a hedge fund trade. Hedge funds borrow, mainly from the repo market, buy cash US Treasury bonds and sell short the US Treasury bonds in the forward market. And they do it with leverage in order to make a decent profit. It is called a basis trade because there is only a few basis points in between the cash and the forward markets, requiring leverage to make it profitable.

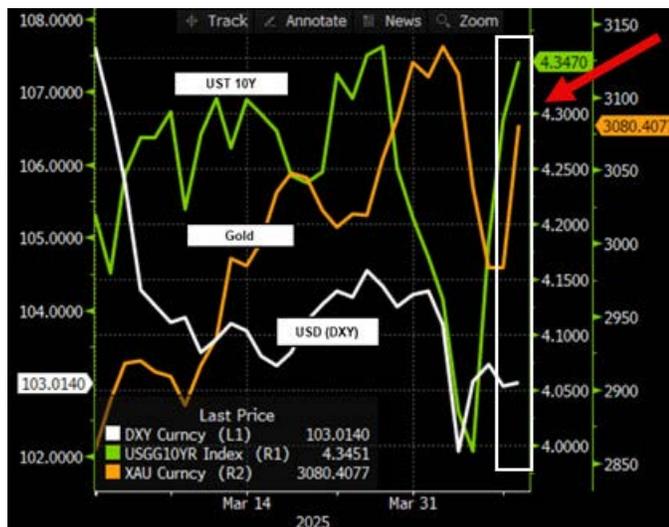
The trade has worked well for a long time, but funding from the repo market has been drying up and the prime broker banks have been pulling back their credit. As a result hedge funds and other institutions are being forced to sell their government bonds, driving up interest rates. This has been a major cause of interest rates increasing during a risk-off market.

3) Yen-carry trade reversing. Another driver pushing government bond yields higher has been the reverse of the yen carry-trade. I discussed this in my last newsletter. This has not received any media attention yet- but it could be about to change. Click the black swan below to view the March 2025 newsletter.



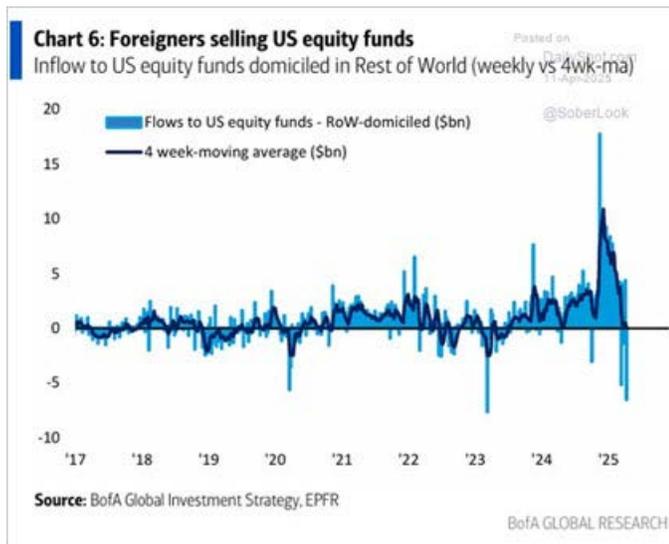
Basically hedge funds borrow in yen at very low interest rates, swap the currency to USD and then buy US Treasuries and stocks. And do it with leverage to make a decent profit. This works well as long as the yen borrow rate is low and the US dollar keeps appreciating. Unfortunately for the carry-traders, the yen has been appreciating as the Bank of Japan has been raising interest rates in order to battle inflation. Oops. The trade is starting to unwind and is putting downward pressure on US Treasuries and US stocks.

What the Dollar is going on?



Typically, the U.S. dollar is a magnet for investors during times of risk-off. In the current environment, investors, hedge funds and countries are selling U.S. dollars as there is a lot of uncertainty about the political and economic climate in the U.S. The irony is that Europe and many other countries are economic basket cases. Nevertheless, investors are concerned about the economic uncertainty in the U.S. and are voting with their currency.

The U.S. is in a unique position having the largest technology companies in the world. If you are a foreigner and want to buy Microsoft or Apple, you have to buy US dollars in order to invest in the stocks.



The above graph shows that foreigners are selling US equity funds. If this trend continues, the negative pressure will continue and could last a long time.

In the late 1990's the US dollar climbed higher as investors flocked to technology stocks. Foreign investors swapped

their domestic currencies for USD in order to buy technology stocks. This put upward pressure on the US dollar on a multi-year basis during the technology boom.

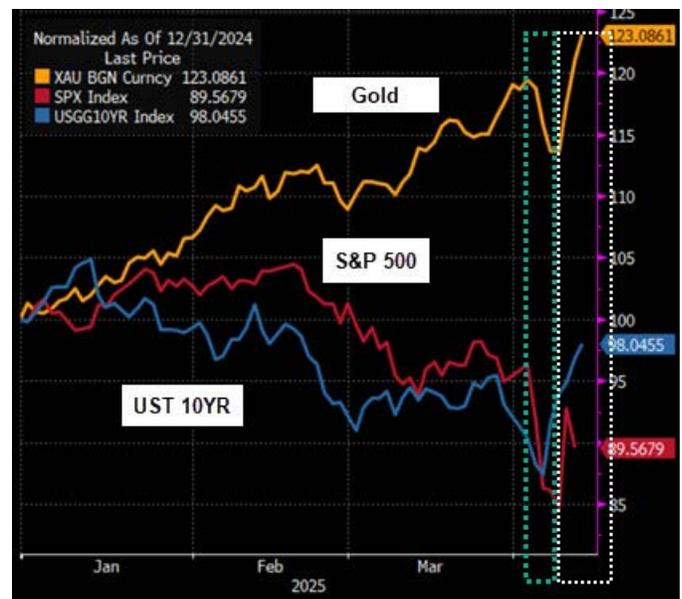


During and after the tech wreck in 2000 to 2003, foreigners sold their tech stocks and converted their USD to domestic currencies. The result was a multi-year decline for the US dollar.

The graph above shows the US dollar declining over a multi-year period, from 1999 to 2003. There could be more pain to come?

What the Gold is going on?

Gold has been a hot performer in 2025, rising in all manners of conditions, including rising interest rates. In April, gold (gold line) did dip as the S&P 500 (red line) corrected sharply. It was a period where most asset classes were getting sold (green dotted line box).



However, gold has recently managed to rally as interest rates have increased (blue line). Gold has reached an all

time high, despite rising interest rates (white dotted box). Gold is acting as recipient of investor funds in times of geopolitical and monetary uncertainty. It is mainly monetary uncertainty that is driving the price of gold higher at this time.

By Xinhua
April 6, 2025 at 10:20 PM EDT

Bloomberg

China's Central Bank Buys Gold for Fifth Month as Prices Rally

China's central bank added gold to its reserves for a fifth straight month in March, deepening its bet on the precious metal as a haven asset amid rising global trade and geopolitical turmoil.

Gold held by the People's Bank of China rose by 0.09 million troy ounces last month, according to data released on Monday. The central bank's recent run of buying started in November, after a six-month hiatus that followed an 18-month buying spree.

Central banks have been increasing their holdings of gold over the last few years. China has been one of the biggest buyers of gold. It is possible that China has been selling US Treasury bonds and US dollars in order to buy gold.

It is likely that this will continue as countries seek to de-dollarize and see few solid alternatives for foreign reserves.

MOVE over VIX - There could still be problems

The VIX, which is often called the fear gauge for the stock market. Over the long-term it has averaged slightly below 20. In recent years, when it has spiked to 35, it has represented a good buying opportunity in the equity markets. The typical threshold for the "VIX buy" is 40. On Wednesday April 9, before the tariff pause the VIX was spiking above 50. After the tariff pause, the VIX collapsed and ended the day at 33.5.

The MOVE Index (the VIX for the bond market), also measures implied volatility. The two indexes often move together. On April 9, they spiked together, but the VIX pulled back much lower than the MOVE Index. It is possible that the MOVE Index is just slow to catch up, but the it would be wise to see if bond investors continue to perceive more risk in the markets compared to stock investors.



Seasonal Opportunities

Energy

Energy has a strong seasonal period from February 25 to May 9.

The energy sector has been trading in a range over the last couple of years. Recently, in the tariff debacle, the energy sector broke below this level. It has managed to bounce back into the trading channel.



In April, which is typically a strong month for the energy sector, the sector has been underperforming the S&P 500. Investors are concerned that the world is moving into an economic slowdown. If the global economy moves into a recession, this would put more downward pressure on the price of oil. Oil prices have already corrected substan-

tially, but could correct even further.

The seasonal period of strength for the oil sector ends shortly.

My Call: The energy sector will probably continue to underperform over the next few months.

Industrials

The industrial sector has a strong seasonal period from January 23 to May 5

The industrial sector has been performing at market over the last month (which is not saying much).

On an absolute basis the sector is still in a downtrend. The seasonal period for the industrial sector ends in a few weeks. Technically, the industrial sector is fairly weak.



My Call: The industrials sector will probably have moderate performance over the next month.

Materials

The materials sector has a strong seasonal period from January 23 to May 5

The materials sector has been on a downward trend and has broken support. The sector had been outperforming the S&P 500 over the last two months, but the trend started to appear to reverse in April.

Given that the sector is still below support and the sector is showing relative weakness, strong relative performance is not expected in the near term.



My Call: The materials sector will probably underperform over the next few months.

Metals & Mining

The metals and mining sector has a strong seasonal period from January 23 to May 5

Although the metals and mining sector's seasonal period ends in early May, the sector can peak in mid-April. This is definitely something to monitor.

In 2025, the metals and mining sector has been performing at market and is at the bottom of the trading channel. It is likely, that sector could resume its downward trend on an absolute basis.



My Call: The metals and mining sector will probably start to underperform starting in late April.

Consumer Discretionary

The consumer discretionary sector has a strong seasonal period until mid-April

The consumer discretionary has had miserable performance in 2025. Recently, the sector has started to stabilize relative to the S&P 500, but the strong seasonal period ends shortly. There is a significant risk that this trend will continue lower in the near future.



My Call: The consumer discretionary sector probably continue to underperform over the next few months.

Financials (US)

The financial sector has a strong seasonal period until mid-April



On an absolute basis, the financials sector has formed a

head-and-shoulders pattern. This is not a good technical pattern. However the sector has been able to maintain an upwards trend relative to S&P 500. This is good.

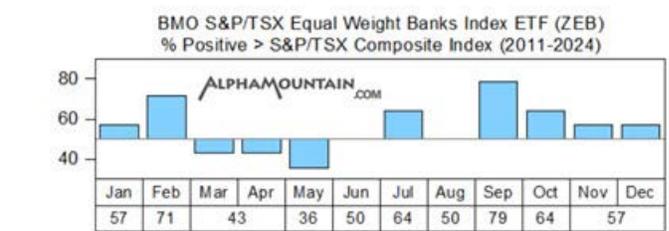
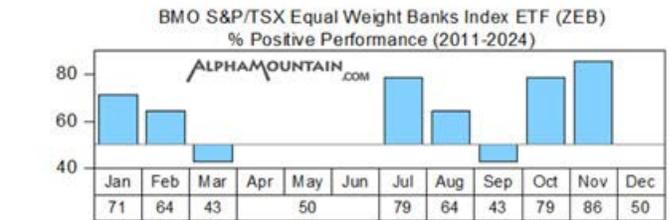
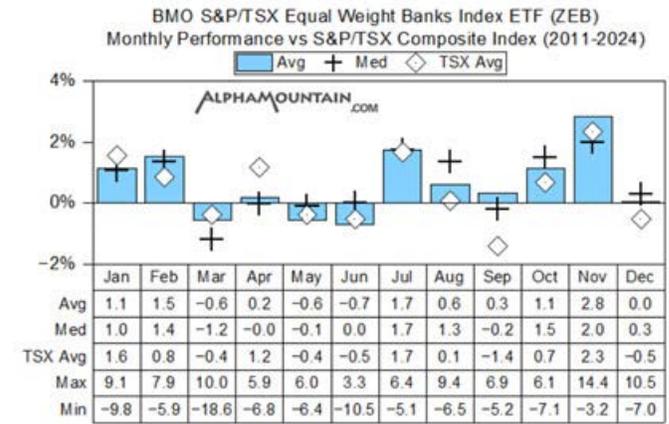
My Call: The financial sector will probably perform at market over the next month.

Canadian Banks

The Canadian banking sector has a strong seasonal period that lasts until mid-April

The Canadian banking sector has been in a consolidation box relative to TSX Composite for almost a year. Currently, the sector is at the top of its trading channel. It is possible that we could see the Canadian banks perform well after they report their earnings late next month, but investors should note that May and June tend to be weak months for the Canadian banking sector.

See the graph below from my website: alphamountain.com





My Call: The Canadian banking sector will probably start to underperform in the near future.

Emerging Markets

Emerging markets have a strong seasonal period that lasts until mid-April

After performing well and outperforming the S&P 500 in 2025 into late March, the sector has been underperforming the late March and April.

On an absolute basis the sector has broken below support.



My Call: The emerging markets sector will probably continue to underperform the S&P 500 over the next few months.

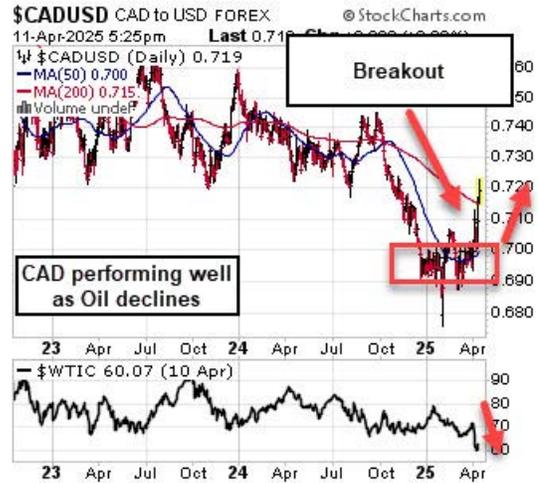
CAD/USD

CAD/USD has a strong seasonal period from mid-March to the end of April.

The Canadian dollar has been performing well recently relative to the US dollar. It has had a sharp increase, at the same time that the price of oil has been declining. This is more of a testament to weakness of the US dollar.

It should be noted that the Canadian dollar is in its strong seasonal period, particularly the month of April. However, it should be noted that the US dollar enters its strong seasonal period in early May.

There is a lot going on in the FX market, but it is still important to monitor seasonal trends.



My Call: The Canadian dollar will probably continue to outperform until early May, before turning lower.

Utilities

Utilities have a strong seasonal period from mid-March to late May

The utilities sector has been outperforming the S&P 500 in 2025. This is largely the result of investors becoming risk-averse. Investors have wanted to stay invested, rather than leaving the market.

The utilities sector has moved back into its consolidation wedge. The sector will probably continue to perform well unless there is a ripping rally higher and investors make a convincing shift back to high beta sectors.



My Call: The utilities sector will probably moderately outperform the S&P 500 over the next two months.

Consumer Staples

Utilities have a strong seasonal period from mid-March to late May

The consumer staples sector has been outperforming the S&P 500 as investors have been defensive.

The sector should perform reasonably well unless the market moves to a solid risk-on rally.



My Call: The consumer staples sector will probably moderately outperform the S&P 500 over the next two months.

Rants

Rant #1
I love British Columbia, but they think that money grows on mountains

British Columbia Gets Fourth Credit Downgrade in Four Years



The coastal province is budgeting for a record C\$10.9 billion deficit in the fiscal year that began on Tuesday. *Photographer: Ethan Cairns/Bloomberg*

By Chunzi Xu and Thomas Seal

Updated on April 2, 2025 2:07 PM

British Columbia is budgeting for a record \$10.9 billion deficit. My money is on a larger deficit. How is it possible for a government to run such a large deficit in “good times.” No, don’t blame Trump for this one. This problem was home grown in British Columbia. How is it that the people of British Columbia keep electing governments that show absolutely no fiscal responsibility?

Rant #2
Bank of Canada says they will no longer “guess cut”

On March 13, the Bank of Canada cut its target rate to 2.75%. It was questionable if the Bank of Canada should have made the cut. The BoC stated that they were cutting to help insulate the Canadian economy from any US tariff impacts...ummm. At that point in time there was no tariff impact on the economy.

After making a dovish cut guessing about the how tariffs will affect the Canadian economy - the BoC days later says that it will rely on hard data and not [guess] cut the target rate in the perceived possibility of a slowing economy in the future.

Economics

Bank of Canada says it would have likely held rate steady if not for tariffs

By The Canadian Press

Updated: March 26, 2025 at 3:26PM EDT
Published: March 26, 2025 at 1:50PM EDT



Governor of the Bank of Canada Tiff Macklem, delivers a speech on monetary policy at a Calgary Economic Development event in Calgary, Alta., Thursday, March 20, 2025. THE CANADIAN PRESS/WFF MISHKIN.

Days after the BoC cut, the OECD warned that Canada may have to raise interest rates by up to 1.25% in a full-blown tariff war.

Ok, I am trying to reconcile the BoC statement that they had to cut because of the tariffs and the OECD statement that they may have to raise rates because of the tariffs.

Somebody is wrong!

FINANCIAL POST

Bank of Canada would need to hike interest rates by up to 1.25% in full-blown tariff war, warns OECD

Gigi Suhanic
Mon, March 17, 2025 at 2:16 p.m. EDT • 4 min read

Interest rates in Canada could rise and stay higher for longer if U.S. tariffs are imposed for the long term, said the OECD. (Credit: Sean Kilpatrick/The Canadian Press)

Canada's economy may have ended 2024 on a high note, but that could all be undone as world trade is upended by Donald Trump's tariff war, according to a new report by the Organization for Economic Co-

Rant #3

Larry Fink vows to Unlock Private Equity for the Masses - You have a right to be suspicious!

Larry Fink Vows to Unlock Private Investments for the Masses

Summary by Bloomberg AI

- BlackRock CEO Larry Fink wants to open up private markets to everyday investors, not just the wealthy few, to share economic growth gains.
- Fink believes that expanding access to investments will help ease economic worries, and BlackRock has committed almost \$30 billion to acquisitions in private markets last year.
- Fink envisions a future where portfolios consist of 50% stocks, 30% bonds, and 20% private assets, such as real estate, private credit, and infrastructure, to achieve better diversification and returns.

By Silla Brush

(Bloomberg) -- BlackRock Inc. Chief Executive Officer Larry Fink pledged to open up private markets to millions of everyday investors, not just the wealthy few, contending individuals should share more of the gains from economic growth.

"Today, many countries have twin, inverted economies: one where wealth builds on wealth; another where hardship builds on hardship," Fink said Monday in his annual letter to investors. "The divide has reshaped our politics, our policies, even our sense of what's possible. Protectionism has returned with force."

The world's largest asset manager now sees part of its purpose as "unlocking private markets," said Fink, whose firm has committed almost \$30 billion in the past year to acquisitions in that area.

Capitalism has worked "for too few people" in recent years, Fink said, spreading anxiety across the economy. There's more unease about the economy than at "any time in recent memory," he said.

Larry Fink the CEO of BlackRock is saying that it would be a good idea to open up Private Equity for the masses.... ummhh. I wonder why?

First of all, I am not sure that I would blindly follow Larry Fink's advice. He has his own agenda. In the past he has pushed certain narratives that seemed to be not in the best interests of shareholders.

Second, it is possible that he could be trying to unload private equity from top-teir BlackRock investors onto the masses. I have no idea if this is the case, but Wall Street firms have been accused of this in the past.

Private equity is a special breed of investments with their underlying not trading mark-to-market. Prices are not adjusted on a day-to-day basis, but rather rely on audits and estimates (guesses). A lot of investors like private equity investments because they do not see the valuations moving down everyday in a declining market.

The problem is that when investors start to sell private equity, the valuation of a fund moves closer to "true value," as properties and investments have to be sold to meet the withdrawals. The bigger problem is that when increased selling takes place with a number of private equity firms, the illiquidity of the underlying investments puts even greater downward pressure on their prices and therefore the value of the fund.

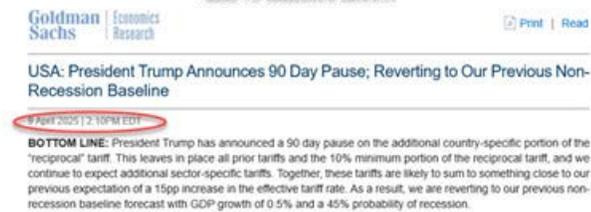
Lastly, it is possible that Larry Fink is trying to bring more product to the market so BlackRock can make more money.

Nevertheless, I would be suspicious of Fink's motives.

***Rant #4
JP Morgan changes its mind - in a record 73 minutes! And you thought you were indecisive.***



and 73 minutes later...



On Tuesday April 9, Goldman Sachs put out a report stating that they were expecting the economy to move into a recession. Seventy-three minutes later, they followed with another report (after the 90 day tariff pause announcement) and stated that they were no longer expecting a recession. LOL.

Disclaimer: Comments, charts and opinions offered in this report are produced by www.alphamountain.com and are for information purposes only. They should not be considered as advice to purchase or to sell mentioned securities. Any information offered in this report is believed to be accurate, but is not guaranteed. Brooke Thackray is a Research Analyst with Global X Investments Canada Inc. (“Global X”). All of the views expressed herein are the personal views of Brooke Thackray and are not necessarily the views of Global X, although any of the opinions or recommendations found herein may be reflected in positions or transactions in the various client portfolios managed by Global X, including the Global X Seasonal Rotation ETF. Comments, opinions and views expressed are of a general nature and should not be considered as advice to purchase or to sell mentioned securities. Global X has a direct interest in the management and performance fees of the Global X Seasonal Rotation ETF (the “ETF”), and may, at any given time, have a direct or indirect interest in the ETF or its holdings. Commissions, management fees and expenses all may be associated with an investment in the Global X Seasonal Rotation ETF (the “ETF”). managed by Global X Investments Canada Inc. The ETF is not guaranteed, its value changes frequently and past performance may not be repeated. The ETF may have exposure to leveraged investment techniques that magnify gains and losses and which may result in greater volatility in value and could be subject to aggressive investment risk and price volatility risk Such risks are described in the prospectus. The prospectus contains important detailed information about the ETF. **Please read the prospectus before investing.**

While the writer of this newsletter has used his best efforts in preparing this publication, no warranty with respect to the accuracy or completeness is given. The information presented is for educational purposes and is not investment advice. Historical results do not guarantee future results.

Mailing List Policy: We do not give or rent out subscriber’s email addresses.

Subscribe or Unsubscribe to the Thackray Market Letter: Please visit alphamountain.com.