Weekly Updates Issue # 668

1. Weekly Markets Changes

[June 15, 2018]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
16,314.42 +111.73 +0.69%	2,779.66 +0.63 +0.02%	25,090.48 -226.05 -0.89%	7,746.38 +100.87 +1.32%	$0.7589 -1.26c -1.63%	$1,278.94 -19.22 -1.48%	$65.06 -0.68 -1.03%

2. Why CREA cut its 2018 home sales forecast

[June 15, 2018] The Canadian Real Estate Association is lowering its national home sales forecast for this year due to weaker sales in B.C. and Ontario.

The industry association, which represents about 100,000 real estate agents across Canada, said Friday it now expects home sales this year to fall 11% compared with a year ago to 459,900 units this year. The prediction compared with a forecast for a 7.1% decline the association released in March.

"The decrease almost entirely reflects weaker sales in B.C. and Ontario amid heightened housing market uncertainty, provincial policy measures, high home prices, ongoing supply shortages and this year's new mortgage stress test," the association said in a statement.

The updated forecast came as CREA reported actual home sales in May hit a seven-year low as they fell 16.2% compared with a year ago.

The national average price for homes sold in May was just over $496,000, down 6.4% from a year ago. Excluding the Greater Toronto and Greater Vancouver areas, the average price was just over $391,100, down 2%.

This drop in sales activity capped off a lacklustre spring homebuying season, as March, April and May are typically the most active months in any given year. National home sales activity in March and April were down 22.7% and 13.9%, respectively, according to CREA numbers.

Combined sales for the three-month period fell to a nine-year low, CREA said Friday.

Factors weighing on home sales include new government measures introduced in British Columbia and Ontario, such as a foreign buyers tax, as well as interest rate hikes by the Bank of Canada.

The association on Friday again pointed the finger at a new stress test introduced at the beginning of the year for uninsured mortgages, which has cut the amount that certain homebuyers are able to qualify for.

"The stress test that came into effect this year for homebuyers with more than a 20% down payment is continuing to suppress sales activity," said CREA President Barb Sukkau, in a statement. "The extent to which it is sidelining homebuyers varies among housing markets and price ranges."

As of Jan. 1, the Office of the Superintendent of Financial Institutions requires buyers who don't need mortgage insurance to prove they can make payments at a qualifying rate of the greater of two percentage points higher than the contractual mortgage rate or the central bank's five-year benchmark rate.

The bar was raised even higher in May when the central bank's five-year benchmark rate rose from 5.14% to 5.34%. The Bank of Canada uses the posted five-year fixed mortgage rates at the Big Six banks to calculate the benchmark rate. The central bank's benchmark rate increased, in turn, after all the Big Six banks raised their posted five-year fixed mortgage rates in the preceding weeks, reflecting the higher borrowing costs associated with a recent rise in government bond yields.

"This year's new stress-test became even more restrictive in May, since the interest rate used to qualify mortgage applications rose early in the month," said Gregory Klump, CREA's chief economist, in a statement Friday. "Movements in the stress-test interest rate are beyond the control of policymakers. Further increases in the rate could weigh on home sales activity at a time when Canadian economic growth is facing headwinds from U.S. trade policy frictions."

CREA's latest figures support the notion that markets are stabilizing after the volatility at the beginning of 2018 related to the tightened mortgage rules introduced on Jan. 1, said TD economist Rishi Sondhi.

"On balance, this was a better-than-expected report. Sales were effectively flat during the month—their best turnout so far this year. Meanwhile, listings increased for the third time in four months, pointing to somewhat improved confidence on the part of sellers as prices edged higher for the second straight month."

3. How shaky manufacturing affects economy, BoC

[June 15, 2018] Canadian manufacturing sales unexpectedly fell in April as sales in the petroleum and coal products and transportation equipment industries dropped.
Statistics Canada said Friday factory sales dropped 1.3% to $56.2 billion in April, following two consecutive monthly increases.
Economists had expected an increase of 0.6%, according to Thomson Reuters Eikon.
Manufacturing sales in volume terms fell 1.9%.
TD Bank senior economist Michael Dolega said, on the whole, the Canadian manufacturing sector remains on shaky ground.
“Not only did sales pull back significantly, contrary to expectations, the decline was not at all a price story,” Dolega wrote in a report.
“In fact, volumes were far more disappointing than shipments measured in current dollar terms which effectively wiped out the March gain.”
Statistics Canada said sales fell in 10 of 21 industries, representing 49.6% of the manufacturing sector.
Sales in the petroleum and coal products industry fell 10.9% to $5.2 billion on lower sales volumes as the sector was hit by partial shutdowns at a number of Canadian refineries for maintenance work during the month.
Transportation equipment sales fell 2.3% to $10.9 billion in April, largely due to weaker sales of other transportation equipment.
Dolega noted that the weakness was highly concentrated, both geographically and sectorally.
“Moreover, it appears to be largely related to temporary shutdowns related to refinery maintenance and a return to normal levels after a one-off shipment of armoured vehicles to the Middle East,” he wrote.
“Taken together, these facts offer hope that the May/June numbers will see a bounce-back as shipments rebound as activity is restarted.”
Excluding the petroleum and coal products and transportation equipment industries, manufacturing sales rose 0.4%.
Sales were up in 11 industries with the largest increases in the primary metal manufacturing and food products industries.
Regionally, sales were down in six provinces, led by Quebec and Alberta.
Quebec sales fell 3.4% to $13.3 billion, while Alberta saw sales fell 5.3%. Saskatchewan posted the largest monthly increase in April as sales rose 6.7%. Derek Holt, vice-president and head of Capital Markets Economics at Scotiabank, says the loonie depreciated further on the manufacturing news, in Friday commentary.

"This is a disappointing report overall with only a glimmer or two of encouragement in the broad set of details […]," he wrote, saying, "April GDP is now tracking flat […]."

Flat GDP for that month, he says, "would translate into early tracking of 1.4% GDP growth in Q2 over Q1 at a seasonally adjusted and annualized rate," though he notes that call comes "with the usual cautions in using monthly industry data to map onto implications for quarterly GDP growth […]."

For the Bank of Canada, Holt says, soft growth "poses a conundrum." The central bank is also dealing with trade policy risks and evidence of accelerating wage and price pressures.

If next Friday's CPI data show inflation acceleration and the BoC doesn't raise rates on July 11, that could mean "the real policy rate would push more deeply negative," Holt predicts.

4. China responds swiftly to U.S. tariffs on $50B in imports

[June 15, 2018] This morning, the Trump administration announced a 25% tariff on up to $50 billion worth of Chinese imports, instantly escalating a trade dispute between the world's two largest economies.

China's government responded quickly to the tariff hike by announcing it will immediately impose penalties of "equal strength" on U.S. products.

The Commerce Ministry said it also was scrapping deals to buy more American farm goods and other exports as part of efforts to defuse a sprawling dispute over its trade surplus and technology policy.

A ministry statement gave no details, but a $50 billion list of possible targets announced in April included soybeans, light aircraft, orange juice, whiskey and beef. Much of the impact would fall on Trump's rural supporters.

"The Chinese side doesn't want to fight a trade war, but facing the shortsightedness of the U.S. side, China has to fight back strongly," the statement said. "We will immediately introduce tax measures of equal scale and equal strength, and all economic and trade achievements reached by the two sides will be invalidated."

Trump's tariffs were imposed in response to complaints that Beijing steals or pressures foreign companies to hand over technology. American officials say they target products that might benefit from Chinese industrial policies they say violate Beijing's free-trade commitments.

After a round of talks in May in Washington, Chinese officials promised to buy more American farm goods, natural gas and other products to narrow China's multibillion-dollar trade surplus with the United States.

But after a June 3 meeting in Beijing, the Chinese government warned it would discard those deals if Trump's tariff hike went ahead.

Businesspeople and economists say Chinese leaders are less likely to compromise on the technology dispute. They view plans for state-led development of companies capable of competing globally in fields including electric cars, renewable energy and biotech as a route to prosperity and to restore China to its rightful role as a world leader.

Beijing also has announced plans to cut import duties on autos and some consumer goods and to ease limits on foreign ownership in auto manufacturing, insurance and some other industries, though those don't directly address U.S. complaints.

On Thursday, a Commerce Ministry spokesman said some exporters were rushing to fill orders due to concern trade conditions might change, but said they were "not the mainstream."

The U.S. announcement

Trump has vowed to fulfill his campaign pledge to crack down on what he contends are China's unfair trade practices and efforts to undermine U.S. technology and intellectual property. During an impromptu appearance on the White House North Lawn, the president hailed his "very big tariffs" on China.

"You know we have the great brain power in Silicon Valley, and China and others steal those secrets. And we're going to protect those secrets. Those are crown jewels for this country," Trump said.

"'There is no trade war. They've taken so much," Trump said in an interview with Fox & Friends.

The tariffs will cover 1,102 Chinese product lines worth about $50 billion a year. Those include 818 products, worth $34 billion a year, remaining from a list of 1,333 the administration released in April. The government will start to collect the tariffs July 6.

The administration is also targeting another 284 Chinese products, which the administration says benefit from China's aggressive industrial policies, worth $16 billion a year but won't impose those tariffs until it collects public comment.

"It's thorough. It's moderate. It's appropriate," U.S. Trade Rep. Robert Lighthizer said Friday on the Fox Business Network. He added: "Our hope is that it doesn't lead to a rash reaction from China."

Trump has already slapped tariffs on steel and aluminum imports from Canada, Mexico and European allies, and his proposed tariffs against China risk starting a trade war involving the world's two biggest economies.

Chinese foreign ministry spokesman Geng Shuang said Friday that China’s response would be immediate and that Beijing would “take necessary measures to defend our legitimate rights and interests.”

Geng gave no details. Beijing earlier drew up a list of $50 billion in U.S. products that would face retaliatory tariffs, including beef and soybeans, a shot at Trump’s supporters in rural America.

Trump’s decision on the Chinese tariffs comes in the aftermath of his summit with North Korean leader Kim Jong Un. The president has co-ordinated closely with China on efforts to get Pyongyang to eliminate its nuclear arsenal. But he signalled that whatever the implications, “I have to do what I have to do” to address the trade imbalance.

Wall Street has viewed the escalating trade tensions with wariness, fearful that they could strangle the economic growth achieved during Trump’s watch and undermine the benefits of the tax cuts he signed into law last year.

The administration is also working on proposed Chinese investment restrictions by June 30.

“Imposing tariffs places the cost of China’s unfair trade practices squarely on the shoulders of American consumers, manufacturers, farmers, and ranchers,” said Thomas Donohue, president of the U.S. Chamber of Commerce. “This is not the right approach.”

5. Equities contribute to decline in Canadians’ wealth in Q1

[June 14, 2018] A measure of Canadians’ debt has declined, but so has a measure of household wealth.

Specifically, net worth of the household sector edged down 0.2% in the first quarter to $10,892.0 billion, reports StatsCan. It’s the first decrease since the third quarter of 2015.

“Sluggish growth in the value of non-financial assets (+0.2%) and a $27.2-billion decrease in the value of financial assets contributed to the decline,” says StatsCan.

Among financial assets, equity and investment funds posted the largest decline (-$26.5 billion), while household residential real estate continued the weaker growth (+0.3%) that began in 2017.

On the other side of the ledger, financial liabilities edged up 0.3% in the quarter as household borrowing slowed. Consequently, the ratio of debt to total assets edged up to 16.6%.

Debt details

The amount Canadians owe relative to their income crept lower for the second quarter in a row as mortgage borrowing slowed along with a cooler housing market.

Statistics Canada said Thursday household credit market debt was equal to 168.0% of household disposable income in the quarter, its lowest level since the first quarter of 2016.

In other words, there was $1.68 in credit market debt for every dollar of household disposable income.

The result for the quarter compared with 169.7% in the fourth quarter of last year.

“While the ratio generally tends to fall in the first quarter due to seasonality, the 1.68-percentage point decline marks the biggest improvement on record,” said economic analyst Priscilla Thiagamoorthy of BMO Capital Markets in a report.

“The steeper drop to start 2018 suggests we may finally be at a turning point as the one-two punch of stricter mortgage rules and higher interest rates slow household borrowing, while income continues to climb.”

The Bank of Canada has identified household debt as a key vulnerability for the financial system, but the central bank noted that risk has lessened in recent months along with worries about the housing market.

On a seasonally adjusted basis, households borrowed $22.2 billion in the first quarter, down from $25.4 billion in the previous quarter. Statistics Canada said mortgage borrowing fell $2.0 billion to $13.7 billion, the lowest level since the second quarter of 2014.

The slowdown came as tighter lending rules and higher mortgage rates helped cool the housing market in recent months compared with its torrid pace at the start of last year.

Royal Bank senior economist Robert Hogue said with growth in both mortgage and non-mortgage debt slowing, debt metrics should continue to improve in the near term.

“Developments in the last two quarters are unlikely to change the conversation about household indebtedness in Canada entirely though they are enough to alter its tone,” he wrote in a report.

The challenge of rising rates

Hogue noted as interest rates rise how Canadians manage their debt service costs will be important.

Statistics Canada said the seasonally adjusted household debt service ratio, measured as total obligated payments of principal and interest as a proportion of household disposable income for mortgage and non-mortgage debt, was relatively flat at 13.9%.

“So far, the debt service ratio has remained stable at slightly below 14%. Yet we expect that it will come under upward pressure in the period ahead,” Hogue said.
“In our view, this will be a key factor restraining household spending growth this year. It will also be an element keeping the Bank of Canada cautious about raising rates.”
Still, Thiagamoorthy said in her report that she expects the central bank will “look favourably” on the shift in the debt-to-disposable income ratio, even as elevated household debt remains a vulnerability.
The Bank of Canada has raised its key interest rate three times since last summer and is expected to raise the trend-setting rate again later this year.
Changes in the rate affect the prime rates set by Canada’s big banks that are used for variable-rate mortgages and other floating-rate loans.
Total household credit market debt, which includes consumer credit and mortgage and non-mortgage loans, totalled **$2.13 trillion** in the first quarter.

6. CPPIB approached to be involved in Trans Mountain: CEO

[June 12, 2018] The federal government’s financial adviser has raised the possibility of the Canada Pension Plan Investment Board becoming involved in the Trans Mountain pipeline project, but there’s been no political pressure applied, CPPIB chief executive Mark Machin told a parliamentary committee Monday.
The Toronto-based fund manager and its peers will likely take a look at the stalled Trans Mountain project because there are a limited number of investment opportunities of its magnitude, but CPPIB has yet to begin a formal analysis or receive any confidential information, Machin told Commons finance committee.
His testimony came less than two weeks after the government announced it would buy the project for $4.5 billion from Kinder Morgan, to ensure the pipeline will be completed, with the intent of selling it at a profit in time.
Machin insisted, in answer to a question by Conservative MP Pierre Poilievre, that there had been no contact between CPPIB and Finance Minister Bill Morneau or any other member of the Liberal government.
But Machin said that CPPIB has been approached by Greenhill & Co., a small investment bank that has been hired to advise the government on selling the Trans Mountain project.
“I believe they’ve approached a lot of funds domestically and internationally,” Machin said.

“At this stage, we haven’t done any analysis. We’re still evaluating the situation. Obviously, we have an obligation to investigate and to assess any major investment opportunity that comes along. And to fully understand all of the risks, all of the potential returns and understand the fit for our portfolio as well.”

The issue of political pressure is relevant because the CPPIB was set up in the late 1990s to be an independent manager of funds on behalf of the Canada Pension Plan, an employer and employee-funded retirement system.

As of March 31, when CPPIB’s financial year ended, it managed a fund with $356.1 billion in net assets, up from $316.7 billion at the end of fiscal 2017 and $278.9 billion at the end of fiscal 2016.

Morneau has predicted the Trudeau government will have no difficulty selling the Trans Mountain pipeline expansion project after uncertainty about its future is resolved.

The federal government’s hand was forced by B.C. Premier John Horgan, who is waging a court battle over the federally regulated pipeline, which would carry diluted bitumen from Alberta’s oilsands to a sea port near Vancouver.

Machin told the finance committee that the Canada Pension Plan Investment Board has a mixed track record with pipelines and will use its usual approach when deciding whether to put money into Trans Mountain.

In general, he said, a major factor to consider is regulatory risks—pointing out that CPPIB and its co-investors in a European pipeline were caught by surprise when the Norwegian government made a significant change in the tariff regime—or pricing structure shortly after the deal closed.

“We’ve been in legal proceedings for a number of years now,” Machin said.

“That is part of the regulatory risk. It’s a really critical part of due diligence to understand regulatory risk for any infrastructure investment.”

The federal government decided to buy Trans Mountain after Houston-based Kinder Morgan threatened to walk away from the pipeline expansion due to political uncertainty, particularly because Horgan’s New Democrat government said it will do everything in its legal power to stop the pipeline because of unresolved environmental concerns.

Machin told the committee that the CPPIB hasn’t made a formal evaluation of Trans Mountain “purely because it’s at an early stage and we haven’t got any confidential information, or any information, to assess the situation yet.”

The Ontario Teachers Pension Plan—another of Canada’s independent retirement fund managers—indicated last week that it had a financial obligation to take a look at the potential of Trans Mountain.

7. What's in store for Canada's condo market

[June 12, 2018] Aspiring Canadian homeowners and investors attempting to assess the hot condo market aren't the only ones monitoring prices in that space. The Bank of Canada (BoC), too, has an eye on condo trends.

In its latest financial review, the central bank says the domestic financial system remains vulnerable to the housing market as well as to consumer debt. Even though tighter lending rules have helped cool the market, condos remain hot, particularly in Toronto and Vancouver, with evidence of potential speculative activity by rental investors, says the BoC.

Understanding housing market activity in the two cities is a must, says CIBC deputy chief economist Benjamin Tal. "And, if you want to understand Vancouver and Toronto, you must understand the condo market"—especially that of the Greater Toronto Area (GTA), he adds.

Based on his analysis, rental investors account for about 48% of new condo sales in Toronto. "Those are not foreign investors," he says. "Those are domestic investors."

Many are likely pleased with their investments, given those who bought their condos five years ago have experienced capital appreciation of 40% to 50%, says Tal. However, about 45% of those who have a mortgage and took possession in 2017 have negative cash flow, meaning that rental income falls short of mortgage payments and condo maintenance fees, according to an April CIBC report.

"They lose money on a monthly basis, at times a large amount of money—more than $1,000 a month," says Tal. Rising rates could multiply this shortfall, which in turn could cause condo rental investors to alter their behaviour and, in effect, the market.

"The big question mark is to what extent those investors will continue to buy, or even maybe they will start selling," says Tal. The answer is important, he adds, noting rental investors accounted for a record-high 80% of new GTA home sales last year.

Tal's forecast calls for relatively little market impact. From his analysis, which includes responses from focus groups, he says these investors are in it for the long haul and they expect condo prices to continue to rise.

The market will likely soften slightly as investors at the margin make an exit and as condo supply increases. That said, "the overall story is not of a derailing market," says Tal, "but rather a market that is going back to normal equilibrium."

Canada’s overall housing market is cooling effectively, he adds: “There is no question […] that polices are able to impact the psyche of consumers and homebuyers.”

How cool is cool?

The housing market cooling is more a result of OSFI regulations, specifically mortgage stress testing, than interest rates hikes, says Tal.

In fact, a “significant” 12% of the market is now unable to qualify for a mortgage, he says. Subsequently, “demand is slowing and therefore we see some softness in sales.”

So far, low-rise, detached homes—a more expensive housing segment than condos—have been hardest hit, representing 80% to 90% of market softness. Over the next six to 12 months, Tal expects the condo market in the GTA and Vancouver to make a larger contribution to market slowdown.

The condo space will be housing’s “next shoe to fall”, he says, for two reasons. The first is excess supply. “We have a lot of supply in the pipelines coming from condo developers over the next year,” he says. The second is the market’s reduction in demand. “Investors will start selling, or at least they will not be buying as rapidly as before, reducing demand,” he says.

Other regions such as Eastern Canada and Calgary are also contributing to a softer housing market. “The OSFI regulations were aimed at Toronto [and] Vancouver, not St. John’s, Newfoundland,” says Tal. Regardless, such regions are cooling, too, as they face the same restrictions on qualifications. “That’s something that is slowing down the market as a whole,” says Tal.

He expects Canada’s housing market to continue to slow over the next few months, but reiterates that “it’s not a freefall.” Says Tal: “It’s not something that will derail the market; it’s something that will bring the market back to a normal equilibrium.”

8. Canada-U.S. trade battle intensified during G7 summit

[June 11, 2018] The leaders of Canada and the United States are locked in an ugly, escalating public dispute over trade barriers, tariffs and how they think the world should resolve its problems.

With U.S. President Donald Trump and Prime Minister Justin Trudeau at the centre of the dispute, the back and forth has intensified since just before the start of the month—when the Americans imposed hefty steel and aluminum tariffs on Canada.

The situation only got messier from there, particularly in the lead up to, during and right after the G7 leaders’ summit. The G7 meeting in La Malbaie, Que.,

which was hosted by Trudeau, marked Trump's first visit to Canada as president.
Here's a blow-by-blow rundown of recent public exchanges that have led to an unprecedented political clash between otherwise friendly neighbours:
Trump, after announcing the tariffs, sends message to Trudeau about NAFTA talks on May 31—" Earlier today, this message was conveyed to Prime Minister Justin Trudeau of Canada: The United State [sic] will agree to a fair deal, or there will be no deal at all."
Trudeau fires back on May 31 over the tariffs being applied on the premise Canada poses a national security threat to the U.S.—" Let's be clear: these tariffs are totally unacceptable […]. That Canada could be considered a national security threat to the United States is inconceivable."
On June 1, Trump sends the first of several Twitter salvos against what he says are Canada's unfair trade policies—" Canada has treated our Agricultural business and Farmers very poorly for a very long period of time. Highly restrictive on Trade! They must open their markets and take down their trade barriers! They report a really high surplus on trade with us. Do Timber & Lumber in U.S.?"
Trudeau, on the June 3 episode of NBC's "Meet the Press," uses stronger words to characterize Trump's tariffs—" The idea that Canadian steel that's in military vehicles in the United States, that makes your fighter jets, is somehow now a threat […], the idea that we are somehow a national security threat to the United States is quite frankly insulting and unacceptable."
Trump mentions Canada again in a couple more tweets about trade on June 4— "[…] Canada has all sorts of trade barriers on our Agricultural products. Not acceptable!" He also posted this tweet: "Farmers have not been doing well for 15 years. Mexico, Canada, China and others have treated them unfairly. By the time I finish trade talks, that will change. Big trade barriers against U.S. farmers, and other businesses, will finally be broken. Massive trade deficits no longer!"
Asked about the president's Twitter blasts, Trudeau says on June 7 that he won't sink to that level—" I've been firm, I've been clear, but I don't think descending into insults is right for the way Canada engages with the world."
On June 7—the eve of Trudeau's G7 summit—Trump sends out another missive—" Prime Minister Trudeau is being so indignant, bringing up the relationship that the U.S. and Canada had over the many years and all sorts of other things […] but he doesn't bring up the fact that they charge us up to 300% on dairy—hurting our Farmers, killing our Agriculture!" Earlier that day, Trump also tweeted: "Please tell Prime Minister Trudeau and President Macron that they are charging the U.S. massive tariffs and create non-

monetary barriers. The EU trade surplus with the U.S. is $151 Billion, and Canada keeps our farmers and others out. Look forward to seeing them tomorrow."

For good measure, Trump sent out more tweets the morning of June 8 before his arrival in Quebec—" Canada charges the U.S. a 270% tariff on dairy products! They didn't tell you that, did they? Not fair to our farmers!"

In a news conference on June 9 shortly before his departure from Quebec, Trump brings up his problems with trading with his friends—" It's going to change, a hundred per cent. And tariffs are going to come way down, because people cannot continue to do that. We're like the piggybank that everybody is robbing. And that ends."

Later on June 9, after he left the G7 summit, Trump unleashed a barrage of tweets, likely while he was aboard Air Force One on his way to Singapore for his summit with North Korean leader Kim Jong Un—" Just left the G7 Summit in beautiful Canada. Great meetings and relationships with the six Country Leaders especially since they know I cannot allow them to apply large Tariffs and strong barriers to […] U.S.A. Trade. They fully understand where I am coming from. After many decades, fair and reciprocal Trade will happen!"

At his closing G7 news conference, Trudeau once again refers to the national-security premise behind the tariffs as "kind of insulting" and then explains Canada's retaliation: "I have made it very clear to the president that it is not something we relish doing, but it is something that we absolutely will do because Canadians are polite, we're reasonable, but we also will not be pushed around."

In response to Trudeau's news conference, Trump shot back on June 9—once again, he was likely aboard the presidential aircraft—" Based on Justin's false statements at his news conference, and the fact that Canada is charging massive Tariffs to our U.S. farmers, workers and companies, I have instructed our U.S. Reps not to endorse the Communique as we look at tariffs on automobiles flooding the U.S. Market!"

That tweet was followed a second message: "PM Justin Trudeau of Canada acted so meek and mild during our G7 meetings only to give a news conference after I left saying that, 'U.S. tariffs were kind of insulting' and he 'will not be pushed around.' Very dishonest & weak. Our Tariffs are in response to his of 270% on dairy!"

Larry Kudlow, Trump's top economic adviser, goes further Sunday than the president in attacking Trudeau—" He really kind of stabbed us in the back […]. He did a great disservice to the whole G7."

Later Sunday, Trump's trade adviser Peter Navarro piles on—" There's a special place in hell for any foreign leader that engages in bad-faith diplomacy with President Donald J. Trump and then tries to stab him in the back on the way out the door."

Following the remarks by Kudlow and Navarro, Foreign Affairs Minister Chrystia Freeland is far less confrontational in an effort, perhaps, to dial things down—" In terms of the approach that governments choose to take, Canada does not believe that ad-hominem attacks are a particularly appropriate or useful way to conduct our relations with other countries."

Trump issues another Twitter salvo Sunday night, suggesting that Canada is "bragging" in an unspecified release about benefiting from U.S. trade—" Fair Trade is now to be called Fool Trade if it is not reciprocal."

Have a nice and fruitful week!

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