Notes at the Margin

PKVerleger LLC

Volume XXIX, No. 14 | April 7, 2025

THE G1 STRIKES: DECIMATING THE WORLD ECONOMY

MARK CARNEY: UNLIKELY TRUMP AND OPEC BREAKER

This *Notes at the Margin* covers two topics. We first address the trade actions of the United States "Dear Leader," Donald Trump. We follow that with thoughts on the steps Canada could take to thwart Trump. Regarding the latter, we note that Canada has significant leverage over the US that it could use to break our economy. This lever, linked to the United States' dependency on imports of Canadian oil, gas, and electricity, far exceeds the tariff power applied against the Canadians by President Trump. This power, if used, would constitute "Mutually Assured Economic Destruction." Despite the risk, Prime Minister Carney might use it to assure his party's overwhelming victory at the polls on April 28. Its application could also strengthen oil prices, which could ultimately benefit Canadian producers.

The G1 Strikes

The International Economy Magazine published our essay "Introducing the New G1" on Thursday, March 27, six days before President Trump's "Liberation Day" on which he announced a staggering array of tariffs. We released an earlier version of the paper titled "The G1: Tariffs on Canada and Mexico" in our December 2, 2024 *Notes at the Margin*. In our analyses, we described the use of national power as defined more than fifty years ago by Albert Hirschman. His book *National Power and the Structure of Foreign Trade* offers a guide for the next four years.[1] In a chapter titled "Foreign Trade as an Instrument of National Power," he explains the concept:

> In this work the term *national power* is used in the sense of power of coercion which one nation may bring to bear upon other nations, the method of coercion being military or "peaceful."[2]

Hirschman also explained the strategy for exercising national power:

> A country trying to make the most out of its strategic position with respect to its own trade will try precisely to create conditions which make the interruption of trade of much graver concern to its trading partners than itself. Tariff wars and interruptions of trade rarely occur, but the awareness of their possibility is sufficient to test the influence of the stronger country and shape the policy of the weaker.[3]

Notes at the Margin **is an email service published by PKVerleger LLC (pkverlegerllc.com). Please direct all inquiries to Dr. Philip K. Verleger, Jr. at phil@pkverlegerllc.com.**

President Trump followed the Hirschman script precisely on April 2 when he "declared a national emergency and announced tariffs of at least 10% across all countries."[4] He also set rates higher for countries deemed the "worst offenders." For example, he set a new tariff on Vietnamese exports to the United States of forty-six percent. The United States is Vietnam's largest trading partner, accounting for almost thirty percent of its exports.

Vietnam immediately moved to negotiate a trade deal with the US. According to Bloomberg, "President Donald Trump said that Vietnamese leader To Lam is willing to eliminate tariffs to avoid punishing new US duties imposed on the Southeast Asian nation's imports."[5]

Were he alive today, Professor Hirschman might be saying "I told you so."

Expecting pushback to these tariffs, Trump's treasury secretary was blunt in his warning to other countries:

> Treasury Secretary Scott Bessent encouraged countries around the world to refrain from retaliating against the U.S. in light of President Trump's reset of tariff policy Wednesday, arguing the administration is preparing the U.S. for "long-term" economic growth.
>
> "My advice to every country right now is: Do not retaliate. Sit back, take it in, let's see how it goes. Because if you retaliate, there will be escalation. If you don't retaliate, this is the high-water mark"[6]

Trump's commerce secretary Howard Lutnick, echoing Hirschman's thoughts but clearly ignorant of the economic and political impacts of tariffs, implied that other countries would follow Vietnam's example:

> Lutnick said he expected the tariffs would quickly push other countries to reassess policies, adding that the administration had been talking to trade partners for more than a month.
>
> "I expect most countries to start to really examine their trade policy toward the United States of America and to stop picking on us," he said. "The key is, will they take our agricultural products, will they treat us fairly?"[7]

Lutnick added "that a manufacturing renaissance in the US thanks to the tariffs is going to drive growth, starting in the fourth quarter."

Lutnick's optimism matches that of John Edgerton, president of the National Association of Manufacturers, who stated that tariffs would bring "a breath of relief to all industry and all business."[8] He also thought the US would not be harmed by these actions:

> The National Association of Manufacturers believes that business conditions are fundamentally sound, that the future prosperity of the country is not endangered, and the present tariff law, when fully understood, will result in stabilization of business conditions."

Edgerton spoke not in April 2025 but in June 1930, almost ninety-five years ago. The *New York Times* article that quoted him also quoted Senator Reed Smoot, one of the principal authors of the 1930 tariff legislation that helped bring on the Great Depression:

> "I am confident the enactment of the bill will have a splendid effect on business," Mr. Smoot stated. "It will end existing uncertainty in the business world due to agitation over the tariff. I am sure the tariff has nothing to do with the general decline in the stock market today."

Smoot added, "The farming district of the country will be the first to benefit from the tariff."

Just as today, many criticized the tariff action taken almost a century ago. Their objections were ignored. Consequently, between 1930 and 1932, the US constant dollar GDP declined by 18.5 percent. Over the same two years, US farm output dropped from $10.3 billion to $5.5 billion in current dollars. In short, US farmers suffered terribly under the Smoot-Hawley Tariff Act of 1930.

The Trump proposals will have a similar deleterious effect, as the articles and studies published after Liberation Day have asserted. On April 3, *The Economist* editors offered this assessment:

> Meanwhile, the damage to economic growth is likely to be far more severe than previously imagined. Before the new tariffs, indicators of consumer sentiment had become very soft and business uncertainty had soared. Most economists nevertheless believed that, with underlying momentum robust, this would amount to a slowdown for the economy. Such equanimity may have been misguided. Mark Zandi of Moody's, a credit-rating agency, believes that a recession is inevitable if the announced trade policies are fully implemented.[9]

Maurice Obstfeld, once the IMF's chief economist and now a professor at the University of California, Berkley, was equally critical:

> President Donald Trump touted his bewildering array of "Liberation Day" import tariffs as carefully calibrated to offset trade partners' tariff, nontariff, and currency barriers to US exports. However, details of the calculations released by the office of the US Trade Representative (USTR) show that in reality, the tariffs' effect will be to curtail US trade the most precisely where it provides America with the biggest benefits.[10]

Such criticisms have not been forthcoming from the affected parties, however. Indeed, most businesses and economic sectors have remained silent. POLITICO explained their reticence to protest in an April 4 article: "While lobbyists, business leaders, and lawmakers are worried about Donald Trump's tariffs, there's a culture of fear in Washington preventing many from speaking out."[11] The author described that fear as follows:

> The paralysis reflects the broader mood of Trump's second administration, in which he's targeted and threatened to destroy institutions that cross him, including law firms, universities, and more. With his tight grip on Washington, Trump has faced no meaningful resistance to policies that are upending the global economy, tearing up America's relationships with its closest allies and making deep, unilateral cuts to the federal government. Leaders have quickly learned that however harmful they think a Trump policy might be, publicly contradicting the president could be worse. Now with the Trump administration doubling down on tariffs and trying to sell the country

> on short-term pain for long-term gain, it's unclear what the breaking point will be for officials and lobbyists representing the most-impacted constituencies.

Financial Times echoed POLITICO on April 5:

> US companies are struggling to figure out how to respond to Donald Trump's trade war. Concerned about the impact of the president's tariffs on the economy **but wary of speaking out for fear of retaliation by the White House**, according to executives and board members" [emphasis added].[12]

The article explains that prior preparations were "thrown out" because the announced tariffs "came nowhere near people's expectations." Corporation officials interviewed indicated that many questions regarding policy remained. These uncertainties made it impossible to commit to "large scale adjustments." Presumably, companies were also unwilling to commit to additional investments.

The threat noted by POLITICO and *Financial Times* characterizes Donald Trump not as "King," as *The Economist* described him, but rather a "Dear Leader" like his friend and idol Kim Jong Un of North Korea. Kim also brooks no criticism. A 2010 study by Harvard's Byman and Lynn chronicled how Kim, to remain in power, harshly punishes or kills dissenters and their families while using "perks and rewards" to co-opt military and political elites.[13]

Dear Leader Trump is emulating Kim's ruthlessness as he aggressively attacks law firms, businesses, and politicians who oppose him. At the same time, he capriciously follows his own whims regarding trade.

Like many countries before it and today, North Korea has not prospered under its dictatorship. In 2024, Chung Min Lee, a senior fellow at the Carnegie Endowment for International Peace, captured the country's woeful state:

> During a two-day session of the 8th Central Committee of the KWP [Korean Workers' Party] in January 2024, Kim acknowledged the "very pitiful state" of the North Korean economy and stressed that the government is unable "to provide even basic necessities such as basic foodstuffs, groceries, and consumer goods to the local people." In February 2024, Kim announced a major initiative to spur an "industrial revolution" in North Korea with the planned construction of factories in at least twenty remote counties into the mid-2030s to narrow the growing urban-rural economic gaps. North Korea's state media widely publicized Kim's remarks that "the next 10 years is truly a great revolution with enormous epochal significance."
>
> In reality, because North Korea spends some 25 to 30 percent of its GDP on defense and Kim is determined to accelerate his nuclear and WMD [weapons of mass destruction] programs, the state does not have enough energy and raw materials to maintain consumer-products-related factories in remote regions, even if Kim has ordered them to be built. Hence, the dilemma for officials for putting Kim's plan into action is that while it is up to local governments to provide the energy and materials to run these factories, they simply do not have them and they will then be responsible for failing to follow through with Kim's grandiose plans. Moreover, although North Korea was reported to have had a better harvest in 2023, a report published by Statistics Korea in December 2023 noted that "North Korea's food production

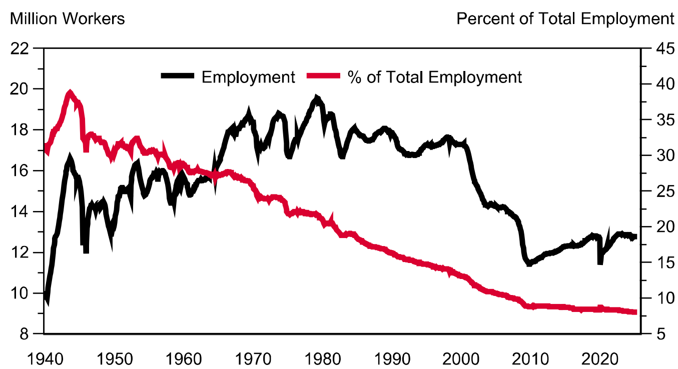
> including rice and barley decreased by 4 percent to 4.51 million tons in 2022" and that food shipments from China also dropped from 500,000 tons of rice in 2021 to 130,383 tons in 2022.[14]

Lee added that North Korea cannot feed its population and that eighty percent of North Koreans suffer from a protein deficiency.

Unlike Kim, President Trump is not infatuated with nuclear weapons but with making the United States the manufacturing giant it was fifty or sixty years ago. As Smith noted in *The New York Times*, the high tariffs are more than a "shot across the bow" of US trading partners, constituting, in fact, "an economic project of defiant nostalgia: an attempt to reclaim America's place as a dominant manufacturing power."[15]

Smith also pointed out the sharp decline in US manufacturing employment. As Figure 1 shows, workers in the sector dropped from twenty million in 1980 to under thirteen million most recently. Figure 1 also shows manufacturing employment as a percentage of total employment. The latter peaked in the 1940s at almost forty percent, whereas today, it is only eight percent.

Figure 1
US Manufacturing Employment and Percent of Total Employment, 1940 to 2025



Source: Federal Reserve Bank of St. Louis.

The manufacturing job decline, although fully offset by increases in employment in other sectors, led to a decrease in income and decimated the communities that lost those jobs. On this, Smith cites the work of Autor and four other economists:

> Contrary to standard models, trade shocks reduce geographic mobility, with both in- and out-migration remaining depressed through 2019. The employment recovery stems almost entirely from young adults and foreign-born immigrants taking their first U.S. jobs in affected areas, with minimal contributions from cross-sector transitions of former manufacturing workers. Although worker inflows into non-manufacturing more than fully offset manufacturing employment losses in trade-exposed locations after 2010, incumbent workers neither fully recover earnings losses nor predominantly exit the labor market, but rather age in place as communities undergo rapid demographic and industrial transitions.[16]

As reported by Bloomberg, the Trump administration asserts that manufacturing jobs will return:

> Top Trump policy adviser Stephen Miller declared on Fox News that "changes in advanced manufacturing technology, 3-D printing, robotics, artificial intelligence" make it "more and more affordable to manufacture, produce and build at scale in the United States."[17]

Officials from manufacturing firms think differently:

> "While we certainly agree we should aggressively pursue any policy that helps us make things in America, the idea that you can move every part of the manufacturing process back to the US does not align with reality," said Kip Eideberg, senior vice president for the Association of Equipment Manufacturers.
>
> Eideberg, whose group represents makers of equipment used in construction, agriculture, mining, utilities and forestry, added that with businesses relying on components and labor from around the world, "you can't just pick all that up and just move it over the US."

Jay Timmons, the current president of the National Association of Manufacturers, also criticized the tariffs strongly, unlike his predecessor John Edgerton in 1930:

> Jay Timmons…said in a statement that the tariffs "threaten investment, jobs, supply chains and, in turn, America's ability to outcompete other nations."

Economic Impacts

The tariff program announced on April 2 aims to reverse the US loss of manufacturing jobs. It will likely proceed, given the current political situation in Washington. The potential economic consequences are dire. Projections of a likely recession have increased sharply since the announcement. JPMorgan, for example, raised the probability of recession in 2025 from sixteen to sixty percent and expects GDP declines of one or two percent.[18]

These revisions, though, are almost certainly wrong. Disruptions of the type instigated by President Trump lead to much more significant slowdowns. GDP fell by ten percent per year after Smoot-Hawley passed. GDP fell by similar amounts in Zimbabwe after the political upheaval noted by Powers.[19]

A slowdown in productivity will contribute to an economic decline. Klein and Meissner studied the impact of tariffs from 1870 and 1909. They concluded that these measures reduced output and explained how: "Tariffs may have reduced labor productivity in manufacturing by weakening import competition and by inducing entry of smaller, less productive domestic firms."[20] They concluded that "the era's high tariffs are unlikely to have helped the US become a globally competitive manufacturer."

Economist David Autor and his coauthors pointed indirectly to the same consequence in the last two decades by noting that the manufacturing job losses in specific geographical regions led to fewer workers entering into manufacturing while boosting employment in lower productivity service sectors such as hospitality and health care.[21] They also noted that geographic mobility surprisingly declined, likely further cutting productivity.

Lower productivity leads directly to lower GDP. Standard economic modeling and accounting show that the size and productivity of a nation's labor force plus a nation's capital stock determine its GDP.

The Trump administration obviously hopes the nation's capital stock will increase, offsetting the decreased productivity. They cite promises from producers of ultrahigh-end electronics such as Foscam, a Taiwanese firm, to expand in the United States. However, as *The Wall Street Journal* noted,

> Despite these pockets of activity, measures of business investment intentions published by the Federal Reserve suggest that across the economy corporate spending plans are being scaled back against the backdrop of tariff uncertainty.[22]

We have seen no announcements of companies slowing investments, no doubt because they fear the Trump administration's wrath. In addition, *Financial Times* noted that too many questions over US policy remain for companies to commit to large-scale adjustments.[23]

Cutting investment spending on existing projects is the one adjustment companies can safely make today, and such adjustments will be made. Decreasing investment combined with the almost certain drop in consumer spending prompted by tariff-fueled price rises and spiraling unemployment will push the United States into a recession. GDP will fall.

As noted above, US GDP fell by eighteen percent from 1930 to 1932, driven by falling prices and reduced global trade. Kindleberger cites the fall in international trade as an important cause.[24] Friedman and Schwartz argue that the US Federal Reserve's restrictive policies caused the decrease.[25] Peter Temin, a colleague of Kindleberger's at MIT, offered a third "spending hypothesis" to explain the large decline. In his view, reduced investment and consumption from 1930 to 1932 led to a rapid fall in GDP.[26]

In a 2010 update to his 1991 book, Temin offered the following comment:

> The open American economy is prone to collapse every once in a while. Favorable conditions—the New Deal and a vigorous postwar expansion—can eliminate "great" economic contractions for a generation or so, but American exuberance appears to chafe under these conditions. As the memory of past economic difficulties fades, economic and political pressure for change rises to the fore. International economic imbalances are condoned until they have to be corrected, often painfully.[27]

We are now testing his observations. Our tentative conclusion is that US GDP will drop by two to four percent by the end of the year. Global GDP will also decline, probably by one to two percent.

The absence of a Federal Reserve response to the sharp decline in equity shares after the April 2 Liberation Day announcement may exacerbate the decrease. As Sommer wrote on April 5, "The notion that the Federal Reserve will rush in to rescue investors in a crisis has comforted investors for decades. But in the big market downturn induced by President Trump's tariffs, no Fed rescue is in sight."[28]

In the late 1980s and 1990s, investors relied on the so-called "Greenspan put" to support market prices. In subsequent years, the Fed intervened after the 2008 and 2020 market collapses. On this occasion, though, the agency is standing pat, increasing the prospects for a substantial reduction in economic activity.

Canada's Option

Last week, the ministers from oil-exporting nations kneeled and kissed King Donald's ring when they announced an unexpected production increase. The news came as world equity markets fell sharply, with the S&P 500 dropping 9.7 percent in two days. Oil prices also fell, with Brent falling by almost nine percent over last week from $75 per barrel to $68. The OPEC pronouncement came on the heels of Trump's tariff declarations. Bloomberg noted the genuflection:

> Saudi Arabia pushed to triple the production increase previously scheduled for May in an apparent bid to punish some of the group's members—including Kazakhstan and Iraq—who were persistently flouting their output quotas.
>
> The timing of the announcement—hours after Trump's—seemed unlikely to be a coincidence. Officials in Washington and Riyadh held discussions in the days beforehand, according to a person familiar with the matter who asked not to be identified. Group delegates and crude traders alike speculated the Saudis deliberately sought to maximize the bearish effect.[29]

As noted above, the Trump administration cautioned other nations against tariff retaliations.

Some goods from Canada and Mexico were excluded from the new tariffs. Oil was among these because President Trump wants lower gasoline prices. There may be a second reason for the Canada exceptions.

If it chooses, Canada can frustrate Trump's trade actions. Prime Minister Mark Carney, who will be vying for his job on April 28, can stymie the mercantilistic efforts of the United States by suspending energy exports here until all tariffs are removed. Such an action would likely boost his political support, particularly among the many Canadians who have suddenly stopped buying goods from the United States.

Reducing or stopping oil, natural gas, and electricity exports to the US would inflict additional hardship on the agricultural states that have been strong Trump supporters. Farmers in Iowa could see diesel prices double or triple from year-ago levels as refiners in Minnesota, Illinois, Indiana, and Michigan, deprived of Canadian oil, cut runs or shut down.

The agricultural sector is already reeling from Trump's tariffs, especially since China retaliated with a thirty-four percent levy on all US imports. China consumes fourteen percent of all US farming exports, purchasing more than $27 billion worth of those and related products last year according to the US Department of Agriculture. It is the third-largest importer of American farm goods behind Mexico and Canada.[30]

The Trump administration would counterattack if Canada took retaliatory action. As *The Wall Street Journal* noted, Canada caved in previously when it tried to push back against US trade decisions, "in part because Trump threatened to double tariffs on the country when Ontario's provincial leader began taxing electricity exported to the U.S. at 25%."[31] Whether it would do so again is an open question.

Our point, though, is that Canada has leverage over the United States. Further, Carney is running for election in a political climate where Canadians now see the US as an enemy and are taking action as individuals and businesses. Air Canada, for example, has reduced flight capacity to holiday destinations in Florida, Arizona, and Las Vegas. Real estate agents in Florida and Arizona note that Canadian "snowbirds" are putting properties on the market.[32] Tactics that impose real pain on the United States could boost Carney's popularity and cement the Liberal leadership in Canada for another five years.

Douglas Irwin, a leading US historian, may have summed up the situation best:

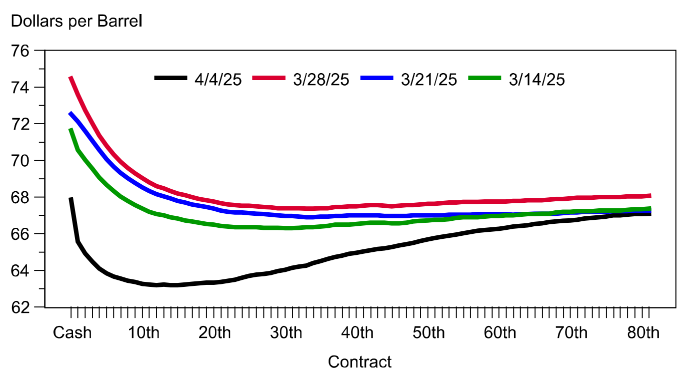
> Mr Trump has done a lot of damage—to America and the world. The president was right in at least one of his Rose Garden statements. With tariffs, he said, "we can be so much wealthier than any country, it's not even believable." He got that last bit right.[33]

Markets

Refiners, marketers, and traders that have kept inventories to a minimum were rewarded last week as Brent cash and forward prices dropped sharply. WTI and product prices also dropped, but Brent exhibited the most significant change.

Figure 2 tracks the change in the Brent forward price curve by week from March 14 to April 4. The downward shift was pronounced as oil markets followed equities and OPEC+ decided to accelerate production increases.

Figure 2
Forward Price Curves for Brent on March 14, March 21, March 28, and April 4, 2025



Source: PKVerleger LLC.

Brent futures fell more than Dated Brent. The latter decreased by $3.78 per barrel, while the first few futures contracts were down more than $5. WTI forward (and cash) prices all declined by more than $4 per barrel in the first contracts. Liquidations by passive investors and speculators may explain the larger drop in futures than Dated Brent. Bloomberg noted a dramatic shift in positions, citing proprietary data:

> Commodity trading advisers, which tend to accelerate price moves, rushed to hasten their bearish tilt overnight to sit at 73% short in West Texas Intermediate, compared with 9% just a day earlier, according to data from Bridgeton Research Group. The global benchmark Brent is positioned at 45% short, compared with 27% long on

> April 3, the firm said. That's the most dramatic shift in positioning since the collapse of Silicon Valley Bank in 2023, heralding the start of a new bearish chapter for the crude industry on par with the biggest market meltdowns of the past decade.[34]

Further declines may follow if margin calls force more liquidations. Brent may be more exposed than other energy commodities due to the concentration of speculative activity in the London contract.

The decrease in natural gas futures prices was significantly smaller than recorded for petroleum products, possibly due to less speculative activity in the fuel.

Further reductions can be expected this week in all energy contracts but particularly in crude and gasoline if the equity market plunge continues. The risk of a liquidation cycle created by bank demands for increased margin from investors could extend the decline for the next week. Commodity prices would be pulled down.

On April 5, *Financial Times* noted that the market decline "sparked the biggest sell-off in the US junk bond market since 2020."[35] Investors shun low-rated corporate bonds when the risk of default increases. In 2020, the exodus from junk bonds dovetailed with an increase in commodity contract sales prompted by parties with long positions being unable to meet margin calls. Today, a quick drop in crude prices to around $50 per barrel should come as no surprise.

Table 1. Excess Returns to Storage for Two Crudes and Two Distillates (Percent at Annual Rates)

	WTI Cushing – No Storage Costs on 4/4/25	Brent at Sullom Voe – No Storage Costs on 4/4/25	WTI Cushing – No Storage Costs on 3/29/24	Brent at Sullom Voe – No Storage Costs on 3/29/24	Change from 3/29/24 – WTI	Change from 3/29/24 – Brent
Jun	-4.3	-17.9	-5.3	-4.7	1.0	-13.2
Jul	-6.8	-17.3	-9.8	-8.4	3.0	-8.9
Aug	-8.2	-14.4	-11.6	-10.2	3.4	-4.2
Sep	-9.0	-17.6	-12.7	-11.3	3.7	-6.3
Oct	-9.4	-16.1	-13.4	-12.0	4.0	-4.2
Nov	-9.5	-14.9	-14.0	-12.4	4.4	-2.5
Dec	-9.4	-13.9	-14.3	-12.7	4.8	-1.3
Jan	-9.2	-13.1	-14.4	-12.8	5.2	-0.3
Feb	-9.0	-12.4	-14.2	-12.2	5.2	-0.1
Distillate Markets	New York 4/4/25	ARA 4/4/25	New York 3/29/24	ARA 3/29/24	Change from 3/29/24 – New York	Change from 3/29/24 – ARA
May	-14.0	-9.1	-4.2	-15.7	-9.8	6.6
Jun	-17.3	-8.4	-5.1	-14.2	-12.2	5.8
Jul	-15.6	-7.5	-5.3	-13.0	-10.3	5.5
Aug	-13.5	-6.3	-5.4	-12.1	-8.1	5.7
Sep	-11.4	-6.7	-5.3	-12.3	-6.1	5.6
Oct	-9.9	-7.2	-5.3	-13.0	-4.5	5.8
Nov	-8.8	0.0	-5.6	0.0	-3.2	0.0

Source: PKVerleger LLC.

1 *Albert O. Hirschman (1945),* National Power and the Structure of Foreign Trade *(Berkeley, California: University of California Press, 1980) [https://tinyurl.com/3sce8b7y].*

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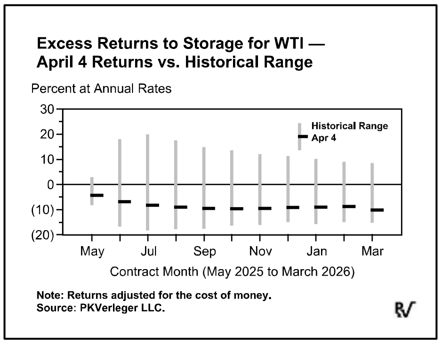
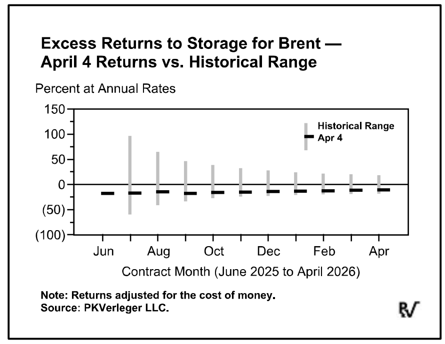
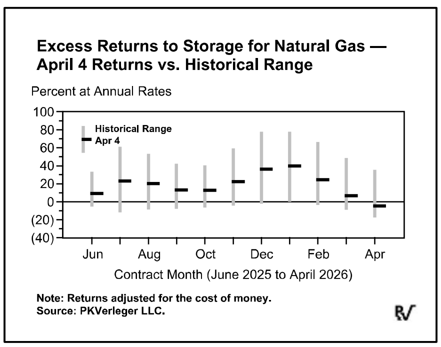
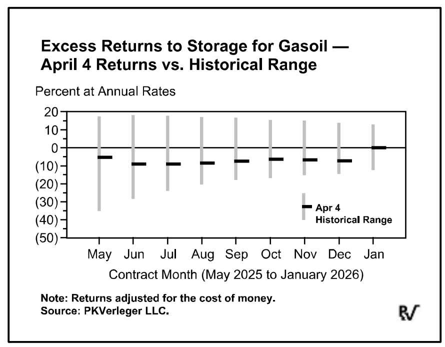
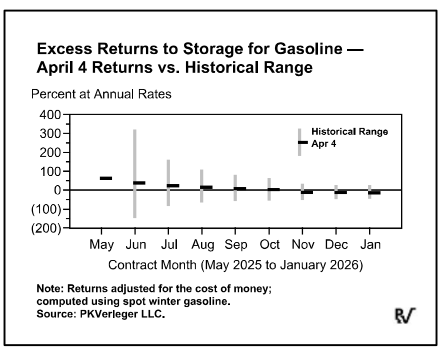
[35] *Harriet Clarfelt and Will Schmitt, "Tariffs spark US junk bond sell-off as recession risk mounts,"* Financial Times*, April 5, 2025 [https://tinyurl.com/ytnjtpa5].*

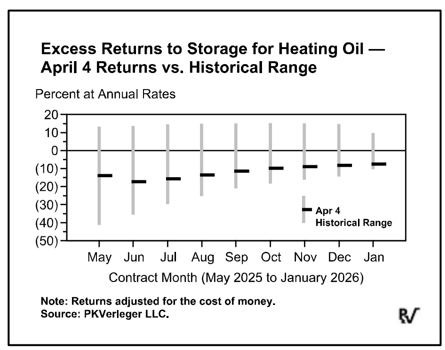

Excess Returns to Storage for WTI —
April 4 Returns vs. Historical Range
Percent at Annual Rates
30
20
10
0
(10)
(20)
Historical Range
Apr 4
May
Jul
Sep
Nov
Jan
Mar
Contract Month (May 2025 to March 2026)
Note: Returns adjusted for the cost of money.
Source: PKVerleger LLC.

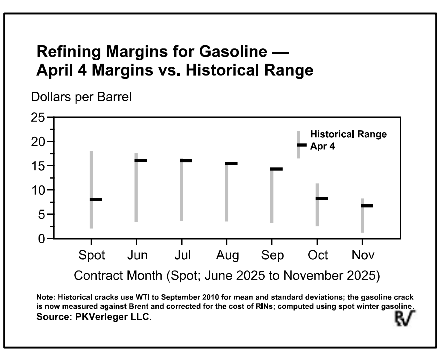

Excess Returns to Storage for Brent —
April 4 Returns vs. Historical Range
Percent at Annual Rates
150
100
50
0
(50)
(100)
Historical Range
Apr 4
Jun
Aug
Oct
Dec
Feb
Apr
Contract Month (June 2025 to April 2026)
Note: Returns adjusted for the cost of money.
Source: PKVerleger LLC.

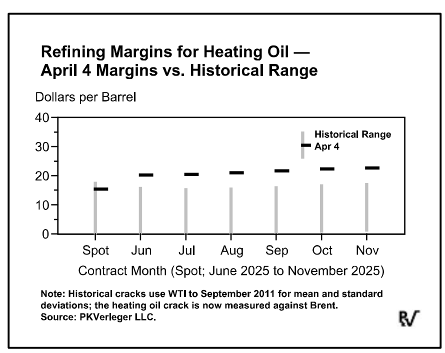

Excess Returns to Storage for Natural Gas —
April 4 Returns vs. Historical Range
Percent at Annual Rates
100
80
60
40
20
0
(20)
(40)
Historical Range
Apr 4
Jun
Aug
Oct
Dec
Feb
Apr
Contract Month (June 2025 to April 2026)
Note: Returns adjusted for the cost of money.
Source: PKVerleger LLC.


Excess Returns to Storage for Gasoil —
April 4 Returns vs. Historical Range
Percent at Annual Rates
20
10
0
(10)
(20)
(30)
(40)
(50)
Apr 4
Historical Range
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Contract Month (May 2025 to January 2026)
Note: Returns adjusted for the cost of money.
Source: PKVerleger LLC.


Excess Returns to Storage for Gasoline —
April 4 Returns vs. Historical Range
Percent at Annual Rates
400
300
200
100
0
(100)
(200)
Historical Range
Apr 4
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Contract Month (May 2025 to January 2026)
Note: Returns adjusted for the cost of money;
computed using spot winter gasoline.
Source: PKVerleger LLC.


Excess Returns to Storage for Heating Oil —
April 4 Returns vs. Historical Range
Percent at Annual Rates
20
10
0
(10)
(20)
(30)
(40)
(50)
Apr 4
Historical Range
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Contract Month (May 2025 to January 2026)
Note: Returns adjusted for the cost of money.
Source: PKVerleger LLC.


Refining Margins for Gasoline —
April 4 Margins vs. Historical Range
Dollars per Barrel
25
20
15
10
5
0
Historical Range
Apr 4
Spot
Jun
Jul
Aug
Sep
Oct
Nov
Contract Month (Spot; June 2025 to November 2025)
Note: Historical cracks use WTI to September 2010 for mean and standard deviations; the gasoline crack is now measured against Brent and corrected for the cost of RINs; computed using spot winter gasoline.
Source: PKVerleger LLC.


Refining Margins for Heating Oil —
April 4 Margins vs. Historical Range
Dollars per Barrel
40
30
20
10
0
Historical Range
Apr 4
Spot
Jun
Jul
Aug
Sep
Oct
Nov
Contract Month (Spot; June 2025 to November 2025)
Note: Historical cracks use WTI to September 2011 for mean and standard deviations; the heating oil crack is now measured against Brent.
Source: PKVerleger LLC.

Excess Returns to Storage for Crude, Products, and Natural Gas — First Week of April vs. Prior Week and First Week of April in Prior Years (Percent at Annual Rates)							
	Current	Last Week	2024	2023	2022	2021	2020
Gasoline							
June	21.7	23.3	33.3	81.1	-12.5	3.2	105.8
July	12.9	14.3	17.2	39.1	-15.4	-0.9	112.0
August	6.7	7.5	6.8	19.8	-17.3	-3.9	104.2
September	1.3	2.0	-0.6	8.9	-18.9	-6.5	90.8
October	-11.7	-10.7	-15.0	-8.3	-25.3	-17.0	48.7
Distillate							
May	-14.0	-11.0	-4.2	-21.5	-48.0	0.9	-9.9
June	-17.3	-12.1	-5.1	-25.7	-50.0	1.2	4.9
July	-15.6	-10.8	-5.3	-20.1	-45.5	1.3	14.4
August	-13.5	-9.7	-5.4	-17.4	-41.1	1.4	20.3
September	-11.4	-8.6	-5.3	-15.4	-37.0	1.5	23.6
Gasoil							
May	-5.4	-9.2	-20.3	-20.2	-61.9	6.3	0.6
June	-9.0	-11.1	-17.4	-21.2	-57.6	5.1	40.0
July	-9.1	-10.8	-15.7	-18.9	-51.6	4.8	42.5
August	-8.4	-10.0	-14.2	-16.7	-46.1	3.3	40.3
September	-7.5	-8.9	-13.0	-15.2	-41.5	3.7	38.3
WTI							
May	-4.3	-4.3	-5.3	-5.1	-1.0	-0.2	-1.3
June	-6.8	-7.1	-9.8	-4.2	-7.8	0.2	64.0
July	-8.2	-8.8	-11.6	-4.8	-9.8	-0.5	66.6
August	-9.0	-9.9	-12.7	-6.0	-11.0	-1.6	55.3
September	-9.4	-10.6	-13.4	-7.1	-11.8	-2.6	45.7
Brent							
June	-17.9	-13.1	-4.7	0.3	-16.7	7.0	731.2
July	-17.3	-13.8	-8.4	-2.1	-17.6	1.6	389.1
August	-14.4	-12.4	-10.2	-3.8	-17.6	-0.6	253.7
September	-17.6	-15.6	-11.3	-5.0	-17.3	-1.9	185.6
October	-16.1	-15.0	-12.0	-6.0	-17.0	-2.8	146.6
Natural Gas							
July	23.3	23.4	141.8	100.9	7.1	24.9	98.4
August	20.5	21.6	119.8	80.8	5.3	22.6	84.4
September	12.9	14.4	87.4	58.1	3.4	17.1	68.8
October	12.5	13.0	81.0	56.2	3.2	15.9	65.7
November	22.3	19.8	109.3	84.1	4.4	19.5	87.1

Note: “Current” = April 4, 2025. All returns to storage are adjusted for the cost of money.

Source: PKVerleger LLC.

Open Interest for Crude, Products, and Natural Gas — First Week of April vs. Prior Week and First Week of April in Prior Years (Number of Contracts)

	Current	Last Week	2024	2023	2022	2021	2020
Gasoline							
Total	419,147	431,471	391,641	302,580	283,254	372,876	373,045
May	123,715	139,136	134,822	105,201	112,788	141,601	115,106
June	95,573	87,303	70,120	64,112	48,961	67,432	62,408
July	51,580	46,925	55,525	34,469	34,273	39,221	35,806
August	34,283	30,414	24,605	13,834	17,977	18,915	21,095
Distillate							
Total	334,892	329,223	307,659	268,714	206,053	409,731	361,218
May	102,188	103,937	92,618	94,984	57,548	121,540	98,497
June	75,513	71,745	54,756	46,991	36,792	73,048	50,115
July	37,049	32,619	30,147	24,796	21,527	35,169	31,010
August	26,554	22,604	22,209	13,183	12,843	20,038	19,218
Gasoil							
Total	1,006,903	1,012,027	844,416	572,412	529,510	954,178	856,275
May	189,459	208,138	189,370	110,723	133,928	195,694	164,616
June	179,598	158,029	118,595	89,015	69,123	140,377	109,393
July	91,195	77,297	68,285	48,520	44,427	82,940	74,743
August	74,656	71,186	51,494	30,411	29,493	42,424	45,191
WTI							
Total	1,854,637	1,818,356	1,828,016	1,770,367	1,818,389	1,805,276	2,328,654
May	292,649	330,240	352,238	299,334	270,278	279,785	634,727
June	240,715	213,407	248,273	267,022	197,152	364,653	304,146
July	140,133	138,250	167,003	227,858	113,681	215,660	195,754
August	106,532	97,027	72,767	78,557	64,474	100,181	99,667
Brent							
Total	2,748,514	2,741,883	2,360,359	2,210,755	1,826,858	2,472,569	2,638,874
June	596,532	669,458	634,804	531,613	409,905	513,894	537,959
July	387,661	331,800	345,962	331,680	270,024	385,291	320,206
August	230,737	202,757	172,321	175,958	122,572	157,809	158,970
September	245,177	237,962	156,451	164,194	125,433	146,080	191,563
Natural Gas							
Total	1,642,580	1,617,092	1,603,512	1,366,688	1,183,108	1,203,990	1,257,621
May	271,313	295,410	393,953	372,409	196,949	244,849	354,873
June	112,884	103,070	130,712	89,507	93,165	121,104	102,623
July	125,769	119,627	172,168	154,797	108,792	118,707	131,296
August	63,609	62,219	63,551	46,320	48,016	60,087	56,436

Note: “Current” = April 4, 2025.

Source: PKVerleger LLC.

Gasoline Cracks – First Week of April vs. Prior Week, Prior Month, and First Week of April in Prior Years ($/bbl)									
	Current	Last Week	Last Month	2024	2023	2022	2021	2020	30-Year Average
Spot	8.06	8.52	2.66	22.30	27.33	26.17	13.43	2.38	13.50
June	16.13	16.80	15.47	22.67	23.52	22.51	13.49	-3.84	14.05
July	16.04	17.27	15.82	22.19	21.63	21.23	13.44	-2.91	13.36
August	15.50	17.17	15.58	21.07	19.88	19.62	12.89	-2.06	12.53
September	14.33	16.51	15.01	19.23	17.99	17.63	11.94	-1.57	11.62
October	8.33	15.30	13.85	11.08	10.96	11.50	6.78	-4.78	8.81
November	6.74	9.06	8.19	8.94	9.07	9.55	5.43	-4.91	5.52
Average	12.16	14.38	12.37	18.21	18.63	18.32	11.06	-2.53	11.34

Note: “Current” = April 4, 2025. Gasoline cracks were measured against Brent from 2010 with RIN cost removed.

Source: PKVerleger LLC.

Heating Oil (Distillate) Cracks – First Week of April vs. Prior Week, Prior Month, and First Week of April in Prior Years ($/bbl)									
	Current	Last Week	Last Month	2024	2023	2022	2021	2020	30-Year Average
Spot	15.37	15.19	16.54	19.58	19.30	38.34	6.70	19.68	12.94
June	20.28	19.98	21.24	24.86	24.59	24.32	5.64	9.62	12.23
July	20.52	20.01	20.43	25.51	24.71	22.34	6.19	9.62	11.96
August	21.00	20.62	20.45	26.24	25.38	21.46	6.70	10.19	12.20
September	21.70	21.24	20.83	27.13	26.12	21.20	7.24	10.98	12.63
October	22.27	21.96	21.58	27.91	26.76	21.14	7.75	11.55	13.17
November	22.67	22.61	22.31	28.37	27.08	21.01	8.22	11.87	13.70
Average	20.54	20.23	20.48	25.66	24.85	24.26	6.92	11.93	12.69

Note: “Current” = April 4, 2025. Heating oil cracks were measured against Brent from 2011.

Source: PKVerleger LLC.