Tariff Threat Becomes Reality

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Before yesterday, financial markets seemed to view President Trump's tariff threats mainly as a negotiating tactic. Despite the 10% tariffs already imposed on China, most expected the threatened 25% tariffs on Mexico and Canada would be further delayed or scaled back. That viewpoint met its demise yesterday when the President emphatically stated the tariffs would go into effect today.

With the exception of Canadian energy imports, which will be subject to a lower 10% levy, all imports from Mexico and Canada will be subject to the 25% tariff. The news is particularly grim for the auto industry whose supply chains are heavily intertwined between the three nations. The Wall Street Journal reported that an analysis by Anderson Economic Group concluded the tariffs will raise the cost of a pick-up assembled in North America by $8,000. While that remains to be seen, there is little doubt the tariffs will be disruptive to many industries.

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