

# Market Watch

<b>S&amp;P/TSX</b> 25,879.95 +25.94	<b>S&amp;P 500</b> 5,802.82 -39.19	<b>DOW</b> 41,603.07 -256.02	<b>NASDAQ</b> 18,737.21 -188.53	<b>DOLLAR</b> 72.70¢US -0.60¢	<b>OIL per barrel</b> US\$61.53 +\$0.33	<b>Nat. Gas/mmBTU</b> US\$3.73 +\$0.09	<b>GOLD</b> US\$3,365.80 +\$70.80
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## The one thing

If Prime Minister Carney is serious about national unity and getting our country back on track after a decade of floundering in the economic wilderness, he will make common sense policy decisions to address this week's chart.

Canadian GDP is shown in the red-dotted line while U.S. GDP is shown in the solid blue line. Notice Canadian GDP is unchanged since 2017 on a per capita basis while U.S. per capita GDP has grown by ~15% over the same time frame.

Governments must make a concerted effort to avoid growing a country's GDP over a 7-year period, which is exactly what the Trudeau Liberals did by discouraging foreign investment through increased regulation and crowding out private investment by increasing the size of the federal government by close to 50%.

The inability to grow Canada's economy on an absolute and relative basis has several negative impacts on Canadians. For example, our purchasing power has been eroded relative to that of the U.S. The average U.S. citizen is wealthier with a higher level of discretionary spending — allowing Americans to spend more on travel, education, vehicle & home purchases, etc.

Stagnant Canadian GDP has reduced the value of the Canadian dollar which hurts Canadians given we import most of what we consume.

A lower Canadian dollar contributes to higher inflation all else equal, again, because



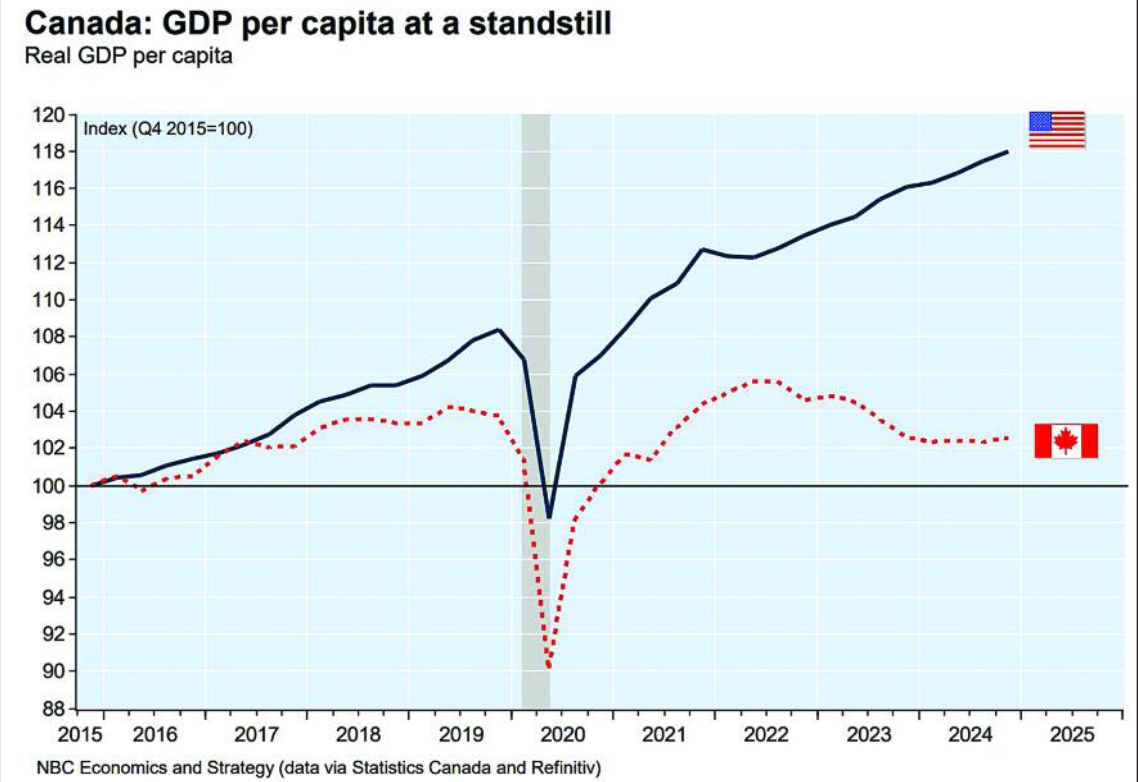
**Eric Van Enk**  
Economics 101

we import most of what we purchase. Stagnant GDP also has a negative impact on tax revenues and our ability to fund social programs. If we assume tax rates stay the same, higher GDP translates into higher tax revenues.

What about our national debt? Growing our GDP reduces the size of our debt relative to GDP — this means we can grow ourselves out of debt by increasing tax revenues and making debt payments a smaller proportion of our federal budget, leaving room for additional spending on social programs.

An east-west oil pipeline is one example of a common-sense policy which would positively impact the Canadian dollar and our standard of living. Eastern Canada currently imports a substantial amount of foreign oil which could be displaced by oil produced in Western Canada.

This one simple policy decision would have many positive implications for the Canadian economy. First, it would improve our balance of trade



SOURCE: NATIONAL BANK FINANCIAL

which could have a positive impact on the Canadian dollar.

Second, it would create jobs and investment in Canadian infrastructure which would increase GDP and tax revenue in Canada. Finally, it would diversify the export market for our oil, which would likely translate into higher realized prices, increasing royalty and tax revenues.

From an environmental perspective, would we rather have tankers importing foreign oil to Canadian shores or our own oil transported via pipeline? Statistically, what has a higher probability of environmental disaster, tankers or

pipelines? Which country has superior environmental and human rights standards, Canada or Saudi Arabia?

What about Canadian unity? A pipeline would please Alberta and Saskatchewan, but what about the rest of the country? Federal equalization via transfer payments means that any economic benefit gained by 'have' provinces such as Alberta and Saskatchewan are automatically shared with 'have not' provinces such as Quebec and Manitoba.

There are many other examples of policies which can have an immediate, positive impact

on our economy and standard of living and I sincerely hope Prime Minister Carney, with his distinguished resume in finance and economics, doesn't waste time in correcting the policy mistakes of his predecessor.

*Eric Van Enk is a wealth adviser & associate portfolio manager with National Bank Financial in Medicine Hat. He is a graduate of the University of Calgary, as well as a CFA charter holder with 20 years of financial markets experience in New York, Toronto and Calgary. He can be reached at eric.vanenk@nbc.ca*

## Lawyer challenging Donald Trump's trade war says tariffs are 'illegal and abusive'

**KELLY GERALDINE MALONE**  
The Canadian Press

U.S. President Donald Trump's global trade war is an "illegal and abusive" use of power, said a lawyer representing small businesses who are challenging the tariffs.

George Mason University law professor Ilya Somin, along with the Liberty Justice Center, represents five American small businesses who had a hearing before the U.S. Court of International Trade last week in an effort to block Trump's sweeping "reciprocal" tariff agenda.

"He's sort of breaking various precedents and doing things which are highly illegal and obviously our contention is that this is highly illegal," Somin said in an interview Thursday.

The president is facing at least seven lawsuits that argue Trump has acted beyond his powers by wielding tariffs through the International Economic Emergency Powers Act of 1977.

The act, usually referred to by the acronym IEEPA, is a national security statute that gives the U.S. president authority to control economic transactions after declaring an emergency.

While its predecessor, the Trading With The Enemy Act, was used during the Nixon administration to briefly impose a 10 per cent tariff on all imports into the U.S., no president has used IEEPA for tariffs.

Somin said the statute does not mention tariffs, nor is there even a synonym, such as duties. The U.S. Constitution gives power over taxes and tariffs to Congress and Somin said Trump is misusing the statute.

"Our most basic argument, and also that of others challenging various uses of IEEPA to impose tariffs including against Canada, is that this statute does not authorize tariffs at all," Somin said.

Trump declared an emergency at the northern border in order to use IEEPA to slap Canada with tariffs in March. He partially paused the duties a few days later for imports under the Canada-U.S.-Mexico Agreement on trade.

At the same time he used the same presidential power to hit Mexico and China with tariffs, citing the flow of people and deadly fentanyl into the United States as the emergency for all three countries.

U.S. government data shows a minuscule volume of fentanyl is seized at the northern border.

Trump also declared an emergency around trade deficits in April, using IEEPA to take his trade war to the world with "reciprocal" tariffs. The president walked back the most devastating duties a few hours later, saying the 90-day pause would give countries time to negotiate a deal. He kept a 10 per cent universal levy in place.

Trump on Friday threatened to increase tariffs on imports from the European Union to 50 per cent next month. In a separate social media post, Trump said if Apple doesn't move iPhone manufacturing to the U.S., it will face 25 per cent tariffs.

Markets have been in turmoil with Trump's inconsistent tariff agenda.

Twelve states argued before the Court of International Trade in New York on Wednesday that tariffs make U.S. trade policy dependent on Trump's whims.

Lawyers for Arizona, Colorado, Connecticut, Delaware, Illinois, Maine, Minnesota, Nevada, New Mexico, New York, Oregon and Vermont argued the president exceeded his authority with the tariffs, including by hitting Canada with duties.

Lawyers for the Trump administration countered that Congress, not the courts, determines if the president's rationale for declaring an emergency complies with the law.

Somin's case is separate and only deals with Trump's "reciprocal" tariffs but many arguments are similar. The statute said the emergency must be "extraordinary and unusual" and Somin said they argue that does not apply to Trump's tariff rationale.

Somin said in both hearings the three-judge panel was "highly skeptical" of the claim that Trump has virtually unlimited tariff power.

Somin said he expects the judges to expedite their decision but whichever party loses is almost certainly going to appeal to the federal circuit. Somin said it could end up in front of the Supreme Court.

In the meantime, Somin said the tariffs are causing business uncertainty and economic harm. "This administration is also characterized by severe economic illiteracy."

-- with files from The Associated Press

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(Above-Ground Swimming Pool)

**137 9 STREET NE** - Driveway Variance

**89 COULEE RIDGE CRESCENT SW** - Single Detached House

### HOME BUSINESS

**151 VISTA CLOSE SE** - Home Business Minor - General Contractor/Project Manager

**117 SUNDOWN ROAD SW** - Home Business Minor - Online Sales (Digital Designs)

**1838 20 AVENUE SE** - Home Business Minor - Janitorial Service

**101 218 2 STREET NE** - Home Business Minor - Online Sales

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