

Week ending March 21, 2025

## Market developments

**Equities:** The Nasdaq is experiencing one of its longest losing streaks since 2022, while the S&P 500 remains volatile. Concerns over economic slowdown, tariffs and geopolitical risks have kept stocks under pressure, and analysts expect market turbulence to persist until at least the second half of 2025. Meanwhile, trend-following funds have turned net short on US equities, signaling further caution, while retail investors continue pouring money into stocks, possibly delaying a market bottom.

**Fixed Income:** The central banks in England, Japan and the U.S. all decided to maintain interest rates at current levels as they navigate the battle against inflation and economic uncertainty. Overall, government yields moved lower, and bond prices increased as risks from an escalating trade war continue to mount.

**Commodities:** Gold climbed another 1.2% this week, marking over 15% gains for the year as investors seek safety amid the geopolitical conflicts and a potential trade war. Analysts expect this upward trend to continue, citing price targets of ~\$3,500 an ounce driven by expectations of additional rate cuts in the U.S. this year.

## Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
<b>Equities (\$Local)</b>					
S&P/TSX Composite	24,960.25	1.66%	-0.74%	1.47%	0.94%
S&P 500	5,667.56	0.51%	-5.75%	-4.44%	-3.64%
NASDAQ	17,784.05	0.17%	-8.91%	-9.14%	-7.91%
DAX	22,891.68	-0.41%	2.71%	15.12%	14.98%
NIKKEI 225	37,677.06	1.68%	-2.84%	-2.65%	-5.56%
Shanghai Composite	3,364.83	-1.60%	-0.42%	-0.10%	0.39%
<b>Fixed Income (Performance in %)</b>					
Canada Aggregate Bond	239.22	0.52%	0.77%	2.16%	1.63%
US Aggregate Bond	2248.28	0.61%	1.22%	2.69%	2.71%
Europe Aggregate Bond	241.09	0.65%	-1.28%	-1.37%	-1.09%
US High Yield Bond	27.26	0.51%	-0.05%	1.79%	1.59%
<b>Commodities (\$USD)</b>					
Oil	68.26	1.61%	-3.04%	-1.73%	-4.82%
Gold	3021.57	1.25%	2.91%	15.20%	15.13%
Copper	508.75	4.48%	11.57%	25.90%	26.35%
<b>Currencies (\$USD)</b>					
US Dollar Index	104.14	0.41%	-2.32%	-3.23%	-4.01%
Loonie	1.4344	0.15%	-0.84%	0.10%	0.28%
Euro	0.9245	-0.57%	3.43%	3.71%	4.48%
Yen	149.33	-0.46%	-0.04%	4.67%	5.27%

Source: Bloomberg, as of March 21, 2025

## Central Bank Interest Rates

Central Bank	Current Rate	June 2025 Expected Rate*	December 2025 Expected Rate*
Bank of Canada	2.75%	2.55%	2.26%
U.S. Federal Reserve	4.50%	4.11%	3.64%
European Central Bank	2.50%	2.08%	1.89%
Bank of England	4.50%	4.25%	3.99%
Bank of Japan	0.50%	0.62%	0.82%

Source: Bloomberg, as of March 21, 2025

\*Expected rates are based on bond futures pricing

## Macro developments

### Canada – Inflation Surges Above Expectations, Retail Sales in Canada Weaken

Canada's annual inflation rate rose to 2.6% in February 2025, exceeding forecasts. This increase was driven by the end of GST and HST tax breaks, leading to price hikes in various goods and services. Inflation slowed for restaurants and alcohol but rebounded in clothing, footwear, and recreation. The CPI jumped 0.7% from January, marking the largest increase since May 2022.

Canadian consumers reduced their spending for a second straight month, with retail receipts falling 0.4% in February and 0.6% in January. The declines in sales are attributed to mounting pressures from the US-Canada tariff war and concerns about job security and financial health, leading to cautious spending.

### U.S. – Retail Sales Show Modest Recovery, Federal Reserve Maintains Rates, Lowers Growth Forecasts

Retail sales rose 0.2% in February, rebounding from a sharp January decline but missing expectations of 0.6%. Declines were seen in food services, gasoline, clothing, and electronics, while nonstore retailers and health & personal care saw the strongest gains. Core sales, which factor into GDP, grew 1%, reversing the previous month's drop.

The Fed kept interest rates at 4.25%-4.5% in March, continuing its pause in rate cuts. Policymakers still expect to reduce rates by 50bps this year but lowered their GDP growth forecast to 1.7% for 2025. Inflation projections rose slightly, while the unemployment rate is expected to increase to 4.4%. The Fed also announced a slower reduction in its securities holdings starting in April.

### International – Bank of England Holds Rates Amid Inflation Concerns, Bank of Japan Holds Rates at 0.5%, Cites Economic Uncertainty, Japan's Inflation Slows as Energy Subsidies Return

The Bank of England kept its interest rate at 4.5%, with one policymaker voting for a 25bps cut. The bank emphasized a cautious approach due to persistent inflation risks and global uncertainties. UK CPI inflation rose to 3.0% in January and is expected to reach 3.75% by Q3 2025, while financial market volatility remains a concern.

The BoJ maintained its interest rate at 0.5%, its highest level since 2008. Policymakers expressed concerns over global economic risks, US tariffs, and weak exports. Japan's economy showed moderate recovery, supported by wage increases and private consumption, but industrial output remained weak. Inflation stayed between 3.0% and 3.5%, with gradual price increases expected.

Japan's inflation rate fell to 3.7% in February from a two-year high of 4.0%, largely due to government energy subsidies that reduced electricity and gas costs. Food price inflation also eased, while transport and

household goods saw price increases. Core inflation dropped to 3.0%, slightly above expectations, while overall CPI declined 0.1% monthly, the first drop since September.

## Quick look ahead

DATE	COUNTRY / REGION	EVENT		SURVEY	PRIOR
23-Mar-25	Japan	Jibun Bank Japan PMI Mfg		Mar P	49.0
23-Mar-25	Japan	Jibun Bank Japan PMI Services		Mar P	53.7
24-Mar-25	Eurozone Aggregate	Eurozone Manufacturing PMI		Mar P	48.2
24-Mar-25	Eurozone Aggregate	Eurozone Services PMI		Mar P	51.1
24-Mar-25	United Kingdom	S&P Global UK Manufacturing PMI		Mar P	47.2
24-Mar-25	United Kingdom	S&P Global UK Services PMI		Mar P	51.0
24-Mar-25	United States	S&P Global US Manufacturing PMI		Mar P	51.5
24-Mar-25	United States	S&P Global US Services PMI		Mar P	50.9
26-Mar-25	United Kingdom	CPI YoY		Feb	2.9
26-Mar-25	United Kingdom	CPI Core YoY		Feb	3.6
28-Mar-25	United Kingdom	Retail Sales Ex Auto Fuel YoY		Feb	0.4
28-Mar-25	United Kingdom	Retail Sales Inc Auto Fuel YoY		Feb	0.6
28-Mar-25	United States	PCE Price Index YoY		Feb	2.5
28-Mar-25	United States	Core PCE Price Index YoY		Feb	2.7
28-Mar-25	Canada	GDP MoM		Jan	0.3
28-Mar-25	Canada	GDP YoY		Jan	2.2

P = Preliminary

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