

Week ending April 11, 2025

## Market developments

**Equities:** Global stock markets experienced significant volatility this week, largely driven by trade policy uncertainty. Major U.S. indexes like the S&P 500 and Dow saw sharp declines, with the S&P 500 dropping over 3% on Thursday after a historic rally sparked by a temporary pause in tariffs. Despite the volatility, the U.S. market experienced one of its best weeks in the last 5 years. Overseas markets, including Japan's Nikkei and Australia's ASX, also fluctuated, reflecting concerns over potential economic slowdowns. Investors remain cautious as trade tensions continue to weigh on sentiment.

**Fixed Income:** The U.S. Treasury market faced intense pressure, with a sharp selloff pushing 10-year yields up by 17 basis points in a single day, marking one of the widest trading ranges in decades. Despite a brief pause in tariff escalations, some investors sold bonds to raise cash, raising questions about Treasuries' safe-haven status. European bond markets showed mixed responses, with German and French yields stabilizing slightly. The volatility has revived memories of past market disruptions, keeping bond traders on edge.

**Commodities:** Gold prices surged past \$3,200 per ounce, fueled by renewed economic concerns and its appeal as a safe-haven asset. Oil prices, however, dropped significantly, with some reports suggesting a collapse to 2020 levels amid trade war fears. Other commodities, like agricultural goods, faced downward pressure as global demand outlooks weakened. The commodity market remains highly sensitive to trade policy developments and currency fluctuations.

## Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
<b>Equities (\$Local)</b>					
S&P/TSX Composite	23,587.80	1.70%	-2.72%	-4.76%	-4.61%
S&P 500	5,363.36	5.70%	-3.75%	-7.96%	-8.81%
NASDAQ	16,724.46	7.29%	-4.08%	-12.72%	-13.39%
DAX	20,374.10	-1.30%	-8.75%	0.79%	2.34%
NIKKEI 225	33,585.58	-0.58%	-8.72%	-14.30%	-15.81%
Shanghai Composite	3,238.23	-3.11%	-4.19%	2.20%	-3.39%
<b>Fixed Income (Performance in %)</b>					
Canada Aggregate Bond	235.15	-2.26%	-1.51%	1.44%	-0.09%
US Aggregate Bond	2217.00	-2.33%	-0.97%	2.30%	1.28%
Europe Aggregate Bond	243.42	0.10%	1.58%	1.14%	-0.14%
US High Yield Bond	26.42	-0.82%	-2.82%	-1.58%	-1.54%
<b>Commodities (\$USD)</b>					
Oil	61.54	-0.73%	-7.11%	-19.63%	-14.19%
Gold	3233.86	6.44%	10.90%	20.23%	23.22%
Copper	455.25	3.42%	-3.96%	5.77%	13.06%
<b>Currencies (\$USD)</b>					
US Dollar Index	99.85	-3.08%	-3.45%	-8.94%	-7.96%
Loonie	1.3887	2.39%	3.95%	3.86%	3.58%
Euro	0.8813	3.57%	3.91%	10.76%	9.60%

Yen	143.54	2.36%	2.95%	9.89%	9.52%
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Source: Bloomberg, as of April 11, 2025

## Central Bank Interest Rates

Central Bank	Current Rate	June 2025 Expected Rate*	December 2025 Expected Rate*
Bank of Canada	2.75%	2.60%	2.43%
U.S. Federal Reserve	4.50%	4.09%	3.58%
European Central Bank	2.50%	1.99%	1.63%
Bank of England	4.50%	4.13%	3.69%
Bank of Japan	0.50%	0.51%	0.58%

Source: Bloomberg, as of April 11, 2025

\*Expected rates are based on bond futures pricing

## Macro developments

### Canada – No Notable Releases

No notable releases this week.

### U.S. – U.S. Inflation Hits Three-Year Low, Soft PCE Signals Fed Caution

The U.S. inflation rate fell to 2.4% in March 2025, the lowest since September, down from 2.8% and below the expected 2.6%. Declines in gasoline (-9.8%) and shelter costs (4%) drove the slowdown, though food inflation rose to 3%. Monthly CPI dropped 0.1%, the first decline since May 2020, while core inflation eased to 2.8%, signaling cooling price pressures.

The core PCE deflator likely rose by just 0.05% month-on-month in March, suggesting annual core PCE inflation dropped to 2.6%. Despite softer-than-expected CPI and PPI data, with producer prices falling 0.4% and core PPI up only 0.1%, tariff pressures in PPI raise concerns. A sharp 8.2% drop in international airfares and a 0.3% decline in hospital prices helped temper inflation, but the Fed remains wary.

### International – U.K. Economy Outpaces Forecasts, Euro Retail Inches Up, China's Prices Deflate Again, China's Factory Prices Plummet

The U.K. economy grew 0.5% month-on-month in February 2025, beating expectations of 0.1% after flat January growth, with annual GDP up 1.4%. Services, particularly information and communication, drove the rebound, lifting quarterly growth to 0.6%. Uncertainty looms, however, as U.S. trade policy shifts could influence inflation and interest rates.

Eurozone retail sales rose 0.3% in February 2025, ending three months of stagnation but missing the 0.5% forecast. Non-food and food sales both gained 0.3%, with fuel sales up 0.2%, led by strong growth in Spain (1.3%) and Germany (0.7%). Declines in Italy and the Netherlands tempered the overall recovery.

China's CPI fell 0.1% year-on-year in March 2025, missing expectations of a 0.1% rise, marking two months of deflation amid U.S. trade tensions. Food price declines eased, and non-food costs rose 0.2%, lifting core inflation to 0.5%, but monthly CPI dropped 0.4%. Ongoing trade disputes threaten further price pressure.

China's producer prices fell 2.5% year-on-year in March 2025, worse than the expected 2.3% drop and the steepest since November, driven by U.S. trade disputes and weak energy demand. Production materials (-2.8%) and consumer goods (-1.5%) saw sharper declines, with monthly prices down 0.4%. Q1 2025 saw a 2.3% drop in factory-gate prices, signaling persistent deflationary pressures.

## Quick look ahead

DATE	COUNTRY / REGION	EVENT		SURVEY	PRIOR
15-Apr-25	United Kingdom	ILO Unemployment Rate 3Mths	Feb	4.4	4.4
15-Apr-25	Canada	CPI NSA MoM	Mar	0.7	1.1
15-Apr-25	Canada	CPI YoY	Mar	2.6	2.6
15-Apr-25	China	GDP YoY	1Q	5.2	5.4
15-Apr-25	China	Retail Sales YoY	Mar	4.2	
16-Apr-25	United Kingdom	CPI YoY	Mar	2.7	2.8
16-Apr-25	United Kingdom	CPI Core YoY	Mar	3.4	3.5
16-Apr-25	United States	Retail Sales Advance MoM	Mar	1.4	0.2
16-Apr-25	United States	Retail Sales Ex Auto MoM	Mar	0.4	0.3
17-Apr-25	Eurozone Aggregate	ECB Deposit Facility Rate		2.25	2.50
17-Apr-25	Japan	Natl CPI YoY	Mar	3.7	3.7
17-Apr-25	Japan	Natl CPI Ex Fresh Food YoY	Mar	3.2	3.0

### The Asset Allocation Team at NEI Investments

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