

Weekly Market Pulse



Week ending May 30, 2025

Market developments

Equities: Global stock markets experienced volatility this week, driven by uncertainty surrounding U.S. tariff policies under President Trump. The U.S. court blocked some proposed tariffs, leading to a rally that later lost steam. The developed market indices saw gains as Trump paused 50% EU tariff hikes for faster trade talks, boosting optimism, though high valuations and moderating earnings growth tempered enthusiasm.

Fixed Income: This week, global bond markets saw heightened volatility as U.S. Treasury yields fluctuated, with the 10-year Treasury yield briefly crossing 4.5% before settling at 4.4% amid mixed signals from U.S. tariff policy developments. Investors are urged to diversify fixed-income strategies, as rising yields and correlations with equities signal increased market risks. The Bank of Japan's dilemma over raising rates to defend the yen risks higher debt costs, projected at \$289 billion in 2025 if rates rise 1% beyond expectations.

Commodities: Commodities saw reduced demand for haven assets like gold, which pulled back after a strong year-to-date performance, as U.S. and EU trade talks eased tariff-related fears. Oil prices remained low at \$55, reflecting market caution amid trade uncertainties.

Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
Equities (\$Local)					
S&P/TSX Composite	26,175.05	1.14%	5.37%	3.08%	5.85%
S&P 500	5,911.69	1.88%	6.15%	-0.72%	0.51%
NASDAQ	19,113.77	2.01%	9.56%	1.41%	-1.02%
DAX	23,997.48	1.56%	6.67%	6.41%	20.53%
NIKKEI 225	37,965.10	2.17%	5.33%	2.18%	-4.84%
Shanghai Composite	3,347.49	-0.03%	2.09%	0.80%	-0.13%
Fixed Income (Performance in %)					
Canada Aggregate Bond	237.83	1.04%	-0.17%	-1.12%	1.05%
US Aggregate Bond	2237.86	0.66%	-0.92%	-0.50%	2.23%
Europe Aggregate Bond	246.03	0.52%	0.17%	0.27%	0.93%
US High Yield Bond	27.55	0.73%	1.67%	0.61%	2.67%
Commodities (\$USD)					
Oil	60.89	-1.04%	4.60%	-12.72%	-15.10%
Gold	3292.06	-1.95%	0.10%	15.19%	25.44%
Copper	469.40	-2.34%	2.94%	3.98%	16.58%
Currencies (\$USD)					
US Dollar Index	99.38	0.27%	-0.09%	-7.65%	-8.40%
Loonie	1.3724	0.05%	0.55%	5.37%	4.81%
Euro	0.8809	-0.09%	0.20%	9.41%	9.65%
Yen	143.96	-0.97%	-0.62%	4.63%	9.20%

Source: Bloomberg, as of May 30, 2025

Central Bank Interest Rates

Central Bank	Current Rate	June 2025 Expected Rate*	December 2025 Expected Rate*
Bank of Canada	2.75%	2.69%	2.35%
U.S. Federal Reserve	4.50%	4.32%	3.79%
European Central Bank	2.25%	1.92%	1.60%
Bank of England	4.25%	4.20%	3.82%
Bank of Japan	0.50%	0.48%	0.64%

Source: Bloomberg, as of May 30, 2025

*Expected rates are based on bond futures pricing

Macro developments

Canada – GDP Growth Driven by Exports and Inventories

Canada's GDP grew by 0.5% in Q1 2025, matching the previous quarter's growth and exceeding expectations. Growth was driven by strong net exports (1.6% increase) and inventory accumulation (\$8.7 billion), fueled by firms pre-empting US tariffs, but household consumption slowed to 0.3% and government spending fell by 0.8%. Annualized GDP growth reached 2.2%, surpassing forecasts of 1.7%.

U.S. – Economy Contracts with Weak Consumer Spending, PCE Inflation Eases to Seven-Month Low

The GDP shrank by 0.2% annualized in Q1 2025, revised from an initial 0.3% decline, due to weaker consumer spending (1.2% growth, the lowest in nearly two years) and a significant trade impact (net exports cut GDP by nearly 5 points). Stronger business investment and inventory accumulation slightly offset the decline, with final GDP estimates pending.

The PCE price index rose 0.1% month-over-month in April, with goods and services both up 0.1%, while core PCE (excluding food and energy) also increased 0.1%. Year-over-year, headline PCE inflation fell to 2.1% and core PCE to 2.5%, both the lowest in months, aligning with the Federal Reserve's preferred inflation gauge expectations.

International – Japan's Unemployment Rate Steady Amid Workforce Shifts, Japan's Retail Sales Accelerate with Broad Gains

Japan's unemployment rate held at 2.5% in April 2025, with 1.76 million unemployed and a slight employment drop to 68.04 million. The labour force shrank slightly, but the participation rate rose to 63.7%, a ten-month high, while the jobs-to-applicants ratio remained steady at 1.26.

Japan's retail sales grew 3.3% year-on-year in April 2025, the fastest since January, driven by rising wages and strong sales in automobiles (9.5%), clothing (5.9%) and fuel (4.4%). Despite a decline in department store sales (-5.2%), monthly sales rebounded by 0.5%, marking 37 months of continuous growth.

Quick look ahead

DATE	COUNTRY / REGION	EVENT	SURVEY	PRIOR
02-Jun-25	Canada	S&P Global Canada Manufacturing PMI	May	45.3
03-Jun-25	Eurozone Aggregate	CPI MoM	May P	0.6
03-Jun-25	Eurozone Aggregate	CPI Core YoY	May P	2.4
03-Jun-25	Eurozone Aggregate	Unemployment Rate	Apr	6.2
03-Jun-25	Japan	Jibun Bank Japan PMI Composite	May F	49.8
04-Jun-25	Canada	Bank of Canada Rate Decision		2.5
04-Jun-25	United States	ISM Services Index	May	52.0
04-Jun-25	China	Caixin China PMI Composite	May	51.1
05-Jun-25	Eurozone Aggregate	PPI MoM	Apr	(1.9)
05-Jun-25	Eurozone Aggregate	PPI YoY	Apr	1.2
05-Jun-25	Eurozone Aggregate	ECB Deposit Facility Rate		2.0
05-Jun-25	Eurozone Aggregate	ECB Main Refinancing Rate		2.2
05-Jun-25	Eurozone Aggregate	ECB Marginal Lending Facility		2.4
06-Jun-25	Eurozone Aggregate	Retail Sales MoM	Apr	0.2
06-Jun-25	Eurozone Aggregate	Retail Sales YoY	Apr	1.6
06-Jun-25	Eurozone Aggregate	GDP SA QoQ	1Q T	0.4
06-Jun-25	Eurozone Aggregate	GDP SA YoY	1Q T	1.2
06-Jun-25	United States	Change in Nonfarm Payrolls	May	130.0
06-Jun-25	United States	Unemployment Rate	May	4.2
06-Jun-25	Canada	Unemployment Rate	May	6.9

P = Preliminary

F = Final

T = Third

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