

# MONTH IN REVIEW

March 2025

## In focus

Global equities declined in March due to intensifying tariff risks and geopolitical unrest. Investors reacted unfavourably to the U.S. government's tariff announcements across sectors, including automotive, steel and aluminum. Market sentiment was further dampened by China's return to deflation, stoking fears of a broader slowdown. In Asia, China's markets saw modest gains as foreign inflows returned to the tech sector, although broader uncertainties remained. Meanwhile, a stronger yen exacerbated the downward movement in Japan, with Japan's currency briefly touching 147 yen against the U.S. dollar. At a sector level, all sectors of the MSCI All Country World Index posted negative returns except energy and utilities.

On the monetary policy front, the U.S. Federal Reserve kept rates steady and reaffirmed its outlook for two rate cuts later this year. The Bank of Japan held short-term interest rates steady at 0.5%. The European Central Bank cut interest rates by another 25 basis points, as expected, shifting its stance from "restrictive" in January to "meaningfully less restrictive."

In fixed income, U.S. and Canadian treasury bond yields were volatile, rising over the month. This reflected some uncertainty about the outlook for growth and inflation, as investors waited for clarity on the U.S. government tariff policy.

Indexes	Close	MTD	YTD	2024
S&P/TSX	24,917.50	-1.87%	0.77%	17.99%
S&P500	5,611.85	-5.75%	-4.59%	23.31%
NASDAQ	17,299.29	-8.21%	-10.42%	28.64%
DJIA	42,001.76	-4.20%	-1.28%	12.88%
Russell 2000	2,011.91	-6.99%	-9.79%	10.02%
FTSE 100	8,582.81	-2.58%	5.01%	5.69%
Euro Stoxx 50	5,248.39	-3.94%	7.20%	8.28%
Nikkei 225	35,617.56	-4.14%	-10.72%	19.22%
Hang Seng	23,119.58	0.78%	15.25%	17.67%
Shanghai Comp.	3,335.75	0.45%	-0.48%	12.67%
MSCI ACWI	827.16	-4.15%	-1.69%	15.73%
MSCI EM	1,101.40	0.38%	2.41%	5.05%
MSCI ACWI ESG Leaders	2,130.15	-4.54%	-3.53%	15.20%

Fixed income	Close	MTD	YTD	2024
FTSE Canada Uni.	1,192.50	-0.28%	2.02%	4.23%
BBG Global Agg.	375.65	0.78%	3.36%	-2.14%
TSX Pref	2,162.57	-0.12%	2.59%	24.70%

Bond yields	Close	bps chg MTD	bps chg YTD	bps chg 2023
10 yr Canada Govt.	2.97%	6.9	-26.6	12.8
10 yr U.S. Govt.	4.21%	1.4	-36.2	70.7
30 yr Canada Govt.	3.23%	10.4	-11.1	30.9
30 yr U.S. Govt.	4.58%	10.9	-20.4	76.7

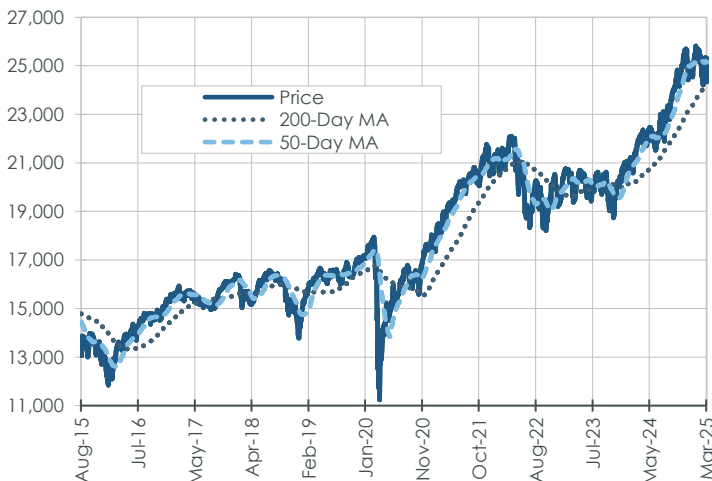
Commodities	Close	MTD	YTD	2024
Oil	71.48	2.47%	-0.33%	0.10%
Natural gas	4.12	7.43%	13.38%	44.51%
Gold	3,114.00	9.34%	19.13%	26.77%
Silver	34.10	9.43%	17.98%	21.53%
Copper	5.02	11.20%	25.94%	2.72%

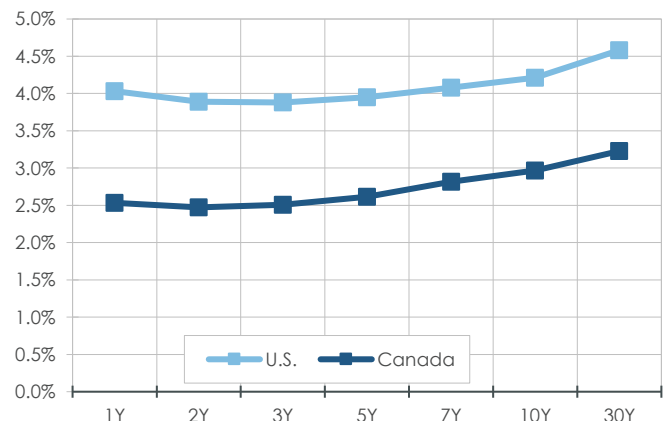
Currencies	Close	MTD	YTD	2024
CAD/USD	0.6951	0.54%	-0.03%	-7.89%
USD/EUR	0.9245	-4.08%	-4.29%	6.60%
CAD/EUR	0.6425	-3.56%	-4.32%	-1.81%
USD/JPY	149.8600	-0.43%	-4.76%	11.61%
USD/CNY	7.2656	-0.37%	-1.04%	3.11%
USD/MXN	20.4715	-0.36%	-1.70%	22.70%
GBP/CAD	1.8587	2.15%	3.27%	6.71%
GBP/USD	1.2919	2.70%	3.24%	-1.71%

\*Please refer to Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-settlement.

## S&P/TSX Composite Index



## Treasury yield curves



Source: LSEG Datastream. Index returns are in local currency. All equity indexes are price returns and do not include dividends.

Economic indicators	Period	Survey	Actual	Prior period
Canada unemployment rate	Feb	6.7%	6.6%	6.6%
U.S. non-farm payrolls	Feb	160k	151k	125k
U.S. average earnings YoY	Feb	4.1%	4.0%	3.9%
U.S. CPI MoM, seasonally adjusted	Feb	0.3%	0.2%	0.5%
Eurozone GDP revised	Q4'2024	0.1%	0.2%	0.1%
China exports YoY	Feb	5.0%	2.3%	10.7%

## Canada

Canadian equities declined over the month of March against the backdrop of growing trade tensions with the U.S. and ahead of national elections in April. However, Canadian equities outperformed their U.S. peers, mainly due to strong gains in the materials and energy sectors, as well as positive returns in the defensively positioned consumer staples and utilities sectors.

This contrasted with heavy losses in the information technology sector, where, among other factors, investors may be worried about stretched valuations. Other cyclically sensitive parts of the market, such as the industrials, financials and consumer discretionary sectors, also came under selling pressure.

## U.S.

U.S. equities declined in March. Anticipation of additional tariffs on key trading partners and rising trade tensions led to inflationary concerns, which, along with uncertainty about the U.S. economic growth outlook, led to fears of stagflation. This resulted in a clear risk-off move in U.S. equity markets over the month. Against this backdrop, consumer discretionary, information technology and communication services made the largest detractions from returns, slightly offset by advances in the energy and utilities sectors. From a style perspective, value stocks outpaced their growth counterparts. Across the market cap spectrum, all segments were negative, with mid caps outperforming small- and large-cap stocks.

The U.S. economy started to show signs of weakness in March amidst prevailing uncertainty regarding the impact of the administration's policies on trade, immigration and taxes, as well as fears of significant federal layoffs. Following a stronger print in February, the S&P Global U.S. manufacturing PMI came in at 50.2, marking the weakest expansion of the year so far. The unemployment rate rose to 4.1% in February, up from

4.0% in January, adding to fears of slowing economic activity.

## Rest of the world

After a positive start to 2025, European equities retreated in March, due to intensifying tariff risks and geopolitical unrest. The announcements of U.S. tariffs across certain sectors prompted retaliatory tariffs from the E.U., heightening concerns about the impact on corporate earnings and the economy. However, there were pockets of optimism: investors responded positively to Germany's major debt reform, aimed at reviving economic growth and boosting military spending.

Business activity in the eurozone continued to expand in March, with the HCOB flash eurozone composite PMI output index moving up to 50.4 from February's reading of 50.2. Services activity rose for the fourth consecutive month, albeit at a moderate pace. The manufacturing PMI increased to 48.6 in March, up from 47.6 in February, suggesting a deceleration in the manufacturing sector's downturn for the first time in two years.

In Asia, Chinese equities edged higher. The economy has generally showed resilience in early 2025, with retail sales and industrial production exceeding expectations as seen in January-February economic activity data. However, challenges persisted, particularly in the real estate sector, where investment fell significantly in the first two months of 2025. Meanwhile, export data also came in below expectations amid external trade pressures and subdued global demand, even though domestic demand helped to offset the easing in exports.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada house starts, annualized	Mar	-	229.0k
Canada retail sales, MoM	Feb	-	-0.6%
U.S. core CPI YoY, nsa	Mar	-	3.1%
U.S. CPI YoY, nsa	Mar	-	2.8%
U.S. initial jobless claims	31-Mar	-	219k
China exports YoY	Mar	4.8%	2.3%

Central bank meetings						
Central banks	Date	Current rate	Expected change by	Probability (%)	Expected change by	Probability (%)
Bank of Canada	16-Apr	2.75%	-0.25	55.7	-	44.3
Federal Open Market Committee	07-May	4.50%	-	52.9	-0.25	47.1
European Central Bank	17-Apr	2.65%	-0.25	88.7	-	11.4
Bank of England	08-May	4.50%	-0.25	80.3	-	19.7
Bank of Japan	01-May	0.50%	-	97.4	+0.25	2.6

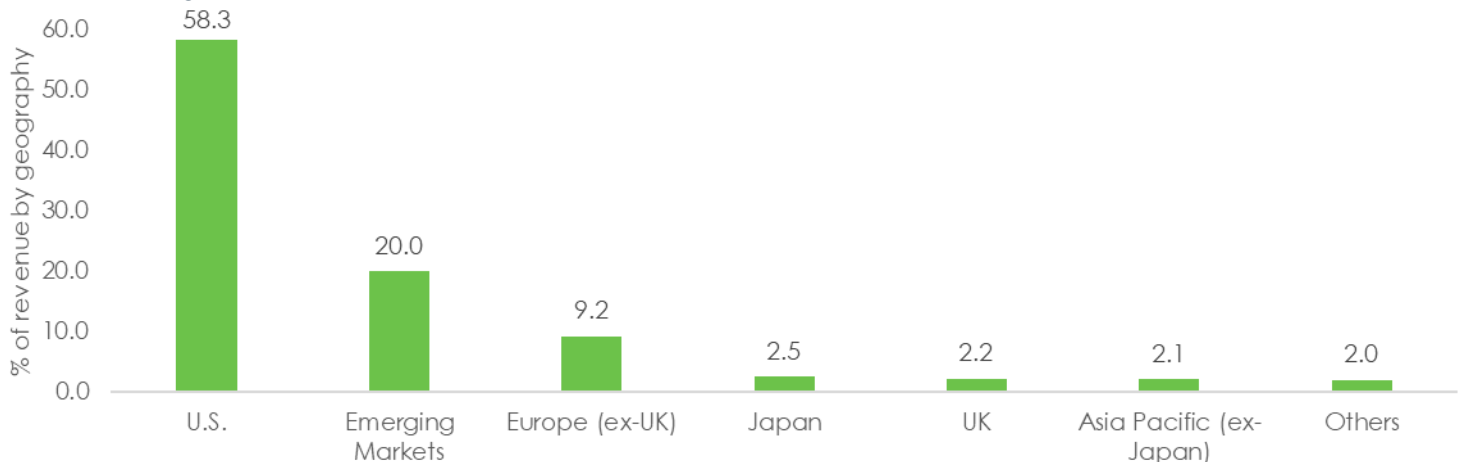
Source: LSEG DataStream. LSEG provides centrally calculated probabilities and expected changes for several central bank target interest rates, implied by the market prices of interest rate derivatives. This app displays the probabilities for the two assumed possible rate decisions by each central bank at its next meeting. Possible rate changes are modelled in either 25-basis-point (bp), 10 bp or 20 bp increments based on observation of recent actions. The probabilities are estimated using market prices of Fed fund futures for the Federal Reserve or overnight indexed swaps (OIS) for other central banks. As at April 4, 2025.

## Spotlight

### Diverse, deep and resilient: Why the U.S. remains a favoured investment destination

The U.S. is by far the largest capital market globally, and it remains so for good reason. Among developed markets, its projected population growth remains among the highest, and its high per-capita income also helps the U.S. to drive the global trade agenda.

The chart below shows that U.S.-listed companies derive most of their revenue (nearly 60%) from domestic markets. This further supports the view that the depth and breadth of the U.S. market continues to offer attractive diversification, with investment opportunities in companies having sound business models, strong and durable competitive moats, and the capacity to generate sustainable free cash flows.



Source: FactSet, December 31, 2024. % exposures is based on revenue in USD. Asia-Pacific (ex Japan) includes Australia, Hong Kong, New Zealand and Singapore.

## Appendix

Global markets (Returns in Canadian dollar terms)				
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Hang Seng	23,119.58	0.64%	15.16%	29.02%
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MSCI ACWI	827.16	-4.23%	-1.61%	26.22%
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Natural gas	5.93	6.85%	13.42%	56.89%
Gold	4,481.92	9.24%	19.22%	38.27%
Silver	49.07	9.34%	18.07%	32.55%
Copper	7.22	10.60%	25.98%	11.52%
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USD/MXN	20.4715	-0.27%	-1.77%	12.49%
GBP/CAD	1.8587	-0.27%	0.13%	-0.41%
GBP/USD	1.2919	0.28%	0.09%	-8.27%

Source: LSEG DataStream. All equity indexes returns are price returns and do not include dividends.

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