MONTH IN REVIEW

June 2025

In focus

After a cautious start, global equities ended with strong gains for the month. Worries related to geopolitical tensions in the Middle East (between Iran and Israel) receded quickly after a ceasefire was announced, and the impact on markets was largely muted.

In the U.S., strong corporate earnings and optimism about AI-led growth supported equity markets. Information technology stocks, particularly those benefiting from AI advancements, led the rally, resulting in significant increases for major indexes such as the NASDAQ and S&P 500. In Europe, equity markets have outperformed most major global markets this year, but ended the month in red after trade tensions and geopolitical worries dampened sentiment ahead of the July 9 deadline for U.S. trade negotiations.

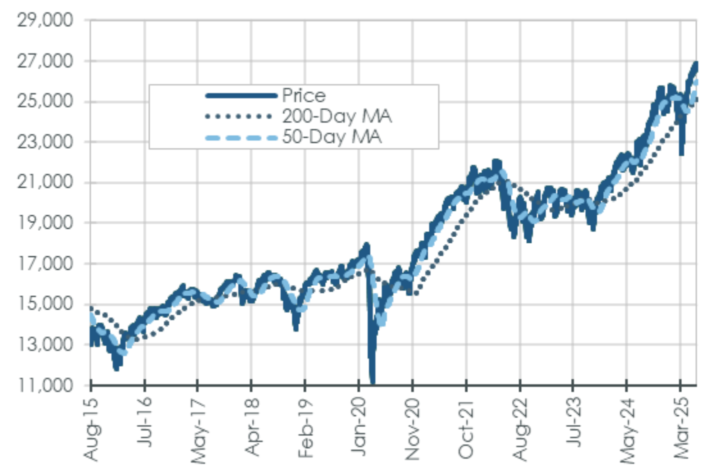
Information technology, communication services and energy were the best-performing sectors of the MSCI AC World Index. Industrials and financials also delivered strong gains, benefiting from investor rotation into momentum stocks and cyclical sectors.

Meanwhile, U.S. Treasury yields declined in June, and bond prices rose. U.S. Treasuries advanced partly because many investors expect the U.S. Federal Reserve (the Fed) to adopt a more accommodative stance to reduce interest rates this year. In commodities, gold prices declined, and risk of supply disruptions contributed to a sharp increase in oil prices, before a swift decline following the end of hostilities between Israel and Iran.

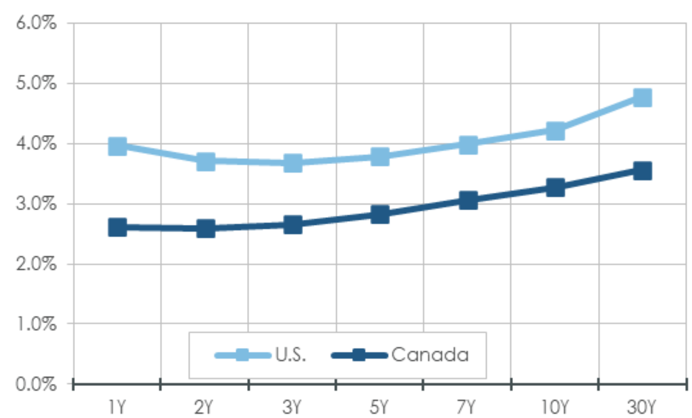
Indexes	Close	MTD	YTD	2024
S&P/TSX	26,857.11	2.91%	10.17%	21.65%
S&P500	6,204.95	5.09%	6.20%	25.02%
NASDAQ	20,369.73	6.64%	5.85%	29.57%
DJIA	44,094.77	4.47%	4.55%	14.99%
Russell 2000	2,175.04	5.44%	-1.79%	11.54%
FTSE 100	8,760.96	0.05%	9.50%	9.66%
Euro Stoxx 50	5,303.23	-1.10%	11.05%	11.86%
Nikkei 225	40,487.39	6.82%	2.58%	21.33%
Hang Seng	24,072.28	4.10%	22.86%	22.93%
Shanghai Comp.	3,444.43	3.63%	4.06%	16.15%
MSCI ACWI	917.89	4.53%	10.33%	18.02%
MSCI EM	1,222.78	6.14%	15.57%	8.05%
MSCI ACWI ESG Leaders	2,391.67	4.27%	9.48%	17.35%
Fixed income	**Close**	**MTD**	**YTD**	**2024**
FTSE Canada Uni.	1,185.73	0.06%	1.44%	4.23%
BBG Global Agg.	497.14	1.90%	7.27%	-1.69%
TSX Pref	2,261.87	2.77%	7.30%	24.70%
Bond yields	**Close**	**bps chg MTD**	**bps chg YTD**	**bps chg 2023**
10 yr Canada Govt.	3.27%	7	4	13
10 yr U.S. Govt.	4.23%	-16	-34	71
30 yr Canada Govt.	3.56%	8	22	31
30 yr U.S. Govt.	4.79%	-13	0	77
Commodities	**Close**	**MTD**	**YTD**	**2024**
Oil	65.11	7.11%	-9.22%	0.10%
Natural gas	3.46	0.26%	-4.87%	44.51%
Gold	3,281.00	-0.42%	25.52%	26.77%
Silver	36.11	9.43%	24.94%	21.53%
Copper	5.03	8.11%	26.19%	2.72%
Currencies	**Close**	**MTD**	**YTD**	**2024**
CAD/USD	0.7348	0.96%	5.68%	-7.89%
USD/EUR	0.8484	-3.73%	-12.17%	6.60%
CAD/EUR	0.6234	-2.79%	-7.16%	-1.81%
USD/JPY	143.9200	0.03%	-8.53%	11.61%
USD/CNY	7.1636	-0.53%	-2.43%	3.11%
USD/MXN	18.7470	-3.52%	-9.98%	22.70%
GBP/CAD	1.8692	1.06%	3.86%	6.71%
GBP/USD	1.3735	2.04%	9.76%	-1.71%

*Please refer to Appendix for the above table in Canadian dollar terms.

S&P/TSX Composite Index



Treasury yield curves



Source: LSEG DataStream and Bloomberg. Index returns are in local currency.

Economic indicators	Period	Survey	Actual	Prior period
Canada GDP, MoM	Apr	0.0%	-0.1%	0.2%
Canada unemployment rate	May	7.0%	7.0%	6.9%
U.S. CPI YoY, NSA	May	2.5%	2.4%	2.3%
U.S. core CPI YoY, NSA	May	2.9%	2.8%	2.8%
U.S. unemployment rate	May	4.2%	4.2%	4.2%
China exports, YoY	May	5.0%	4.8%	8.1%

Canada

Canadian equities displayed resilience, and the S&P/TSX Composite Index rose strongly amid continuing uncertainty about the outlook for U.S.-Canada trade relations. All sectors except the consumer staples sector showed positive returns, with health care and information technology being the top performers.

In economic developments, real GDP growth showed early signs of weakness in April, after having beaten expectations with a strong first-quarter growth thanks to exports and inventory accumulation. The Bank of Canada maintained its target for the overnight rate at 2.75%, reflecting worries about the effect of U.S. tariffs, softness in economic data and some firmness in inflation data.

U.S.

U.S. equities gained for the month. Corporate earnings reports played a significant role in shaping equity market dynamics, with sectors such as information technology and communication services showing notable gains. Diminished tariff concerns and optimism about AI-led advancements pushed major indexes to new all-time highs. From a style perspective, growth stocks outperformed their value counterparts. Across the market capitalization spectrum, large-cap stocks outperformed small- and mid-cap peers.

Despite this positive trajectory, concerns about a potential economic slowdown persisted, underscored by weak housing data, a cooling labour market and a decline in consumer spending. Lower oil prices have put downward pressure on inflation in recent months; however, the impact of tariffs is expected to outweigh this effect in the months ahead. The risk of higher inflation made the Fed cautious on rate cuts, with policy makers holding the benchmark interest rate steady in June at 4.25% to 4.50, in line with expectations.

On the economic front, the S&P Global U.S. manufacturing PMI rose to 52.9 in June, up from 52.0 in the previous month. The sharpest expansion in U.S. factory activity in over three years, this was partially due to the front-loading effect amid tariff risks. Employment in transportation and warehousing accelerated, in line with growth in orders ahead of tariff implementation. Nevertheless, with trade tensions persisting, the outlook for the U.S. economy remains uncertain.

Rest of the world

European equities ended the month slightly lower (in euro terms), following strong year-to-date performance. Investor sentiment was affected by geopolitical uncertainty, particularly toward the end of the month amid the Middle East conflict. On the monetary policy front, the European Central Bank delivered its eighth rate cut in twelve months, with the headline rate declining from 4% to 2% over the period. Eurozone business activity held steady, with the HCOB flash composite PMI at 50.2, the same as the level in May. New orders broadly stabilized in June compared with recent declining trends.

In Asia, Japanese equities gained during the month, despite geopolitical conflicts and global trade tensions. The Bank of Japan emphasized Japan's economic resilience amidst global tariff issues, showing a commitment to gradual interest rate hikes and quantitative tightening. Chinese equities also delivered positive returns. Factory activity in China expanded during June, with the Caixin manufacturing PMI rising above 50. The improvement was attributed partly to signs of an easing of trade tensions between China and the U.S.

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Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI BoC core, MoM	June	-	0.6%
Canada retail sales, MoM	May	-	0.3%
U.S. consumer confidence	July	-	93.0
U.S. PCE price index, YoY	June	-	2.3%
U.S. import prices, YoY	June	-	0.2%
Eurozone unemployment rate	June	-	6.3%

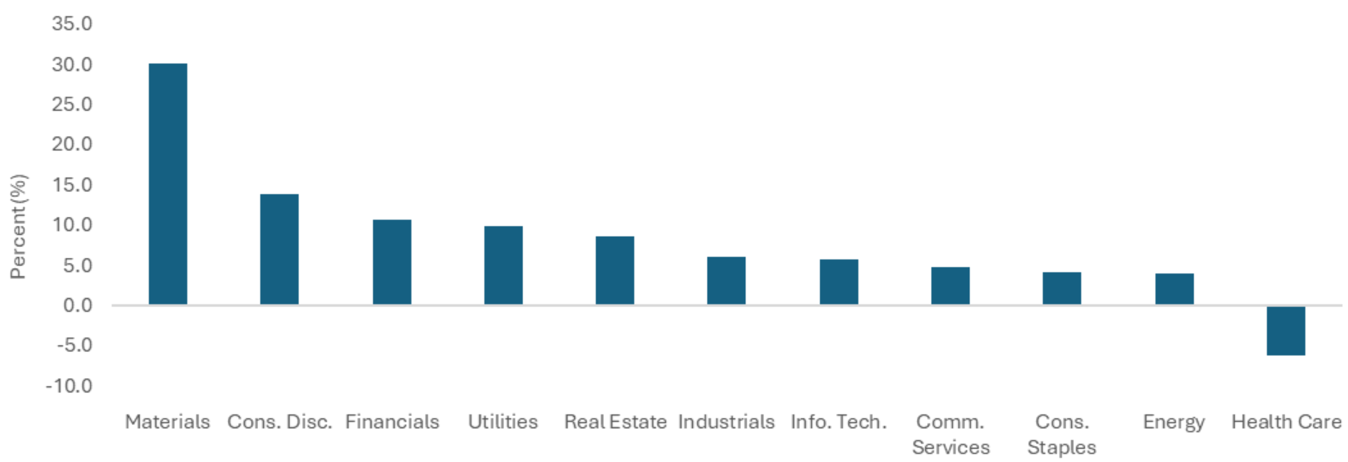
Central bank meetings						
Central banks	Date	Current rate	Expected change by	Probability (%)	Expected change by	Probability (%)
Bank of Canada	30-Jul	2.75%	-	67.8	-0.25	32.2
Federal Open Market Committee	30-Jul	4.50%	-	74.7	-0.25	25.3
European Central Bank	24-Jul	2.15%	-	90.9	-0.25	9.2
Bank of England	07-Aug	4.25%	-0.25	80.7	-	19.3
Bank of Japan	31-Jul	0.50%	-	98.1	+0.25	1.9

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 July 4, 2025.

Spotlight

The materials sector leads the S&P/TSX Composite Index with stellar performance in 2025.

The materials sector has emerged as the top-performing sector on the S&P/TSX Composite Index in 2025, achieving a year-to-date return of 30.1% and consistently outpacing other sectors. This performance is driven by robust global demand for key commodities, such as gold, copper and aluminum, that have benefited from elevated prices due to supply chain constraints and their critical roles in energy-efficient applications and the ongoing energy transition. Canadian mining companies have capitalized on these trends, with strong trading activity and positive earnings momentum further solidifying the sector's leadership. Geopolitical uncertainty and inflation concerns have also heightened investor interest in gold as a hedge against economic volatility.



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Appendix

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GBP/USD	1.3735	1.18%	5.73%	-8.27%

Source: LSEG DataStream. *Commodity prices are in US dollar terms, while returns are in Canadian dollar terms.

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