Monthly Market Commentary

April 2025

U.S. trade policy concerns lead to market volatility.

- Global equities, as measured by the MSCI ACWI Index, saw a modest upturn in April in U.S. dollar terms, but were down in Canadian dollars as the loonie strengthened against the U.S. dollar. There was disparate performance among markets due to a slump in the U.S. market amid volatility in response to numerous changes in the trade policies of the administration of President Donald Trump.
- Global fixed-income assets finished in positive territory for the month; however, Canadian bonds declined. Yields were mixed in the short segment of the U.S. Treasury curve during the quarter and moved lower for all maturities of one year or greater. (Prices move inversely to yields.)
- We reiterate that it is far too early to predict the outcome of U.S. trade policy on the global economy and financial markets. We don't know what the short term will bring, but we are confident that the long-term direction of the stock market is higher.

Economic Backdrop

Global equities, as measured by the MSCI ACWI Index, saw a modest upturn in April in U.S. dollar terms, but were down in Canadian dollars as the loonie strengthened versus the U.S. dollar. There was disparate performance among markets due to a slump in the U.S. market amid volatility in response to numerous changes in the trade policies of the administration of President Donald Trump. Emerging markets underperformed developed markets, with the notable exception of the U.S. As measured by the MSCI USA Index, U.S. stocks posted modestly negative returns and significantly lagged their European and Asian counterparts, as represented by the MSCI Europe Index and the MSCI Pacific Index, respectively.

The Pacific region was the top performer in the developed markets for the month, led by notable upturns in Australia and Japan. Europe also performed well due mainly to strength in Portugal, Germany, and Belgium. Conversely, North America was the weakest-performing region as the tariff-induced decline in U.S. stocks offset gains in Canada. Latin America led the emerging markets in April attributable largely to significant rallies in Mexico and Colombia. Additionally, Eastern Europe was bolstered by strength in Hungary, Greece, and Poland. Chinese stocks listed on the Hong Kong Stock Exchange were the most notable emerging-market laggards in April. The Gulf Cooperation Council (GCC) countries also recorded negative returns during the month.[1]

On April 2, the Trump administration announced a blanket minimum tariff of 10% for all imports, and imposed so-called reciprocal tariffs on multiple countries (with the exception of goods from Canada and Mexico covered under the U.S.-Mexico-Canada Agreement). However, shortly thereafter, Trump announced a 90-day suspension of these reciprocal tariffs, with exception of China. The action followed a brief period of significant volatility in the U.S. Treasury market. The yield on the 10-year U.S. Treasury note rose sharply on fears that the tariffs could have a negative impact on the economy and reignite inflation. (Bond prices and yields move inversely.) The yield subsequently retreated after the announcement of the tariff suspension.

Later in the month, investors were encouraged after Treasury Secretary Scott Bessent told attendees at a private investor summit that he believes the trade war with China is unsustainable and that both countries need to alleviate the geopolitical tensions between the world's two largest economies. Additionally, Trump indicated that he was considering a reduction of the 145% tariffs on Chinese imports. "It won't be that high," he noted. "It will come down substantially. But it won't be zero. It used to be zero." The ongoing tariff dispute remains highly volatile and in constant flux.

Global fixed-income assets, as measured by the Bloomberg Global Aggregate Bond Index, gained 2.9% (in U.S. dollars) for the quarter. U.S. Treasury securities and mortgage-backed securities (MBS) were the strongest performers within the U.S. fixed-income market, while investment-grade corporate bonds and high-yield bonds posted virtually flat returns. Yields were mixed in the short segment of the U.S. Treasury curve during the quarter and moved lower for all maturities of one year or greater. Yields on 2-, 3-, 5-, and 10-year Treasury notes fell by corresponding margins of 0.29%, 0.31%, 0.24%, and 0.06% to 3.60%, 3.58%, 3.72%, and 4.17%, respectively.[2] The U.S. Treasury yield curve remained inverted (three-month yields exceeded 10-year yields), which historically has predicted economic recessions. Canadian bonds declined.

Global commodity prices, as represented by the Bloomberg Commodity Index, fell 4.8% in April. The West Texas Intermediate (WTI) and Brent crude oil prices declined 18.6% and 18.3%, respectively, during the month due to worries that the U.S. tariffs and retaliatory measures from China will weigh on global economic growth and the demand for oil. The gold price again reached multiple record highs over the month, rising 5.4% as investors sought safe-haven assets amid concerns about the tariffs, as well as a decline in the U.S. dollar. (The gold price typically moves inversely to the greenback.) The 11.8% decline in the New York Mercantile Exchange (NYMEX) natural gas price for the month was attributable to an increase in production and a downturn in demand due to relatively warm weather in the U.S. Wheat prices were down 1.2% in April, hampered by an increase in stockpiles globally as well as a rise in exports.

In Canada, the Liberal Party defeated the Conservative Party by a margin of 44%-41% and won 169 of 343 seats in Parliament in the national election on April 28. However, as the Liberals did not secure a majority in Parliament, Prime Minister Mark Carney will need support from Conservatives to enact an economic plan to deal with the Trump administration's trade policies. Carney's main political opponent, Conservative Party leader Pierre Poilievre, lost his seat in Parliament, which he had held since 2004.

On the geopolitical front, in late April, Trump indicated that his administration would end negotiations to end the Russia-Ukraine war if the leaders of the two nations "make it very difficult" to reach a peace agreement. He also commented that a truce was not imminent, but he wanted to complete a deal "quickly." U.S. Secretary of State Marco Rubio echoed Trump's comments. "We're not going to continue with this endeavor for weeks and months on end," he said. [3]

Three days later, Russian President Vladimir Putin announced a three-day ceasefire (May 8-10) in the conflict to enable Russia to celebrate the 80th anniversary of the surrender of Nazi Germany to the Soviet Union and its allies in World War II. In a social media post, Ukrainian Foreign Minister Andrii Sybiha noted, "If Russia truly wants peace, it must cease fire immediately. Why wait until May 8th?" Ukrainian President Volodymyr Zelenskiy had previously indicated that Ukraine would be willing to participate in peace negotiations with Russia if a ceasefire deal led to a pause in the fighting.[4]

Economic Data (unless otherwise noted, data sourced to Bloomberg)

- According to Statistics Canada, consumer prices (as measured by the change in the Consumer Price Index (CPI)) rose 0.3% in March. Year-over-year consumer prices were up 2.3%—a modest slowing of increases from the prior 12 months. Producer prices were mixed in March, as the Industrial Product Price Index (IPPI) increased 0.5% and the Raw Materials Price Index (RMPI) slid 1.0%. Year-over-year prices were up 4.7% and 3.9%, respectively, for the IPPI and RMPI. Prices for metals have sharply increased over the past 12 months, while crude oil prices have been notably weaker after starting 2025 in strong fashion. The Canadian labour market added just 7,400 jobs in April, and the unemployment rate rose 0.2 percentage point to 6.8%.

- The Department of Labor announced that the consumer-price index (CPI) dipped 0.1% in March, down from the 0.2% rise in February and below expectations. Energy costs fell 2.4%, as gasoline prices tumbled 6.3% for the month, offsetting higher costs for electricity and natural gas. Food costs rose 0.4% in March, up from the 0.2% increase in February. The CPI advanced at a lower-than-expected rate of 2.4% year-over-year—the smallest 12-month increase since March 2021—and was down from the 2.8% annual upturn in the previous month. Costs for utility gas service and housing climbed 9.4% and 4.0%, respectively, over the previous 12-month period, while gasoline and fuel oil prices declined by corresponding margins of 9.8% and 7.6%. Core inflation, as measured by the CPI for all items less food and energy, rose 2.8% year-over-year in March, lower than market expectations and down from the 3.1% annual increase in February. According to the initial estimate from the Department of Commerce, U.S. gross domestic product (GDP) decreased at an annualized rate of 0.3% in the first quarter of 2025—down sharply from the 2.4% increase in the fourth quarter of 2024. The economic contraction in the first quarter was attributable mainly to a surge in imports (which are subtracted from GDP), and a decline in government spending. Conversely, there were increases in nonresidential fixed investment (purchases of equipment and software, and nonresidential structures), consumer spending, and exports.

- The Office for National Statistics (ONS) reported that inflation in the U.K., as measured by the CPI, increased 0.3% in March, slightly below than the 0.4% rise in February. The CPI advanced at an annual rate of 2.6% in March, down from the 2.8% year-over-year increase for the previous month. Costs for clothing and footwear, restaurants and hotels, and furniture and household goods posted the largest gains in March, while prices for food and non-alcoholic beverages, recreation and culture, and education were flat. Education, communication, alcohol and tobacco prices climbed 7.5%, 6.0%, and 5.3%, respectively, over the previous 12-month period. Core inflation, which excludes volatile food, energy, and alcohol and tobacco prices, increased at an annual rate of 3.4% in March, moderating from the 3.5% year-over-year upturn in February.[5] The ONS also announced that U.K. GDP increased 0.5% and 0.6% in February and over the previous three months (the most recent reporting periods), respectively. Production and services output saw corresponding increases of 0.7% and 0.6% over the previous three-month period, while output in the construction sector was flat.[6]

- Eurostat pegged the inflation rate for the eurozone at 2.2% for the 12-month period ending in March, down marginally from the 2.3% annual upturn in February. Costs in the services sector rose at an annual rate of 3.5%, a modest decline from the 3.7% increase in February. Prices for food, alcohol and tobacco increased 2.9% year-over-year in February, up from the 2.7% annual rate for the previous month. Core inflation, which excludes volatile energy and food prices, rose at an annual rate of 2.5%, slightly lower than the 2.6% year-over-year increase for the previous month.[7] Eurostat also reported that eurozone GDP rose 0.4% the first quarter of 2025, representing slight improvement over the 0.2% growth rate for the fourth quarter of 2024. Eurozone GDP increased 1.2% over the previous 12-month period. The economies of Ireland, Lithuania, and Spain were the strongest performers for the first quarter, increasing 10.9%, 3.2%, and 2.8%, respectively. In contrast, GDP in Austria, Hungary, and Germany saw corresponding declines of 0.7%, 0.4%, and 0.2% during the quarter.[8]

Index Data (April 2025)

- The S&P/TSX Composite Index edged down 0.10%.
- The FTSE Canada Universe Bond Index declined 0.65%.
- The S&P 500 Index, which measures the performance of U.S. equities, returned -4.68%.
- The MSCI ACWI (Net) Index, used to gauge global equity performance, fell 3.13%.
- The ICE BofA U.S. High Yield Constrained Index, representing U.S. high-yield bond markets, returned -0.15% (currency hedged) and -4.02% (unhedged).
- The Chicago Board Options Exchange Volatility Index (VIX)—a measure of implied volatility in the S&P 500 Index that is also known as the "fear index"—rose from 22.28 at the end of March to 24.70 to end April. The VIX spiked above 52 on April 8 as U.S. stocks hit a near-term low.
- The WTI Cushing crude oil price—a key indicator of movements in the oil market—fell from US$71.48 to US$58.21 a barrel during April as investors focused on the potential for significantly lower global growth due to tariffs.
- The Canadian dollar strengthened to C$1.38 per U.S. dollar. The U.S. dollar was also generally weaker against the world's other major currencies, ending April at US$1.14 versus the euro, US$1.34 against sterling, and at 142.64 yen.

Glossary

Bloomberg Global Aggregate Bond Index is a market-capitalization-weighted index that tracks the performance of global investment-grade fixed-rate debt markets outside of the U.S.

FTSE Canada Universe Bond Index reflects the performance of the broad Canadian bond market including corporate and government issued debt.

The **Gulf Cooperation Council (GCC)** is a regional, intergovernmental, political, and economic union comprising six Arab Gulf countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

MSCI ACWI Index captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 2,558 constituents, the index covers approximately 85% of the global investable equity opportunity set.

MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. With 399 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe. DM countries in Europe include: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.

MSCI Pacific Index captures large and mid cap representation across 5 Developed Markets (DM) countries in the Pacific region. With 280 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. DM countries in the MSCI Pacific Index include: Australia, Hong Kong, Japan, New Zealand and Singapore

MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 576 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

S&P/TSX Composite Index is a capitalization weighted index designed to measure market activity of stocks listed on the S&P/TSX Composite Index, representing a broad range of industry sectors.

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[1] All equity market performance statements are based on the MSCI ACWI Index.
[2] According to the U.S. Department of the Treasury. As of April 30, 2025.
[3] Source: "Trump says US will 'pass' on Ukraine peace talks if no progress soon." BBC. April 25, 2025.
[4] Source: "Putin announces May 8-10 ceasefire, Ukraine wants truce now." Reuters. April 28, 2025.
[5] According to the ONS. April 16, 2025.
[6] According to the ONS. April 11, 2025.
[7] According to Eurostat. April 16, 2025.
[8] According to Eurostat. April 30, 2025.