Justin Truong, CFA
Investment Strategy
justin.truong@mackenzieinvestments.com

Weekly Market Snapshot

For the week ending May 2, 2025

Equities

Local currency, price only, % change

	2025-05-02	Week	QTD	YTD	1Y
S&P/TSX Composite	25,032	1.3%	0.5%	1.2%	14.7%
S&P/TSX Small Cap	799	-0.3%	-2.2%	-1.9%	6.3%
S&P 500	5,687	2.9%	1.3%	-3.3%	12.3%
NASDAQ	17,978	3.4%	3.9%	-6.9%	13.5%
Russell 2000	2,021	3.2%	0.4%	-9.4%	0.2%
UK FTSE 100	8,596	2.2%	0.2%	5.2%	5.2%
Euro Stoxx 50	5,285	2.5%	0.7%	7.9%	8.1%
Nikkei 225	36,831	3.2%	3.4%	-7.7%	-3.7%
MSCI China (USD)	72	2.4%	-2.5%	11.8%	21.7%
MSCI EM (USD)	1,133	3.3%	2.9%	5.4%	7.6%

Fixed income

Total return, % change

	2025-05-02	Week	QTD	YTD	1Y
FTSE Canada Universe Bond	1,178	0.2%	-1.2%	0.8%	7.9%
FTSE Canada All Corporate Bond	1,454	0.3%	-0.8%	1.0%	8.8%
Bloomberg Canada High Yield	193	0.1%	-0.6%	0.5%	6.3%

Interest rates - Canada

Change in bps

	2025-05-02	Week	QTD	YTD	1Y
3-month T-bill	2.64	0	2	-52	-228
GoC bonds 2 yr	2.56	-2	11	-37	-169
GoC bonds 10 yr	3.18	0	21	-5	-56
GoC bonds 30 yr	3.50	0	27	16	-13

Currencies and Commodities

In USD, % change

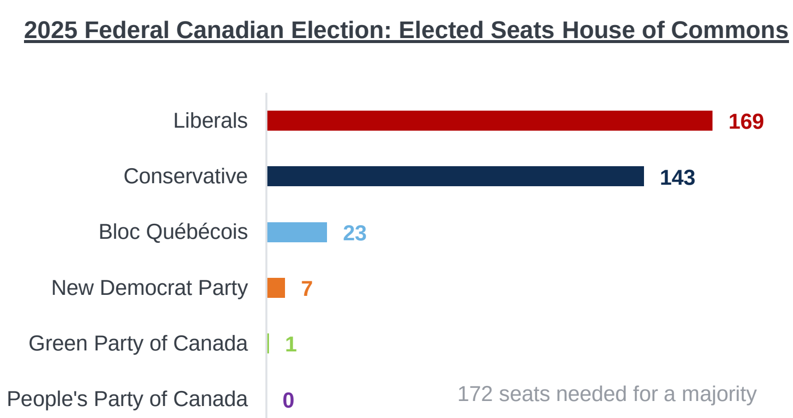
	2025-05-02	Week	QTD	YTD	1Y
CADUSD	0.724	0.4%	4.2%	4.1%	-1.0%
US Dollar Index	100.03	0.6%	-4.0%	-7.8%	-5.0%
Oil (West Texas)	58.29	-8.9%	-18.5%	-18.7%	-26.2%
Natural Gas	3.63	16.6%	-14.7%	8.8%	11.7%
Gold	3,240	-2.4%	3.7%	23.5%	40.7%
Copper	4.67	-4.5%	-8.0%	14.2%	3.2%

Canadian sector performance

Price return, % change

	Week	YTD
Energy	0.5%	-3.5%
Materials	-2.9%	18.5%
Industrials	2.4%	-1.2%
Cons. Disc.	2.3%	2.1%
Info Tech	1.9%	-4.0%
Health Care	1.7%	-14.5%
Financials	2.9%	0.1%
Cons. Staples	0.9%	3.9%
Comm. Services	-0.1%	-4.8%
Utilities	1.2%	5.9%
Real Estate	1.8%	0.6%

Chart of the week: Canadians hand Liberals a 4th term



*Canada's 2025 federal election concluded with a widely expected Liberal victory, as Mark Carney's Liberals secured 169 of 343 seats, falling three short of a majority. The result, consistent with polls and betting markets like Polymarket, **left markets largely unfazed**. The Canadian dollar remained stable within recent trading ranges, reflecting investor comfort with the predictable outcome and Carney's economic credentials, though tempered by the uncertainty of a minority government that will require Bloc Québécois (23 seats) or NDP (7 seats) support to pass legislation.*

Carney's platform focused heavily on addressing rising global trade risks, particularly President Donald Trump's 25% tariffs on Canadian goods, including autos, steel and aluminum, along with a 10% levy on energy. He pledged to respond "firmly but constructively," centred on diversifying trade with Europe, Asia, and other G7 allies to reduce US reliance. His plan includes retooling industrial policy, expanding domestic manufacturing incentives, and implementing targeted retaliatory tariffs, while providing relief for affected industries to bolster competitiveness.

Domestically, the Liberals plan to prioritize housing affordability, with a new $12 billion Build Canada Homes agency, $6 billion to halve municipal development charges, and $4 billion in tax incentives to repurpose existing buildings, totalling $22 billion in housing investment. Other major proposals include cutting the lowest federal tax bracket from 15% to 14%, allocating $18 billion toward meeting NATO's 2% defence spending target, and investing $20 billion in infrastructure such as high-speed rail and digital networks.

The platform's $130 billion in new measures over four years, alongside existing programs, will raise federal debt by $225 billion by 2028–29, according to Liberal estimates. The deficit is projected to widen to $62.3 billion (~2% of GDP) in 2025–26, up from $42.2 billion in the 2024 Fall Economic Statement, before declining to $48 billion by 2028–29. This trajectory is supported by $51.8 billion in proposed new revenue, including $20 billion from tariffs and $28 billion from departmental efficiencies.

*The subdued market reaction underscores the election's predictability. **Investors are adopting a…***

*…**wait-and-see approach,** focusing on Carney's first budget—expected after Parliament reconvenes in late May—for clearer signals on trade policy, stimulus allocation, and fiscal discipline. Key themes to watch include opportunities in housing, clean energy, and defense, balanced against risks from US tariffs, rising deficits, and a potential recession. **While Carney's global credentials and climate agenda may attract ESG capital, success will hinge on his ability to manage Trump-era trade tensions and a fragmented domestic parliament.** His first test comes Tuesday, when he is set to meet with President Trump to discuss trade and security.*

Back where we started

Global equities rose for the third consecutive week, as investors navigated conflicting signals on US-China trade. President Trump and Treasury Secretary Bessent expressed optimism, with Bessent noting discussions with Chinese officials during IMF/World Bank meetings. However, China's Commerce Ministry denied ongoing talks, stating it is merely "evaluating" US proposals and reaffirmed that the removal of 145% tariffs is a precondition for any negotiation. **Despite this disconnect, the S&P 500 surged nearly 3%, completing a full rebound from the ~15% selloff triggered by Trump's April 2 "Liberation Day" tariff announcement.**

Markets are responding to even tentative signs of de-escalation, but volatility and tail risks remain elevated. China's limited tariff exemptions on select US semiconductors and pharmaceuticals signalled tentative signs of flexibility, **though far from a broader rollback.** Trump, for his part, softened the economic blow of steep auto tariffs by introducing tax credits of up to 15% for domestically assembled vehicles, while also closing the de minimis loophole, previously used to import tariff-free Chinese goods under $800—targeting e-commerce giants like Shein and Temu. **These changes may support US manufacturers and logistics firms, while import-reliant retailers could face margin pressure from rising cost pressures.**

Despite the market bounce, cracks are emerging in the economic data. Q1 GDP contracted 0.3%—the first decline since 2022—driven by a record $162 billion trade deficit from pre-tariff import surges. Consumption growth slowed to 1.8% from 4.0% in Q4, while fiscal tightening weighed on government spending. Meanwhile, US-China trade activity continues to deteriorate, with soybean exports to China down 67%, and Chinese shipments to the US are projected to fall 30–35%, according to the Port of Los Angeles.

Moreover, signs of front-running prior to the Liberation Day announcement are evident. Q1 durable goods orders and business investment surged as firms rushed to stockpile goods before tariffs took effect. Import volumes jumped over 40%, particularly in goods like machinery and electronics, **indicating a rush to build inventories ahead of tariffs**. Meanwhile, March personal spending was bolstered by consumers making last-minute purchases before tariff hikes. This stockpiling activity masks underlying weakness, but potential tariff-driven price hikes alongside last week's strong April jobs report (177k vs. 135k expected) **will likely keep the Fed on the sidelines this week.**

For markets, there are two takeaways. First, severe tariff scenarios were largely priced in, so even modest signs of de-escalation would spark outsized rallies in risk assets. ***It is a reminder that markets trade on expectations, not headlines.*** Second, Q1's apparent resilience overstates true economic momentum. **As the temporary effects from front-loading fade and tariff bites, we are likely to see a downshift in growth**. Second, global trade realignment adds to today's complex backdrop. Europe may benefit from lower inflation as Chinese exports are rerouted from the US, but increased competition could hurt local producers. Emerging markets face risks too, with Bessent warning China could "very quickly" lose up to 10 million jobs if tariffs persist at current levels. On a more positive note, Bessent, stating that the 145% tariffs on China are "unsustainable," **hints at potential US concessions.**

In this uncertain environment, a balanced equity-bond portfolio, with attention to trade data, retail trends, and Fed signals, remains the prudent stance.

The week in review

- Mark Carney is elected Canadian Prime Minister in a Liberal minority government
- Canadian real GDP (Feb.) fell -0.2% m/m (versus 00% expected), downshifting from a 0.4% expansion in the prior month. In real annual terms, the economy grew 1.6% y/y. StatsCan's flash estimate for March expects a modest 0.1% rebound.
- US non-farm payrolls (Apr.) rose 177k (versus 138k expected), after the prior month's 315,000 gain. The jobless rate held steady at 4.2%, with the labour force participation rate ticking higher to 62.6%. Average hourly earnings rose 0.2% m/m, holding the annual pace at 3.8% y/y.
- US real GDP (Q1) contracted -0.3% q/q annualized (versus -0.2% expected), after the prior quarter's 2.4% gain. However, the weak headline print was largely due to import front-loading ahead of tariffs (+41% annualized).
- US Core PCE Price Index (Mar.) was flat m/m (in line with expectations), lowering the annual pace to 2.6% y/y from an upwardly revised 3.0% in the prior month.
- The US Employment Cost Index (Q1) rose 0.9% q/q, matching the increase from the prior quarter.
- The US ISM Manufacturing PMI Index (Apr.) fell to 48.7 from 49.0.
- US personal spending (Mar.) rose 0.7% m/m (versus 0.6% expected), after the prior month's upwardly revised 0.5% increase. In real terms, spending rose an equally strong 0.7%. Personal income (Mar.) rose 0.5% (versus 0.4% expected), after the prior month's downwardly revised 0.7% gain.
- Eurozone real GDP (Q1) expanded a seasonally adjusted 0.4% q/q annualized (versus 0.2% expected), after the prior quarter's 0.2% advance. In annual terms, economic growth has risen 1.2% y/y.
- Eurozone headline CPI (Apr.) rose 0.6% m/m (versus 0.5% expected), holding the annual pace at 2.2% y/y. Core CPI accelerated to 2.7% y/y from 2.4%.
- The Bank of Japan maintained its target rate at 0.5%, while cutting its growth and inflation forecasts.
- Purchasing Managers Index (PMI) recap (Apr, change from prior reading in brackets): Canada S&P Manufacturing 45.3 (-1.0); US ISM Manufacturing 48.7 (-0.3); and China Caixin Manufacturing 50.4 (-0.8), Official Manufacturing 49.0 (-1.5), Official non-manufacturing 50.4 (-0.4).
- OPEC+ agrees to further increase its production output by 411k barrels per day, following a similar increase in May.

The week ahead

- US FOMC monetary policy announcement
- Canadian employment and trade data
- BoC Financial Stability Report and Financial System Survey
- US ISM Services PMI and productivity data
- Bank of England monetary policy announcement
- Chinese trade and aggregate yuan financing data
- 93 S&P 500 and 105 S&P/TSX companies report earnings

Weekly Market Snapshot

For the week ending May 2, 2025