

Week ending May 2, 2025

Market developments

Equities: Global equity markets experienced volatility but ended the week on a positive note, with the S&P 500 and Dow Jones Industrial Average erasing early losses to post gains, driven by strong U.S. tech earnings from companies like Microsoft and Meta Platforms. Investor sentiment was buoyed by signs of easing U.S.-China trade tensions, though concerns about potential tariffs continued to create uncertainty. Despite a reported U.S. GDP contraction, consumer spending resilience and a strong jobs report supported a late rally in U.S. and European stocks. However, the U.S. stock market has faced its worst first 100 days of a presidential term since 1974, reflecting ongoing trade policy concerns.

Fixed Income: Treasury yields increased slightly, with the 10-year Treasury settling at 4.3%, offering some relief to bond markets amid trade policy uncertainties. Fixed income markets have provided high yields, attracting investors seeking insulation from equity volatility and tariff-related risks. However, evolving U.S. trade and fiscal policies continue to weigh on longer-duration assets, with active management seen as key to navigating these challenges.

Commodities: Commodity prices faced downward pressure, with global prices expected to hit their lowest levels of the 2020s due to ample oil supply and faltering economic growth. Gold prices dropped to a two-week low, driven by easing trade tensions and a holiday in China, while crude oil prices also sank amid mixed economic signals.

Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
Equities (\$Local)					
S&P/TSX Composite	25,031.51	1.30%	-1.09%	-1.96%	1.23%
S&P 500	5,686.67	2.92%	0.28%	-5.86%	-3.31%
NASDAQ	17,977.73	3.42%	2.14%	-8.41%	-6.90%
DAX	23,086.65	3.80%	3.11%	6.23%	15.96%
NIKKEI 225	36,830.69	3.15%	3.09%	-6.93%	-7.68%
Shanghai Composite	3,279.03	-0.49%	-2.12%	0.87%	-2.17%
Fixed Income (Performance in %)					
Canada Aggregate Bond	237.81	0.55%	-1.14%	-0.06%	1.04%
US Aggregate Bond	2251.28	0.16%	-0.14%	2.30%	2.84%
Europe Aggregate Bond	244.80	-0.26%	1.13%	0.45%	0.43%
US High Yield Bond	27.15	0.08%	-0.14%	-0.18%	1.19%
Commodities (\$USD)					
Oil	58.49	-7.19%	-18.44%	-19.36%	-18.45%
Gold	3239.46	-2.42%	3.36%	15.76%	23.43%
Copper	465.35	-3.85%	-7.68%	8.75%	15.57%
Currencies (\$USD)					
US Dollar Index	100.06	0.59%	-3.61%	-7.67%	-7.77%
Loonie	1.3815	0.35%	3.08%	5.26%	4.12%

Euro	0.8854	-0.62%	4.07%	8.99%	9.09%
Yen	144.95	-0.88%	2.99%	7.06%	8.45%

Source: Bloomberg, as of May 2, 2025

Central Bank Interest Rates

Central Bank	Current Rate	June 2025 Expected Rate*	December 2025 Expected Rate*
Bank of Canada	2.75%	2.62%	2.28%
U.S. Federal Reserve	4.50%	4.23%	3.54%
European Central Bank	2.25%	1.93%	1.57%
Bank of England	4.50%	4.07%	3.53%
Bank of Japan	0.50%	0.49%	0.63%

Source: Bloomberg, as of May 2, 2025

*Expected rates are based on bond futures pricing

Macro developments

Canada – Canadian GDP Fluctuations, Manufacturing Slump

Canada's GDP grew by 0.1% in March, driven by gains in mining, retail, and transportation, though manufacturing and wholesale declined. February saw a 0.2% contraction, with goods-producing industries dropping 0.6%, offset slightly by a 0.7% rise in finance and insurance. A 0.4% expansion is projected for Q1 2025.

The S&P Global Canada Manufacturing PMI dropped to 45.3 in April, the lowest since May 2020, due to sharp declines in output and new orders. U.S. trade policy and tariffs reduced demand, leading to job cuts and inventory reductions, though input costs remained high and confidence slightly improved.

U.S. – U.S. Economic Contraction, Inflation Stagnation, Manufacturing Struggles, Job Growth Defies Expectations, Stable Unemployment with Rising Participation

The U.S. economy shrank by 0.3% in Q1 2025, the first decline since 2022, below expectations of 0.3% growth. This was driven by a 41.3% import surge, slower consumer spending (1.8%) and a 5.1% drop in government spending, though fixed investment rose 7.8%.

The U.S. PCE price index was unchanged in March, with goods prices falling 0.5% and services rising 0.2%. Core PCE was also flat, against expectations of a 0.1% rise. Annual PCE inflation dropped to 2.3%, and core eased to 2.6%.

The U.S. ISM Manufacturing PMI fell to 48.7 in April, indicating continued sector contraction. Output dropped sharply and prices rose, while new orders and job losses eased slightly. Tariff disruptions and rising costs strained supply chains and demand.

The economy added 177,000 jobs in April, surpassing expectations of 130,000 despite a slight slowdown from March's 185,000. Health care, transportation and financial sectors drove gains, while federal government jobs fell. This aligns with the 12-month average of 152,000 jobs amid tariff policy uncertainties.

The unemployment rate held steady at 4.2% in April, matching March and market forecasts. Unemployment rose by 82,000 to 7.165 million, but employment grew by 436,000. Labor force participation increased to 62.6%, and the U-6 rate dipped to 7.8%.

International – Eurozone Economic Resilience, Eurozone Inflation Persistence, China’s Manufacturing Slowdown, Japan’s Retail Growth, Bank of Japan’s Cautious Stance

The Eurozone economy grew 1.2% year-on-year in Q1 2025, exceeding expectations of 1%. Germany contracted by 0.2%, while France (0.8%), Italy (0.6%) and Spain (2.8%) saw growth, maintaining the previous quarter’s pace.

Euro Area inflation held at 2.2% in April, above the ECB’s 2% target. Energy prices fell 3.5%, but services (3.9%) and food (3.0%) inflation rose. Core inflation increased to 2.7%, and monthly prices rose 0.6%.

China’s Caixin Manufacturing PMI fell to 50.4 in April, indicating the weakest expansion in seven months. New orders and output growth slowed, foreign sales dropped due to U.S. tariffs and input costs fell, though sentiment weakened significantly.

Japan’s retail sales rose 3.1% year-on-year in March, driven by wage growth, though below expectations of 3.5%. Most sectors, like clothing (7.6%) and machinery (6.7%), grew, but department stores fell 1.2%. Monthly sales dropped 1.2%.

The BoJ maintained its 0.5% interest rate in May, citing U.S. tariff risks. It lowered GDP forecasts for 2025 (0.5%) and 2026 (0.7%) and core inflation for 2025 (2.2%). Future rate hikes depend on economic and price trends.

Quick look ahead

DATE	COUNTRY / REGION	EVENT		SURVEY	PRIOR
05-May-25	United States	ISM Services Index	Apr	50.2	50.8
05-May-25	China	Caixin China PMI Services	Apr	51.8	51.9
07-May-25	Eurozone Aggregate	Retail Sales MoM	Mar	(0.1)	0.3
07-May-25	Eurozone Aggregate	Retail Sales YoY	Mar	1.6	2.3
07-May-25	United States	FOMC Rate Decision		4.5	4.5
08-May-25	United Kingdom	Bank of England Bank Rate		4.3	4.5
09-May-25	Canada	Net Change in Employment	Apr	25.0	(32.6)
09-May-25	Canada	Unemployment Rate	Apr	6.7	6.7
09-May-25	China	PPI YoY	Apr		(2.5)
09-May-25	China	CPI YoY	Apr		(0.1)

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