



Market Commentary

Q2 2025



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June 2025	3 months (%)	1 Year (%)
Canadian Equities		
S&P/TSX Composite Index	8.53	26.37
S&P/TSX 60 Index	7.59	26.31
S&P/TSX Small Cap Index	11.75	23.10
Canadian Fixed Income		
S&P Canada Agg Bond Index	-0.47	5.87
U.S. Equities		
S&P 500 Index	10.94	15.16
Nasdaq Composite Index	17.96	15.68
US Fixed Income		
BBg US Aggregate Bond Index	1.21	6.08
Global Equities		
MSCI World Index	5.83	16.44
MSCI EAFE Index	6.25	18.00
MSCI Emerging Markets Index	6.37	15.64
Global Fixed Income		
FTSE WGBI Index	-0.85	8.18
Global Equity Sectors		
Energy	-9.73	-0.21
Utilities	2.86	26.07
Financials	4.47	34.64
Consumer Staples	-1.84	12.18
Health Care	-8.95	-5.40
Materials	0.70	4.49
Real Estate	-3.99	9.55
Industrials	9.08	24.23
Communication Services	12.96	24.82
Consumer Discretionary	4.96	15.64
Information Technology	16.84	15.11

Source: Morningstar
All in Canadian Dollars except US indices which are in US Dollars.

Global Markets Stage a Strong Comeback

After a turbulent start to the quarter, global markets demonstrated remarkable resilience, bouncing back from a sharp downturn in April to deliver solid gains by quarter-end. Q2 2025 highlighted the importance of staying invested, with those who remained patient ultimately rewarded.

Markets were rattled early in the quarter when the U.S. administration announced sweeping tariffs—dubbed “Liberation Day” by analysts—sending equities into a sharp sell-off. The S&P 500 briefly entered correction territory, and volatility spiked. However, a swift policy reversal in late April spurred a rally, driving a powerful recovery that carried through to quarter-end.

Equity Markets: Tech-Led Recovery and Emerging Market Strength

U.S. equities surged, with the S&P 500 climbing nearly 11%, hitting new highs. The technology sector was the standout, gaining 17%, driven by strong demand for AI infrastructure and cloud services. The Nasdaq followed suit, propelled by mega-cap growth stocks and a stabilizing geopolitical backdrop.

Canadian equities also performed well. The S&P/TSX Composite rose 8.5%, led by tech and materials. Gold rallied as investors sought refuge from U.S. dollar volatility. However, energy stocks underperformed due to geopolitical tensions and a drop in oil prices—WTI crude ended the quarter down nearly 9%.

International markets rebounded. The MSCI Emerging Markets Index rose 6.4%, outperforming developed markets as investors sought growth opportunities. The MSCI EAFE Index posted a 6.1% gain, recovering from early trade-related anxiety.

Fixed Income: A Tale of Caution and Selective Gains

Bond markets were initially gripped by risk aversion, triggering a flight to safety in sovereign debt. Despite volatility, yields held relatively steady.

- U.S. 10-year Treasuries ranged between 4.3%–4.5%,
- The Federal Reserve held rates at 4.5%,
- The Bank of Canada maintained its policy rate at 2.75%.

Global bond indices posted negative returns due to currency headwinds from a weakening U.S. dollar. However, high yield bonds rebounded strongly as sentiment improved in May and June.

Private Equity: Quiet but Strategic Progress

Away from public market noise, private equity continued to build momentum. Deal activity remained steady, with institutional investors selectively deploying capital into high-conviction sectors such as:

- AI and foundational tech
- Digital health
- Clean energy and infrastructure

Late-stage valuations held firm, and buyout activity picked up post-tariff volatility. With borrowing costs lower and capital waiting on the sidelines, many funds are poised for an active second half of the year.

Sector Snapshot: June 2025 Highlights

Sector	Q2 Summary
Information Technology	Top performer globally; driven by AI enthusiasm and cloud infrastructure demand
Industrials	Benefited from infrastructure optimism and easing trade concerns
Materials	Gold gains helped offset broader commodity volatility
Financials	Stable, with limited upside amid unchanged central bank policy
Consumer Discretionary	Rebounded as inflation moderated and wage growth strengthened
Consumer Staples	Lagged due to rotation into risk-on growth sectors
Energy	Underperformed; oil price volatility and geopolitical risk weighed on returns
Health Care	Consolidated earlier gains; investors shifted toward growth sectors
Real Estate	Mixed; residential REITs steadier than commercial assets
Utilities	Sensitive to rates; lagged in a growth-focused market
Telecom Services	Delivered stable returns; supported by ongoing 5G and infrastructure spending

Focus on Canada: Slow Progress, Resilient Fundamentals

Canada faced several economic challenges in Q2:

- A tariff shock, rising unemployment, and weak consumer sentiment have weighed on growth.
- Despite rate cuts from the Bank of Canada, the housing market remains tentative and business investment subdued.

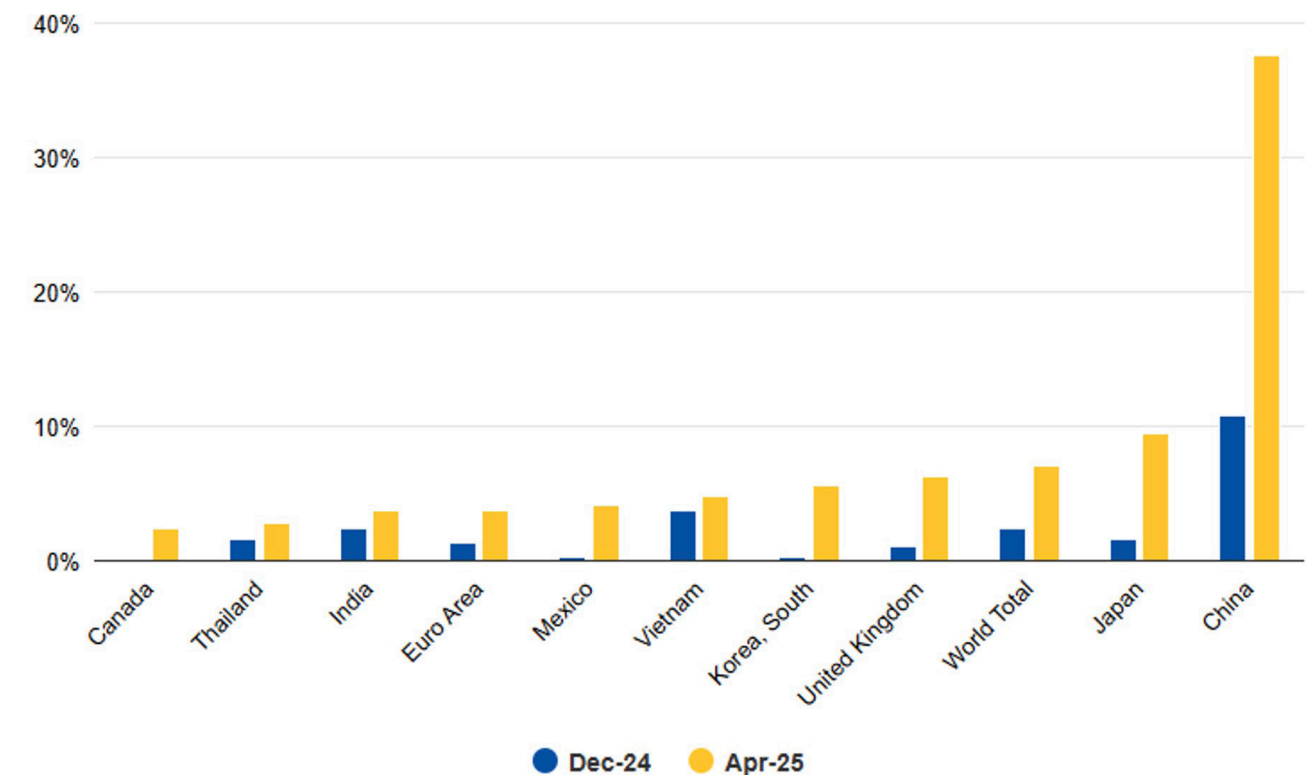
But there are bright spots:

- Most Canadian exports were exempt from new U.S. tariffs.
- Canada had the lowest effective U.S. tariff rate among major trade partners in April.
- Policy flexibility, strategic natural resources, and moderate inflation offer support.



Canada ranked low on list of U.S. tariff hikes in April

(Calculated duty, percent of imports)



Source: US Census Bureau, RBC Economics.

Looking Ahead: Strategy Over Headlines

As H2 2025 begins, geopolitical risk and policy uncertainty remain in focus. Investors should remain disciplined, resist reacting to short-term news, and focus on key market drivers:

- **Sector rotation** may accelerate, particularly toward energy, industrials, and value stocks if consumer confidence strengthens.
- **Private equity** is expected to see rising deal activity, especially in sectors less sensitive to macro shocks.
- Inflation is easing but may stabilize above pre-pandemic norms, driven by tight labour markets, reshoring, and persistent consumer demand.
- **Rates** could stay higher for longer: Central banks remain cautious about loosening too soon.

Final Thoughts: Stay Disciplined and Invested

Volatility is not the enemy—it's the environment. In a world shaped by macro shifts and sudden policy turns, disciplined investing is more crucial than ever. Staying invested, diversified, and aligned with long-term goals is how investors thrive.

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