

Keys to the market

What happened this week

March 7, 2025

In Canada, the S&P Global Canada Manufacturing PMI for February clocked in at 47.8, a sharp drop from 51.6 in the previous month. This contraction, the first since August and the sharpest since December 2023, was caused by the uncertainty over Canada-U.S. trade policies. Meanwhile, the Ivey Purchasing Managers Index presented a stark contrast, soaring to a seven-month high of 55.3, as inventories declined and employment rebounded. The unemployment rate was stable at 6.6%; the number of unemployed Canadians fell, but the decrease was offset by a marginal increase in net employment.

In the United States, the ISM Manufacturing PMI also declined, from 50.9 in January to 50.3 in February, indicating slower growth in the manufacturing sector owing to emerging impacts of the new tariff policies. New orders fell the most since March 2022, and production slowed sharply. That being said, the ISM Services PMI unexpectedly increased from 52.8 to 53.5, pointing to faster growth in the services sector for the third consecutive month. Still, the U.S. unemployment rate rose to 4.1%, slightly exceeding forecasts. Further, nonfarm payrolls showed a modest increase, with employment rising in some sectors while others showed little change. The economic picture is mixed as the labour market faces potential impacts from federal spending cuts and tariffs.

Canada's Unemployment Rate
Data from Statistics Canada, as at 2/2025



Bond market

It was a case of diverging fortunes in fixed income this week, with U.S. 10-year Treasury yields the clear outperformer, trading in a relatively narrow band around 4.25% on trade-policy uncertainty, jittery risk assets, and softening sentiment toward the labour market, all of which maintained the flight to quality. In Canada yields rose by about 15 basis points amid on-again, off-again tariff threats, while in Europe they gapped out 10 to 40 basis points, depending on the country, in response to announcements about the need to ramp up military and

Highlights

- In Canada, the Manufacturing PMI drops sharply, while the Ivey PMI hits a seven-month high.
- In the United States, unemployment rises amid slower manufacturing growth and faster services growth.

On our radar

- Canada: BoC Interest rate decision, building permits for January.
- United States: Job openings for January, inflation rate and PPI for February, consumer sentiment for March.

infrastructure spending, given the new dynamics in global security and international relations. Volatility gripped the markets owing to the stunning policy uncertainty in the United States and its knock-on effects, driving a flight to quality (namely U.S. Treasuries) and eclipsing everything else – circumstances we think will continue to play out in the near term. Next week we will see how the U.S. inflation numbers factor into the mix.

Even though risk assets were under pressure, corporate spreads were well behaved this week, with U.S. HY staying under 300 basis points and U.S. IG under 90 basis points. What's more, the U.S. IG market absorbed heavy levels of new issuance, consistent with our ongoing conviction that there is structural demand for corporate bonds.

Stock market

The S&P 500 Index tumbled this week, while the NASDAQ entered correction territory as investors looked to de-risk. Investor sentiment continued to deteriorate because of rising trade tensions, increased geopolitical risk, and mixed earnings reports, as well as further data pointing to an economic slowdown. The whipsaw of Washington's trade policy seemed chief among the factors driving investor uncertainty.

On the earnings front, Broadcom delivered better-than-expected results and reiterated that AI chip demand will keep growing for the foreseeable future. Even so, its results were not enough to reignite interest in the AI trade, as evidenced by this week's continuous decline of Nvidia, the market leader in this space.

Additionally, Costco delivered strong results driven by continued market-share gains and consumer trade downs. Despite the strength in earnings, investors at large seem intent on de-risking after the tumultuous events of the past week.

Markets (Total return, in CAD)

As of March 6, 2025	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	-4.52	-4.52	-2.98	20.28	15.78	17.26
S&P/TSX	-3.13	-3.13	-0.17	17.29	8.07	12.12
NASDAQ	-4.89	-4.89	-5.31	17.51	17.44	20.09
MSCI ACWI	-2.85	-2.85	0.02	19.01	14.70	14.76
MSCI EAFE	2.64	2.64	10.31	17.08	14.33	10.74
MSCI EM	2.15	2.15	4.69	19.64	6.62	6.47
Commodities (USD)						
Gold	1.89	1.89	10.95	35.55	13.90	11.71
CRB	-0.04	-0.04	0.47	2.63	-4.71	6.22
WTI	-4.87	-4.87	-7.47	-16.14	-16.91	9.96
Fixed income						
FTSE TMX Canada Universe	-1.15	-1.15	1.13	6.28	0.83	-0.25
FTSE TMX Canada Long	-2.63	-2.63	0.52	4.33	-2.22	-3.48
FTSE TMX Canada Corporate Overall	-0.92	-0.92	0.93	7.77	3.02	1.54
Currencies						
DXY	-3.30	-3.30	-4.08	0.67	1.80	1.64
USDCAD	-1.14	-1.14	-0.61	5.79	3.94	1.28
USDEUR	-3.80	-3.80	-4.01	1.06	0.45	0.91
USDJPY	-1.76	-1.76	-5.87	-0.94	8.82	7.02
USDGBP	-2.36	-2.36	-2.84	-1.17	0.91	0.26

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	2.64	3.96
5Y	2.73	4.06
10Y	3.07	4.28
30Y	3.30	4.58
Credit spreads		
IG corporate bonds	118	88
HY bonds	310	299

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Rooted in history, innovating for the future.

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