

# Keys to the market

## What happened this week

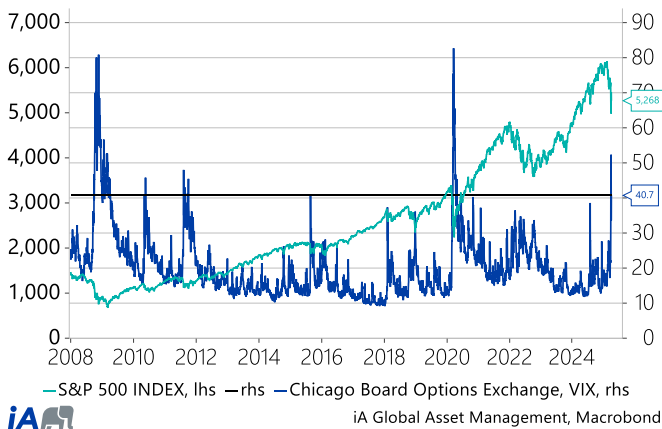
April 11, 2025

In Canada, the markets had a rollercoaster week as Trump's tariff policies dominated headlines. The S&P/TSX Composite Index fell sharply on April 8 amid fears of a global trade war, only to rally 5.4% on April 9 after a 90-day tariff pause was announced for all countries except China. But the gains faded on April 10, with the energy and financial sectors hit hardest, leaving the index nearly flat by week's end. Earlier in the week, current Prime Minister Mark Carney warned that a looming U.S. recession could spread north, amplifying the uncertainty as trade tensions with China escalated.

In the United States, the S&P 500 Index endured dramatic swings, tumbling nearly 2% on April 8 in a tariff-driven sell-off, then soaring 9.5% on April 9—its best day since 2008—after Trump announced the pause. The relief proved fleeting, however, with a 3.5% drop on April 10 as China's retaliation reignited fears. Economists, including JPMorgan's Jamie Dimon, cautioned that sustained tariffs could spark a recession, with volatility signalling deeper market unease.

### Sharp correction in U.S. equities as volatility spikes

As at 4/10/2025



### Bond market

Bonds took it on the chin this week and were arguably the main reason why the U.S. administration did an about-face on some of its retaliatory tariffs, mainly because 10-year U.S. Treasuries gapped higher by 60 basis points from the early hours of April 7 to the first few minutes of April 9. At week's end, U.S. 10-year yields were up by 40+ basis points and eclipsed 4.5%. The adverse move in Treasuries is obviously counter to the U.S. administration's goal of lowering refinancing rates but has not been enough to provoke a policy response from the Fed, which even suggested the bar for a rate cut is now higher because of the inflationary impact of tariffs. Even so, there is growing talk

### Highlights

- In Canada, the S&P/TSX Composite Index fluctuates amid tariff policies and trade tensions.
- In the United States, a 90-day tariff pause triggers a brief S&P 500 rally, followed by renewed market fears.

### On our radar

- Canada: Inflation rate for March and BoC interest rate decision
- United States: Retail sales, building permits and housing starts for March, Michigan Consumer sentiment for April

that further disruption in bonds may trigger an intermeeting rate cut by the Fed.

Canadas were dragged upward in sympathy but to nowhere near the same degree, with GoC 10-years rising 25 basis points or so to move above 3.25%. Hope that the BoC will cut by 25 basis points next week isn't reflected in futures pricing. Meanwhile U.S. futures are seesawing between three and four 25-basis-point cuts by the Fed this year.

In the current environment, the flight to quality is being overshadowed by technical factors and flows out of U.S. dollar assets, which together are cratering bond prices. Despite Wednesday's rally, risk assets have been set back on their heels. In credit, U.S. HY is well above 400 basis points and U.S. IG is over 100, but neither level has fully priced in a recession.

### Stock market

This week was one of extreme highs and lows for the stock market as investors struggled with the breakneck speed at which President Trump makes, and changes, policy decisions.

Earlier in the week, the market hit its lowest close in nearly a year, followed by a record one-day gain after Trump announced a 90-day tariff pause that excluded China. But the relief was short-lived owing to further tit-for-tat between the U.S. and China, whose tariffs now stand at 145% and 125%, respectively. With tension and uncertainty over trade policies, the country's fiscal challenges, and a sharp decline in consumer confidence, the market is increasingly worried about whether the U.S. can avoid a recession.

Lost amidst the chaos were Walmart's earnings and analyst day. The company maintained its forecast for the year and highlighted opportunities for share gains in a tariffed environment, owing to its massive scale. But it also noted that the range of outcomes for the quarter's operating income growth had widened in the current environment.

## Markets (Total return, in CAD)

As of April 10, 2025	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	2.23	-8.64	-12.48	5.57	10.96	15.39
S&P/TSX	-0.71	-7.54	-6.15	6.04	4.98	13.60
NASDAQ	3.79	-7.44	-15.02	3.99	12.47	17.44
MSCI ACWI	1.30	-8.22	-9.80	4.78	9.77	13.44
MSCI EAFE	-0.97	-6.99	-0.53	3.94	8.90	10.18
MSCI EM	-6.81	-9.02	-6.22	3.40	3.63	6.04
<b>Commodities (USD)</b>						
Gold	4.54	1.69	21.02	35.00	17.71	13.53
CRB	0.16	-0.67	1.29	-0.89	-5.12	8.46
WTI	-3.10	-15.96	-16.24	-29.52	-15.13	21.42
<b>Fixed income</b>						
FTSE TMX Canada Universe	-2.23	-1.92	0.06	6.24	2.36	0.40
FTSE TMX Canada Long	-4.68	-4.37	-2.66	4.09	-0.44	-2.15
FTSE TMX Canada Corporate Overall	-1.69	-1.75	0.03	7.25	4.18	2.58
<b>Currencies</b>						
DXY	-2.09	-3.21	-7.02	-3.15	0.36	0.27
USDCAD	-1.66	-2.81	-2.79	3.04	3.61	0.01
USDEUR	-2.19	-3.43	-7.57	-3.07	-0.98	-0.49
USDJPY	-1.69	-3.67	-8.11	-4.82	5.12	5.89
USDGBP	-0.63	-0.40	-3.50	-2.26	0.17	-0.80

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	2.63	3.86
5Y	2.83	4.07
10Y	3.24	4.42
30Y	3.55	4.87
<b>Credit spreads</b>		
IG corporate bonds	125	118
HY bonds	348	442

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### Rooted in history, innovating for the future.

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