

# Keys to the market

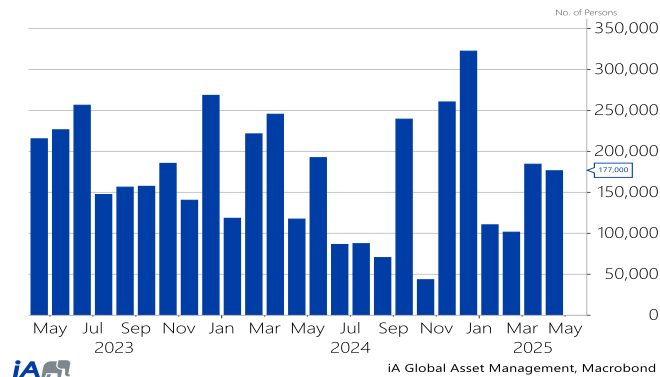
## What happened this week

May 2, 2025

In Canada, GDP rose by a modest 0.1% in March 2025, according to advance estimates. Even so, the gains were tempered by declines in manufacturing and wholesale trade. This preliminary figure suggests a 0.4% expansion for the first quarter of 2025 and a recovery from the 0.2% contraction in February. Meanwhile, Manufacturing PMI fell to 45.3 in April, its lowest level since May 2020, for the third consecutive month of declining factory activity. The downturn was attributed to steep contractions in output and new orders, exacerbated by tariffs and unpredictable U.S. trade policies. Despite the challenges, the S&P/TSX Composite Index had a positive week.

In the United States, GDP contracted at an annualized rate of 0.3% in the first quarter, marking the first decline since early 2022, in stark contrast to 2.4% growth in the previous quarter. A 41.3% surge in imports contributed to the slowdown, as businesses and consumers stockpiled goods ahead of the expected tariff hikes. Despite the challenges, the U.S. labour market showed resilience, surpassing expectations by adding 177,000 jobs in April. Ultimately, the S&P 500 Index had a positive week, buoyed by generally positive earnings results and friendly rhetoric from President Trump.

**U.S.: Net Change in Nonfarm Payrolls**  
U.S. Bureau of Labor Statistics (BLS), MoM, as at 4/2025



iA Global Asset Management, Macrobond

### Bond market

Bond prices had softened a little by week's end as Friday's stronger-than-expected U.S. employment data spurred risk assets but also indicated the Fed may not be as quick to cut as previously envisioned because the economy is still functioning. U.S. data from earlier in the week (GDP, PCE and ADP) are harder to interpret because the effects of higher tariffs have yet to percolate through the economy, with clearer answers not expected until the summer, given how the maritime movement of goods is structured. As a result, U.S. 10-year Treasury yields were stuck in a range of 4.2% to 4.3%, where they have been for the most part since early in March. By comparison, U.S. two-

### Highlights

- In Canada, GDP grew modestly, but manufacturing struggled amid trade policy uncertainties.
- In the U.S., GDP contracted, but job growth and the stock market remained resilient.
- **On our radar**
  - Canada: Balance of trade for March, Ivey PMI and unemployment rate for April
  - United States: ISM Services PMI for April and Fed interest rate decision

years have dipped 30 basis points since then to 3.7%, and 30s have added a like amount to 4.75% as the short end prepares for rate cuts owing to a economy stagnating from the impact of tariffs, and the long end prices in the prospect of more problematic inflation. Futures are mostly pricing in four Fed cuts of 25 basis points by year-end, starting in July, which may be a tad aggressive. We will see what the Fed has to say at its meeting next week. Risk assets continued their jubilation at the U.S. administration's further backpedalling on its confusing tariff policies, with U.S. IG just above 100 basis points and U.S. HY below 370, with neither reflecting anything close to recession, especially with another earnings season now behind us.

### Stock market

This week brought more good news, with stocks continuing to rally. On Friday, the S&P 500 Index jumped higher than the closing price on Trump's now infamous April 2 "Liberation Day." Strong earnings from Microsoft and Meta boosted markets, assuring investors of the Magnificent Seven's resilience despite tariff uncertainties. Additionally, there are early signs of a thaw in U.S.-China trade relations, as the Chinese commerce ministry confirmed reports that U.S. officials had reached out and expressed a desire to engage in discussions.

Meta reported strong sales and expressed confidence that its growth would remain steady, alleviating concerns that tariffs might hurt its digital advertising business, which includes revenue from Chinese companies. Microsoft said its major corporate clients were not yet cutting technology budgets. Notably, its Azure cloud computing division recorded 33% growth, significantly exceeding sell-side estimates, with an increasing portion attributed to AI workloads. Meanwhile, Amazon adopted a cautious tone, with management preparing for more challenging times owing to tariffs and related economic uncertainty, which could adversely affect consumer spending. Even so, AWS was in line with estimates, giving investors some reprieve.

## Markets

(Total return, in CAD)

As of May 1, 2025	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	1.26	0.82	-7.94	13.78	15.43	16.01
S&P/TSX	0.40	-0.18	1.23	17.56	9.51	14.57
NASDAQ	1.64	1.29	-9.39	14.85	18.56	17.41
MSCI ACWI	1.09	0.41	-4.45	13.38	14.13	14.15
MSCI EAFE	0.73	-0.60	6.70	12.73	12.74	11.11
MSCI EM	1.23	0.11	0.37	10.12	7.10	6.59
<b>Commodities (USD)</b>						
Gold	-2.43	-1.51	23.42	39.65	19.53	13.76
CRB	-0.91	-0.28	1.79	0.86	-5.31	9.10
WTI	-6.00	1.77	-17.40	-25.01	-17.29	24.53
<b>Fixed income</b>						
FTSE TMX Canada Universe	0.56	-0.17	1.18	8.54	3.44	-0.10
FTSE TMX Canada Long	0.93	-0.34	-0.76	8.44	1.73	-3.18
FTSE TMX Canada Corporate Overall	0.57	-0.12	1.27	9.29	5.33	2.07
<b>Currencies</b>						
DXY	0.78	0.78	-7.59	-5.21	-0.89	0.23
USDCAD	-0.06	0.40	-3.68	0.84	2.54	-0.34
USDEUR	0.66	0.34	-8.30	-5.12	-2.26	-0.56
USDJPY	1.20	1.62	-7.51	-5.94	3.88	6.34
USDGBP	0.28	0.40	-5.73	-5.65	-1.80	-1.21

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	2.50	3.70
5Y	2.70	3.80
10Y	3.10	4.22
30Y	3.45	4.72
<b>Credit spreads</b>		
IG corporate bonds	121	109
HY bonds	362	378

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

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