

Weekly Market Pulse



Week ending March 7, 2025

Market developments

Equities: The German stock market experienced a significant surge this week, driven by the announcement of extraordinary spending plans by the incoming German government. The DAX, Germany's benchmark stock index, rose by ~2%. President Trump's tariff policies have been marked by reversals, faulty rollouts, and confusion, causing uncertainty for U.S. trading partners and businesses. The lack of clarity has made it challenging for U.S. companies to make decisions and contributed to a decline in consumer confidence and equities.

Fixed Income: The announcement of Germany's extraordinary spending plans also had a significant impact on German Bund yields. The yield on the 10-year bonds rose by ~30bps after the announcement. The dramatic rise reflects the market's expectations of higher government borrowing and spending, as well as a potential shift in the country's traditionally conservative fiscal policies.

Commodities: Oil prices fell nearly 4% for the week, marking a seventh straight weekly decline given the concerns over global energy demand and supply outlook. We saw a minor uptick on Friday after report of a potential truce in Ukraine that could lead to a resumption of Russian exports.

Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
Equities (\$Local)					
S&P/TSX Composite	24,758.76	-2.50%	-2.69%	-3.63%	0.12%
S&P 500	5,770.20	-3.10%	-4.24%	-5.26%	-1.89%
NASDAQ	18,196.22	-3.45%	-6.80%	-8.38%	-5.77%
DAX	23,008.94	2.03%	5.61%	12.87%	15.57%
NIKKEI 225	36,887.17	-0.72%	-4.90%	-5.64%	-7.54%
Shanghai Composite	3,372.55	1.56%	2.08%	-0.93%	0.62%
Fixed Income (Performance in %)					
Canada Aggregate Bond	237.69	-1.18%	-0.10%	-0.21%	0.99%
US Aggregate Bond	2238.68	-0.46%	1.34%	0.14%	2.27%
Europe Aggregate Bond	240.07	-2.16%	-2.04%	-2.76%	-1.51%
US High Yield Bond	27.30	-0.31%	0.36%	0.87%	1.73%
Commodities (\$USD)					
Oil	67.04	-3.90%	-5.58%	-0.24%	-6.53%
Gold	2910.47	1.84%	1.73%	10.52%	10.90%
Copper	468.45	3.77%	2.08%	13.19%	16.34%
Currencies (\$USD)					
US Dollar Index	103.77	-3.58%	-3.96%	-2.16%	-4.35%
Loonie	1.4367	0.65%	-0.52%	-1.46%	0.12%
Euro	0.9219	4.54%	5.02%	2.65%	4.77%
Yen	147.88	1.86%	2.39%	1.43%	6.30%

Source: Bloomberg, as of March 7, 2025

Central Bank Interest Rates

Central Bank	Current Rate	June 2025 Expected Rate*	December 2025 Expected Rate*
Bank of Canada	3.00%	2.58%	2.34%
U.S. Federal Reserve	4.50%	4.06%	3.62%
European Central Bank	2.50%	2.13%	2.03%
Bank of England	4.50%	4.20%	3.90%
Bank of Japan	0.50%	0.61%	0.87%

Source: Bloomberg, as of March 7, 2025

*Expected rates are based on bond futures pricing

Macro developments

Canada – Canadian Manufacturing Contraction, Stable Unemployment in Canada

The S&P Global Canada Manufacturing PMI dropped to 47.8 in February 2025 from 51.6, marking the first decline since August and the sharpest since December 2023. Uncertainty over Canada-US trade policies caused a drop in export orders, leading to reduced factory activity and employment. Inflationary pressures intensified, and business optimism hit a near-record low.

Canada's unemployment rate remained at 6.6% in February 2025, defying expectations of a rise. The number of unemployed individuals fell, but so did labor force participation. This kept job growth minimal at 1.1K, far below the expected 20K increase.

U.S. – Manufacturing Slows Amid Tariffs, Job Growth Slows, Rising U.S. Unemployment

The ISM Manufacturing PMI dropped to 50.3 in February 2025, signaling weaker growth as new tariff policies disrupted operations. Demand declined, employment contracted, and price pressures surged to their highest level since June 2022. Production slowed, but inventories remained stable.

The economy added 151K jobs in February 2025, slightly below expectations. Gains were seen in healthcare, finance, and transportation, while job losses occurred in retail and the federal government, partly due to layoffs and spending cuts.

The U.S. unemployment rate increased to 4.1% in February 2025 as the labor force participation rate fell. Employment dropped by 588K, while the broader U-6 unemployment rate rose to 8.0%, indicating more workers facing underemployment.

International – Eurozone Job Market Holds Strong, Eurozone Inflation Moderates, ECB Lowers Interest Rates, Retail Sales Decline in Eurozone, China's Services Sector Strengthens

The Eurozone unemployment rate remained at a record-low 6.2% in January 2025. The labor market remained resilient despite economic slowdowns, with joblessness declining in most regions, though Spain and France continued to see higher rates.

Eurozone inflation eased to 2.4% in February 2025, slightly above expectations. Price growth slowed in services and energy but increased for food and industrial goods. Core inflation also declined but remained above forecasts.

The ECB cut key interest rates by 25 basis points to ease borrowing costs as inflation moderates. Growth forecasts were lowered due to weak exports and investment, but the ECB remains data-driven, adjusting policy as needed to meet its 2% inflation target.

Retail trade in the Eurozone fell by 0.3% in January 2025, missing expectations. Non-food and fuel sales dropped, while food sales rebounded. Italy and France saw declines, while Germany and the Netherlands experienced growth.

China's Caixin Services PMI rose to 51.4 in February 2025, driven by higher demand and solid foreign sales. Employment improved slightly, input prices fell for the first time since 2020, and firms lowered selling prices while remaining optimistic about future market conditions.

Quick look ahead

DATE	COUNTRY / REGION	EVENT		SURVEY	PRIOR
08-Mar-25	China	PPI YoY	Feb	(2.1)	(2.3)
08-Mar-25	China	CPI YoY	Feb	(0.4)	0.5
11-Mar-25	United States	JOLTS Job Openings	Jan	7,700.0	7,600.0
11-Mar-25	Japan	PPI YoY	Feb	4.0	4.2
12-Mar-25	United States	CPI YoY	Feb	2.9	3.0
12-Mar-25	United States	CPI Ex Food and Energy YoY	Feb	3.2	3.3
12-Mar-25	Canada	Bank of Canada Rate Decision		2.8	3.0
13-Mar-25	United States	PPI Final Demand YoY	Feb	3.2	3.5
13-Mar-25	United States	PPI Ex Food and Energy YoY	Feb	3.6	3.6
14-Mar-25	United Kingdom	Monthly GDP (MoM)	Jan	0.1	0.4

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