

# Weekly Market Pulse



Week ending May 23, 2025

## Market developments

**Equities:** U.S. equities experienced volatility following Moody's downgrade of the U.S. credit, with the S&P 500 ending a six-day win streak as big tech stocks like Alphabet declined. Emerging market equities gained traction, with JPMorgan upgrading them to 'overweight' due to attractive valuations and easing trade tensions. Companies like Target and UnitedHealth saw significant drops, respectively, driven by tariff uncertainty and corporate downgrades.

**Fixed Income:** U.S. Treasury yields rose, with the 30-year yield briefly surpassing 5%, prompted by Moody's downgrade and concerns over the U.S. fiscal deficit. Longer-dated treasuries faced selling pressure, contributing to a challenging week for bond markets. Japan's bond market also showed signs of turbulence, indicating shifting investor appetite with potential global implications.

**Commodities:** Crude oil prices fell, experiencing a weekly decline as OPEC+ considers increasing output in July, offsetting earlier stability from geopolitical risk assessments. Copper and other base metals like nickel and tin saw modest declines, pressured by weak Chinese demand and a stronger U.S. dollar.

## Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
<b>Equities (\$Local)</b>					
S&P/TSX Composite	25,879.95	-0.35%	5.75%	2.91%	4.66%
S&P 500	5,802.82	-2.61%	7.94%	-3.50%	-1.34%
NASDAQ	18,737.21	-2.47%	12.14%	-4.03%	-2.97%
DAX	23,629.58	-0.58%	7.59%	6.02%	18.69%
NIKKEI 225	37,160.47	-1.57%	6.57%	-4.17%	-6.85%
Shanghai Composite	3,348.37	-0.57%	1.58%	-0.91%	-0.10%
<b>Fixed Income (Performance in %)</b>					
Canada Aggregate Bond	235.39	-1.05%	-0.12%	-0.84%	0.01%
US Aggregate Bond	2223.09	-0.45%	-0.24%	0.09%	1.56%
Europe Aggregate Bond	244.77	0.03%	-0.04%	0.23%	0.41%
US High Yield Bond	27.38	-0.35%	1.52%	0.41%	2.06%
<b>Commodities (\$USD)</b>					
Oil	61.61	-1.41%	-1.06%	-12.49%	-14.10%
Gold	3360.92	4.91%	2.21%	14.47%	28.06%
Copper	483.65	6.17%	-0.14%	6.06%	20.12%
<b>Currencies (\$USD)</b>					
US Dollar Index	99.09	-1.99%	-0.76%	-7.06%	-8.67%
Loonie	1.373	1.74%	1.11%	3.60%	4.76%
Euro	0.8802	1.77%	0.40%	8.63%	9.74%
Yen	142.54	2.22%	0.64%	4.72%	10.28%

Source: Bloomberg, as of May 23, 2025

## Central Bank Interest Rates

Central Bank	Current Rate	June 2025 Expected Rate*	December 2025 Expected Rate*
Bank of Canada	2.75%	2.68%	2.41%
U.S. Federal Reserve	4.50%	4.32%	3.86%
European Central Bank	2.25%	1.92%	1.58%
Bank of England	4.25%	4.20%	3.80%
Bank of Japan	0.50%	0.48%	0.67%

Source: Bloomberg, as of May 23, 2025

\*Expected rates are based on bond futures pricing

## Macro developments

### Canada – Inflation Eases in April, Retail Sales Continue Upward Trend

Canada's annual inflation rate dropped to 1.7% in April from 2.3%, slightly above expectations, driven by a sharp decline in energy prices due to the removal of the consumer carbon tax and increased OPEC oil output. Prices for gasoline, natural gas and transportation fell, while shelter inflation slowed. However, costs for travel, groceries and household items rose and core inflation unexpectedly hit a two-year high of 3.1%.

Retail sales in Canada likely increased by 0.5% in April, following a revised 0.8% rise in March, the highest growth in 2025. Sales grew in most subsectors, particularly motor vehicles, clothing and building materials, despite U.S. tariffs, but declined for gasoline and food retailers due to lower gas prices.

### U.S. – Business Activity Picks Up Amid Tariff Concerns,

The S&P Global US Composite PMI rose to 52.1 in May, indicating faster but still weak business activity. Tariff-related cost pressures increased prices and disrupted supply chains, while export orders fell and manufacturers stockpiled inputs to mitigate disruptions, though business optimism remained cautious.

### International – U.K. Private Sector Faces Continued Contraction, U.K. Inflation Surges to 16-Month High, Eurozone Private Sector Enters Contraction, Japan's Inflation Holds Steady with Mixed Trends

The U.K.'s S&P Global Composite PMI rose to 49.4 in May, signaling ongoing private-sector contraction, with manufacturing declining sharply and services rebounding slightly. New orders fell significantly due to global economic uncertainty and U.S. tariff threats, while rising costs and weak demand led to job cuts, particularly in factories.

U.K. inflation rose to 3.5% in April, the highest since January 2024, driven by sharp increases in housing and utilities prices, particularly electricity and gas due to the Ofgem price cap. Transport, recreation and food prices also contributed upward pressure, though clothing prices fell due to sales.

The HCOB Eurozone Composite PMI fell to 49.5 in May, marking the first private-sector contraction of the year, with declines in both services and manufacturing. U.S. tariff risks and EU retaliatory measures reduced new orders, though job creation remained stable. Manufacturing costs fell and services costs rose, with business confidence at a 19-month low.

Japan's inflation rate remained at 3.6% in April 2025, with food price growth slowing despite record-high rice prices due to poor harvests and tourism demand. Inflation eased for clothing and household items, but rose for housing, healthcare and utilities, with core inflation reaching a two-year high of 3.5%.

## Quick look ahead

DATE	COUNTRY / REGION	EVENT		SURVEY	PRIOR
29-May-25	United States	GDP Annualized QoQ	1Q S	(0.3)	(0.3)
29-May-25	Japan	Jobless Rate	Apr	2.5	2.5
29-May-25	Japan	Tokyo CPI YoY	May	3.4	3.5
29-May-25	Japan	Tokyo CPI Ex-Fresh Food YoY	May	3.5	3.4
29-May-25	Japan	Retail Sales YoY	Apr	3.0	3.1
29-May-25	Japan	Retail Sales MoM	Apr	0.5	(1.2)
30-May-25	United States	PCE Price Index MoM	Apr	0.1	
30-May-25	United States	PCE Price Index YoY	Apr	2.2	2.3
30-May-25	United States	Core PCE Price Index MoM	Apr	0.1	
30-May-25	United States	Core PCE Price Index YoY	Apr	2.6	2.6
30-May-25	Canada	Quarterly GDP Annualized	1Q		2.6
30-May-25	Canada	GDP MoM	Mar	0.1	(0.2)
30-May-25	Canada	GDP YoY	Mar	1.6	1.6
30-May-25	China	Composite PMI	May		50.2

S = Second

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