

Weekly Market Pulse



Week ending February 21, 2025

Market developments

Equities: North American stocks drifted lower this week, with the S&P 500 and TSX down 1.7% and 1.3% respectively. Despite macroeconomic challenges, corporate earnings have been strong with the S&P 500 tracking a 13% fourth-quarter earnings growth, surpassing initial estimates of 7.3%. Investors now look ahead to key retail earnings reports from Home Depot, Lowe's, Target, and Nordstrom next week for further insights into consumer spending and economic conditions.

Fixed Income: The Federal Reserve may keep interest rates unchanged in response to persistent inflation concerns. St. Louis Fed President Alberto Musalem signaled that monetary policy should stay "modestly restrictive" until inflation is firmly on track toward the 2% target. Government yields continue to swing back and forth, leading to a relatively flat week for bond prices.

Commodities: Gold had its eighth consecutive weekly advance due to robust haven demand fueled by geopolitical and trade tensions. Gold has hit successive records this year, following a 27% increase last year, amid mounting concerns over Trump's disruptive trade and geopolitical agendas.

Performance (price return)

| SECURITY | PRICE | WEEK | 1 MONTH | 3 MONTH | YTD |
|--|-----------|--------|---------|---------|--------|
| Equities (\$Local) | | | | | |
| S&P/TSX Composite | 25,147.03 | -1.32% | -0.53% | -0.96% | 1.69% |
| S&P 500 | 6,013.13 | -1.66% | -0.60% | 1.08% | 2.24% |
| NASDAQ | 19,524.01 | -2.51% | -1.18% | 2.91% | 1.10% |
| DAX | 22,287.56 | -1.00% | 5.92% | 16.41% | 11.95% |
| NIKKEI 225 | 38,776.94 | -0.95% | -0.64% | 1.97% | -2.80% |
| Shanghai Composite | 3,379.11 | 0.97% | 4.21% | 0.26% | 0.82% |
| Fixed Income (Performance in %) | | | | | |
| Canada Aggregate Bond | 235.67 | -0.85% | 0.26% | 2.50% | 0.13% |
| US Aggregate Bond | 2211.57 | -0.08% | 0.72% | 0.80% | 1.03% |
| Europe Aggregate Bond | 244.21 | -0.16% | 0.71% | 0.45% | 0.18% |
| US High Yield Bond | 27.29 | 0.07% | 0.60% | 1.69% | 1.70% |
| Commodities (\$USD) | | | | | |
| Oil | 70.22 | -0.74% | -7.47% | 0.17% | -2.09% |
| Gold | 2935.93 | 1.85% | 6.96% | 9.97% | 11.87% |
| Copper | 453.70 | -2.73% | 4.52% | 9.99% | 12.68% |
| Currencies (\$USD) | | | | | |
| US Dollar Index | 106.64 | -0.07% | -1.32% | -0.32% | -1.71% |
| Loonie | 1.4228 | -0.32% | 0.66% | -1.79% | 1.10% |
| Euro | 0.9561 | -0.31% | 0.30% | -0.15% | 1.02% |
| Yen | 149.16 | 2.11% | 4.26% | 3.61% | 5.39% |

Source: Bloomberg, as of February 21, 2025

Central Bank Interest Rates

| Central Bank Interest Rates | Current Rate | June 2025 Expected rate* | December 2025 Expected rate* |
|-----------------------------|--------------|--------------------------|------------------------------|
| Bank of Canada | 3.00% | 2.72% | 2.54% |
| U.S. Federal Reserve | 4.50% | 4.13% | 3.87% |
| European Central Bank | 2.75% | 2.10% | 1.89% |
| Bank of England | 4.50% | 4.18% | 3.93% |
| Bank of Japan | 0.50% | 0.63% | 0.83% |

Source: Bloomberg, as of February 21, 2025

* Expected rates are based on bond futures pricing

Macro developments

Canada – Inflation Stays Near Target, Retail Sales in Canada Decline After Strong Surge

Canada's inflation rate rose to 1.9% in January, staying within the Bank of Canada's 2% target for the sixth month. Transportation costs surged due to rising oil and gas prices, while food prices dropped due to tax cuts. Core inflation remained above expectations at 2.7%, and monthly consumer prices edged up by 0.1%.

Retail sales are expected to fall 0.4% in January, marking the first decline in seven months. This follows a sharp 2.5% increase in December, led by gains in food, fuel, and general merchandise. Despite strong annual growth of 3.6%, sales in motor vehicle and building material sectors lagged.

U.S. – Business Activity Slows as PMI Drops

The S&P Global US Composite PMI fell to 50.4 in February, signaling near-stagnant private sector growth. A slowdown in services offset manufacturing expansion, while new orders and employment declined. Rising costs and concerns over government policies and global risks weighed on business confidence.

International – U.K. Unemployment Holds Steady at 4.4%, U.K. Inflation Jumps to 3%, Driven by Transport and Food, U.K. PMI Shows Modest Growth Led by Services, Eurozone Private Sector Struggles Amid Weak Demand, Japan's Economy Grows Faster Than Expected, Japan's Inflation Hits 4%, Driven by Food Prices

The U.K.'s jobless rate remained at 4.4% from October to December 2024, despite expectations of an increase. Employment grew by 107,000, with more people taking on second jobs. Economic activity dipped slightly, while long-term unemployment continued to rise.

U.K. inflation accelerated to 3% in January, exceeding forecasts. Rising transport and food costs, along with increased private school fees due to a VAT hike, contributed to the jump. Services inflation rose to 5%, while restaurant, hotel, and housing price increases slowed.

The S&P Global U.K. Composite PMI inched down to 50.5 in February, with services driving growth while manufacturing contracted. New business declined at the sharpest pace in 18 months, leading to job cuts. Rising input costs pushed firms to increase prices ahead of wage hikes.

The Eurozone Composite PMI held at 50.2 in February, showing muted growth. Services expanded modestly while manufacturing contracted at a slower pace. Weak demand led to job losses, and input costs surged, raising output prices. Business confidence slipped to a three-month low.

Japan's GDP expanded 0.7% in Q4 2024, surpassing forecasts. Business investment rebounded, net trade boosted growth, and government spending increased. Private consumption edged up despite inflation and borrowing costs, supported by wage gains.

Japan's inflation rate climbed to 4% in January, the highest since early 2023. Food costs surged, and energy prices stayed elevated due to the removal of subsidies. Core inflation hit a 19-month high at 3.2%, and monthly CPI increased by 0.5%.

Quick look ahead

| DATE | COUNTRY / REGION | EVENT | | SURVEY | PRIOR |
|-----------|--------------------|--------------------------|-------|--------|-------|
| 24-Feb-25 | Eurozone Aggregate | CPI YoY | Jan F | 2.5 | 2.5 |
| 24-Feb-25 | Eurozone Aggregate | CPI Core YoY | Jan F | 2.7 | 2.7 |
| 27-Feb-25 | Japan | Retail Sales YoY | Jan | 3.9 | 3.7 |
| 28-Feb-25 | United States | PCE Price Index YoY | Jan | 2.5 | 2.6 |
| 28-Feb-25 | United States | Core PCE Price Index YoY | Jan | 2.6 | 2.8 |
| 28-Feb-25 | Canada | Quarterly GDP Annualized | 4Q | | 1.0 |
| 28-Feb-25 | Canada | GDP MoM | Dec | | (0.2) |
| 28-Feb-25 | Canada | GDP YoY | Dec | | 1.5 |
| 28-Feb-25 | China | Manufacturing PMI | Feb | 50.0 | 49.1 |
| 28-Feb-25 | China | Non-manufacturing PMI | Feb | 50.3 | 50.2 |
| 28-Feb-25 | China | Composite PMI | Feb | | 50.1 |

F = Final

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