

Bâtir sur nos racines,
innover pour l'avenir

Rooted in history,
innovating for the future

The economy and financial markets

June 2025

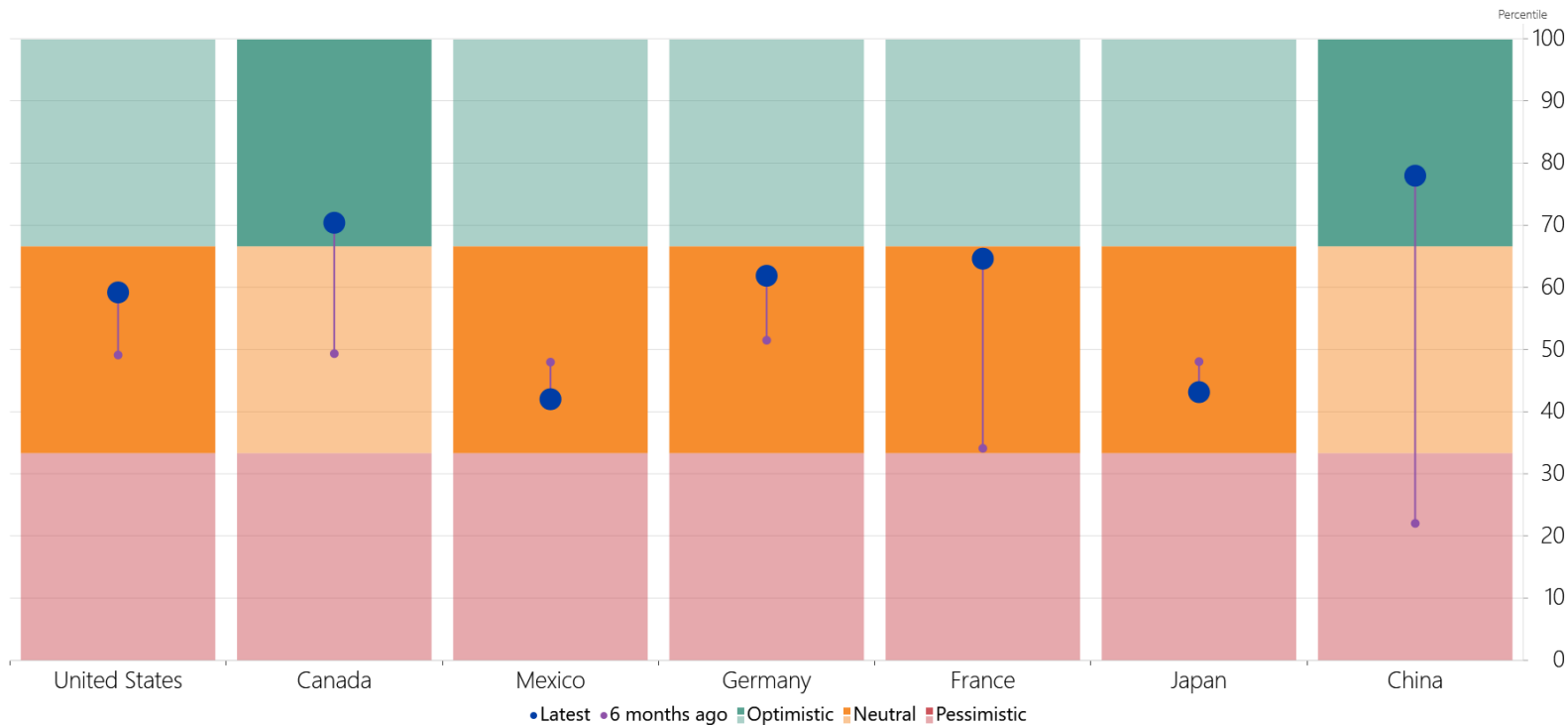
Sébastien Mc Mahon, CFA

Chief Strategist, Senior Economist and Vice-President, Asset Allocation, and Portfolio Manager, iAGAM

The Global Economy at a Glance

Cross-country economic barometer

OECD Composite leading indicator, percent ranks using full history



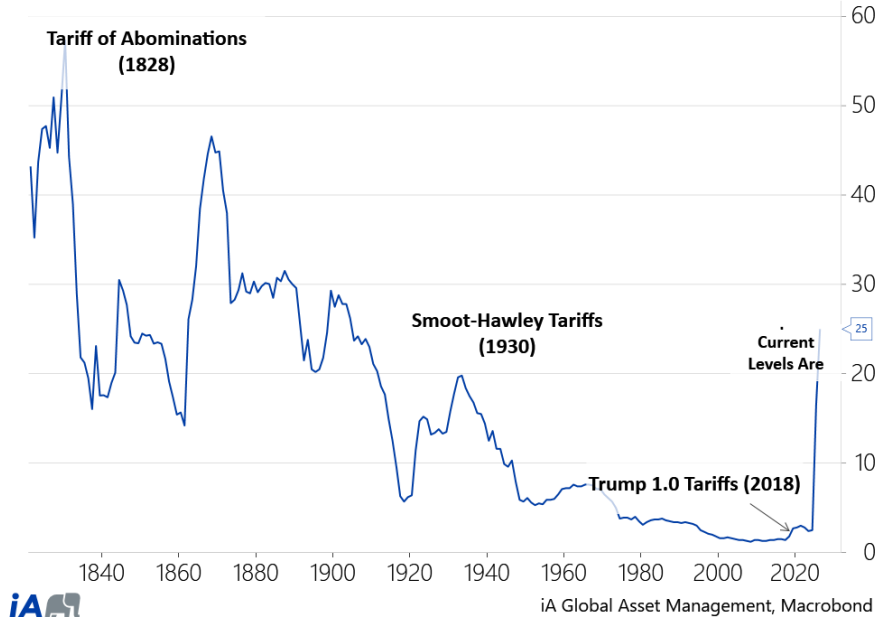
Let's talk about
Donald...



A Trade Shock of Historic Proportions

United States: Tariff Rate on All Imports since 1821

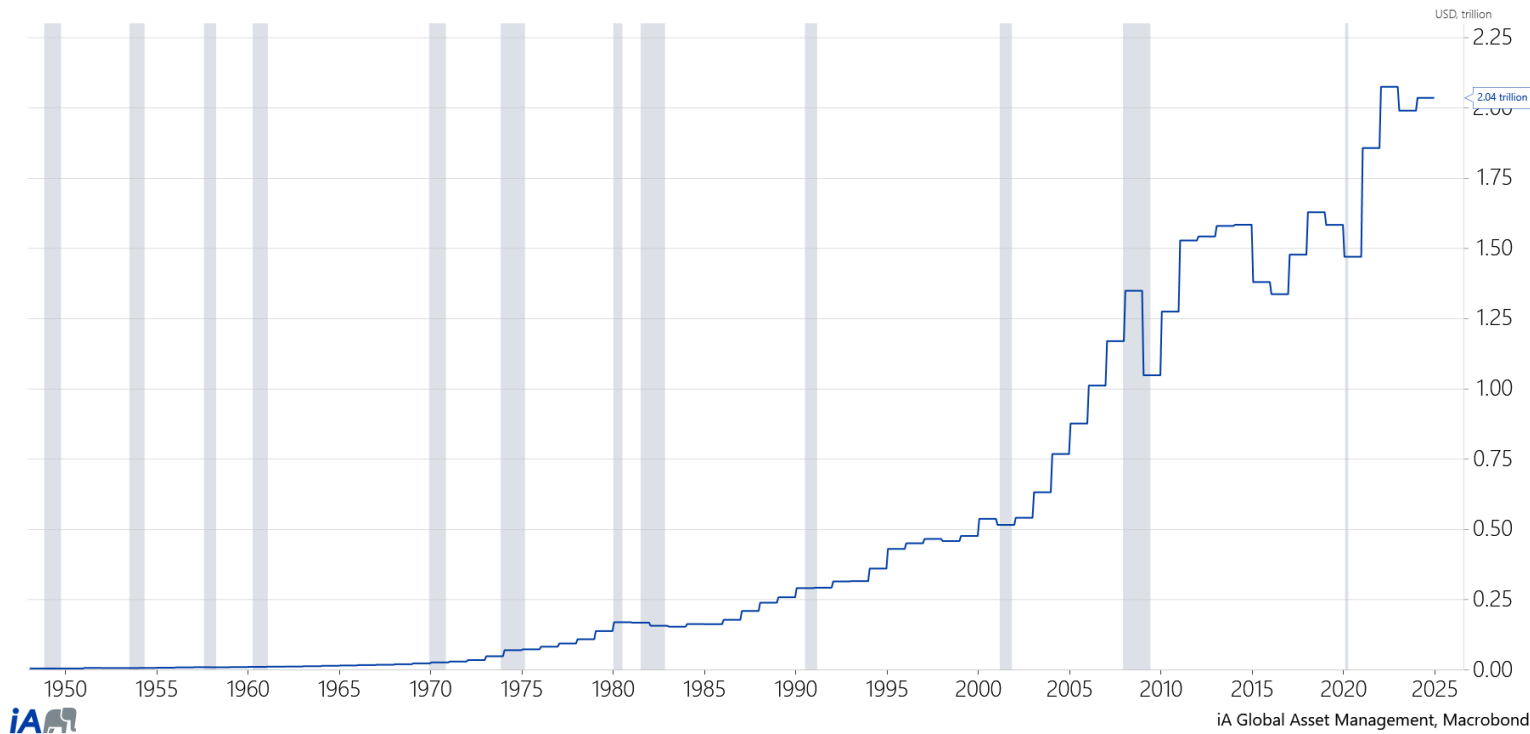
Tax Foundation, as of 2024



Global Trade Has Been the Main Driver of Economic Growth Over the Past 50 Years

World Trade Volume

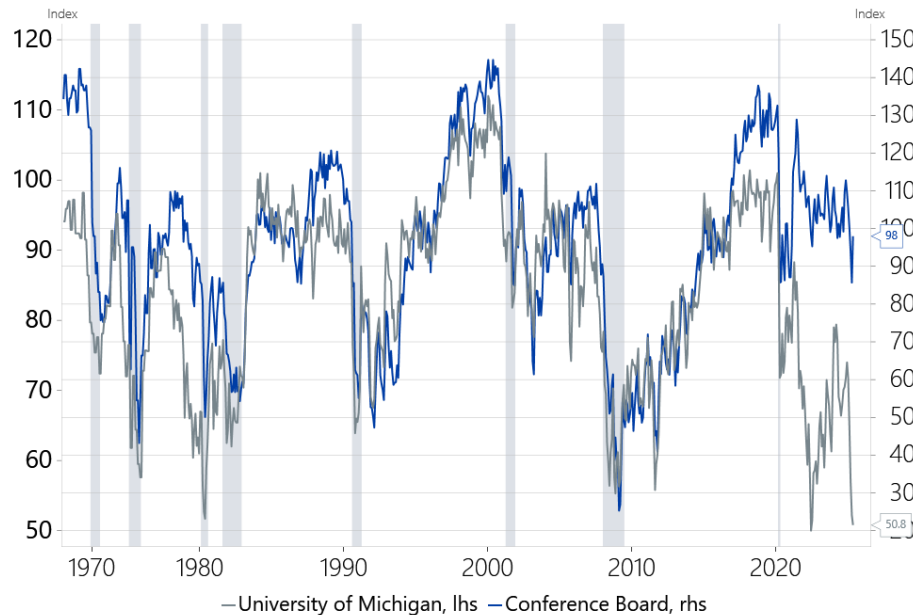
World Trade Organization (WTO), Index, as at 12/2024



The Economic Impact Starts with Confidence, and Confidence Is Plummeting

U.S.: Consumer Confidence Surveys

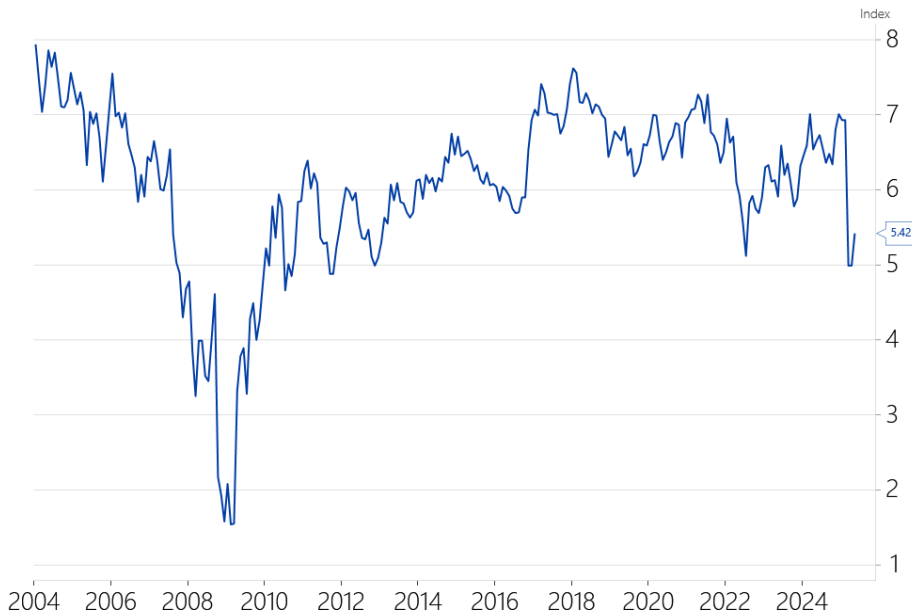
Conference Board, University of Michigan, as at 5/2025



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US: CEO Confidence Index

Chief Executive Group, as at 5/2025

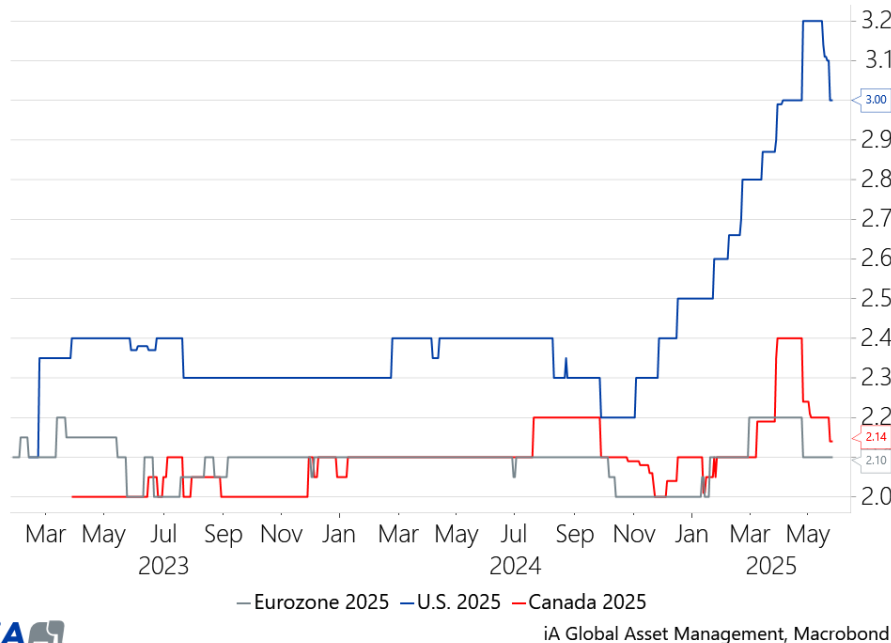


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What Will Be the Impact on U.S. Inflation?

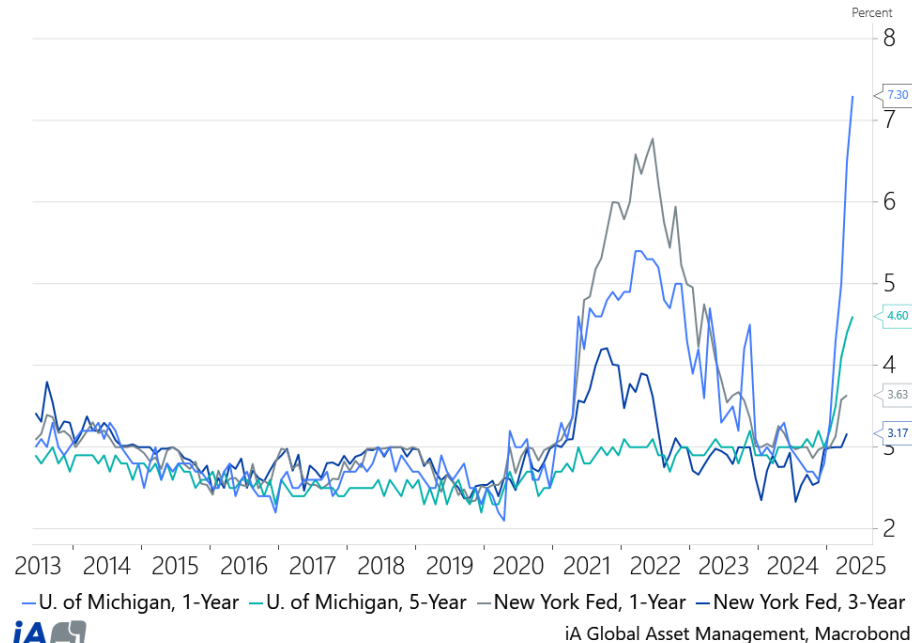
Inflation Forecasts for 2025

Bloomberg consensus survey, as at 5/27/2025



U.S.: Inflation Expectations from Consumer Surveys

Federal Reserve Bank of New York, University of Michigan, as at 5/2025





THESE BIG
BENEFITS
FROM
TARIFFS-

- ARE THEY
IN THE ROOM
WITH US
NOW?

From Trade War to Insolvency Risks

Moody's downgrades United States credit rating, citing growth in government debt

- Moody's had been a holdout in keeping U.S. sovereign debt at the highest credit rating possible, and brings the 116-year-old agency into line with its rivals.
- The decision to lower the United States credit profile would be expected, at the margin, to lift the yield that investors demand in order to buy U.S. Treasury debt to reflect more risk, and could dampen sentiment toward owning U.S. assets, including stocks.

“Successive U.S. administrations and Congress have failed to agree on measures to reverse the trend of large annual fiscal deficits and growing interest costs,” Moody's analysts said in a statement. “We do not believe that material multi-year reductions in mandatory spending and deficits will result from current fiscal proposals under consideration.”

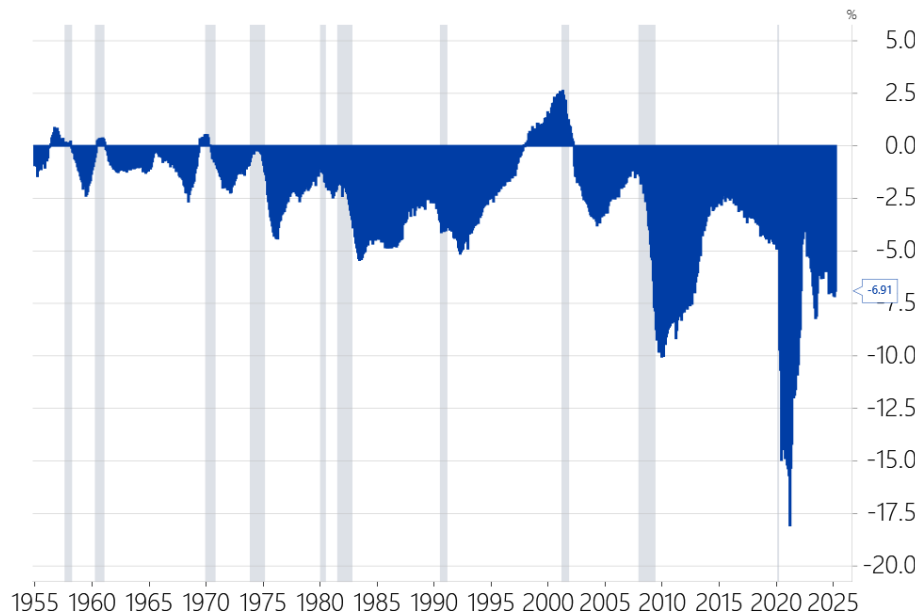
Trump's 'big, beautiful' spending bill, from tax cuts to mass deportations

- **Permanent Extension** of the 2017 TCJA Tax Cuts
- A Series of **New Tax Deductions**
- **Overhaul of Social Safety Net Programs**
- The Congressional Budget Office (CBO) estimates that the tax policies in this bill alone will **add nearly \$3.8 trillion to the federal deficit** over the next 10 years.

The U.S. Fiscal Situation Is on a Dangerous Path

U.S.: Budget Surplus/Deficit as % of GDP

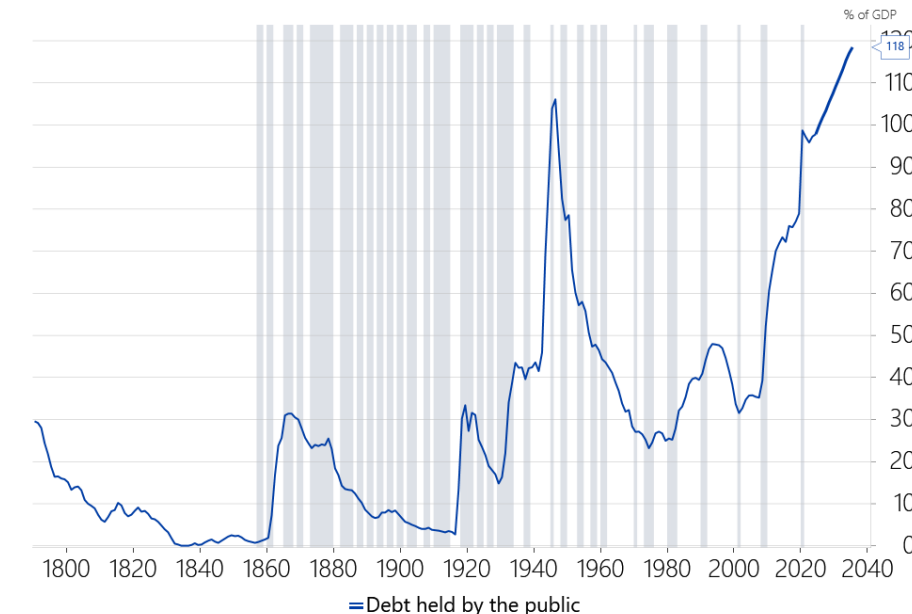
Rolling 12-Month sum, as at 2025 Q1



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U.S.: Total debt held by the public

U.S. Congressional Budget Office (CBO), projection to 2035



= Debt held by the public



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The Bond Market Is Sending a Clear Signal

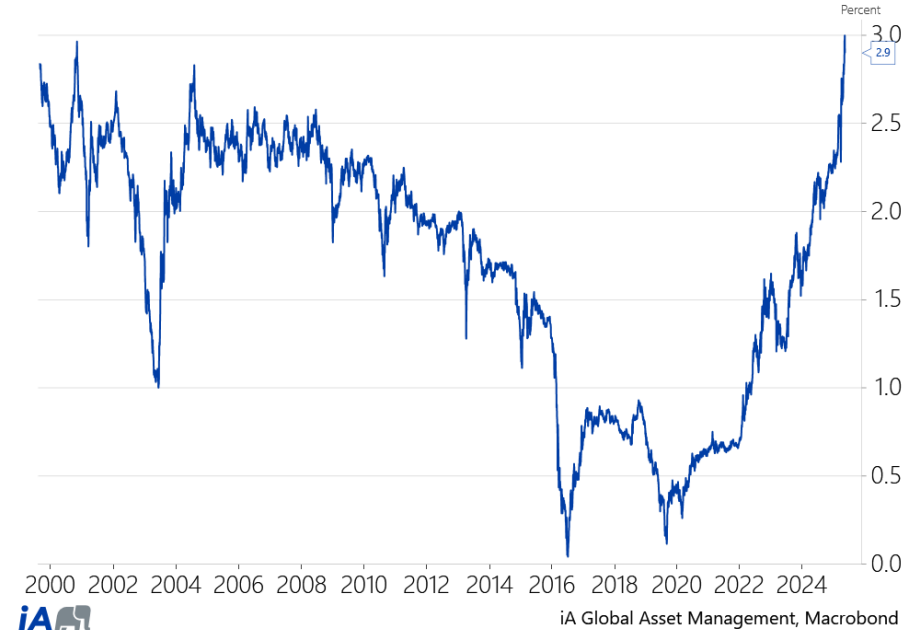
U.S.: 30-Year Rate

U.S. Department of Treasury, as at 5/23/2025



Japan: 30-Year Rate

Japanese Ministry of Finance (MOF), as at 5/26/2025

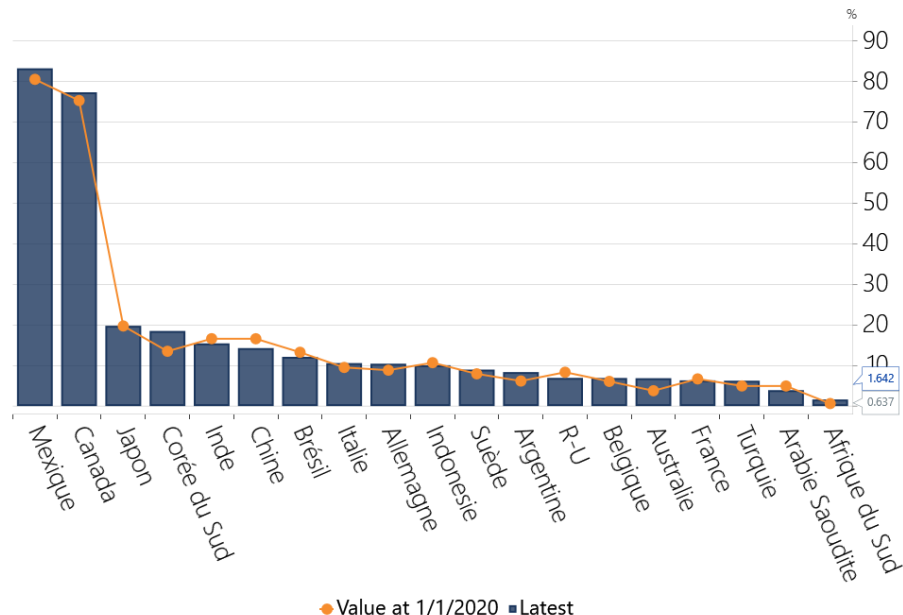


The Canadian Economy: At a Crossroads?



Is Canada Too Dependent on Exports?

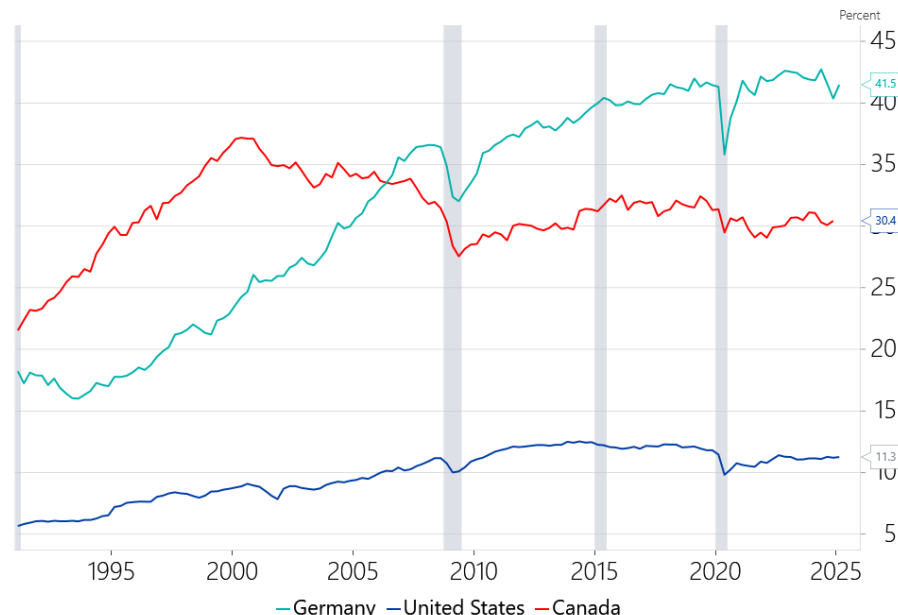
Exports to the United States as % of Total Exports Across G20 Economies



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Exports as a % of GDP

Statistics Canada, BEA, DESTATIS as at 2025 Q1

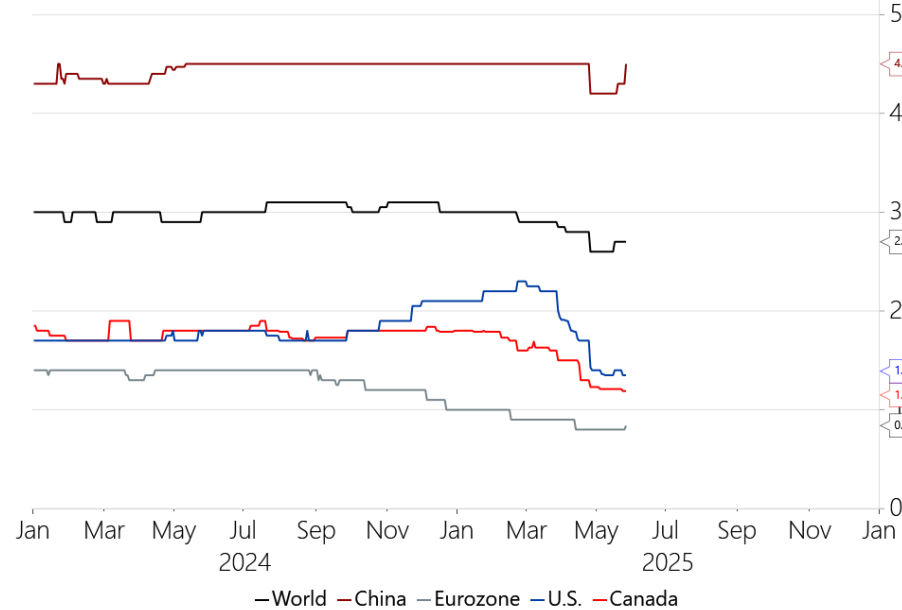


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Canada: Can a 2025 Recession Be Avoided?

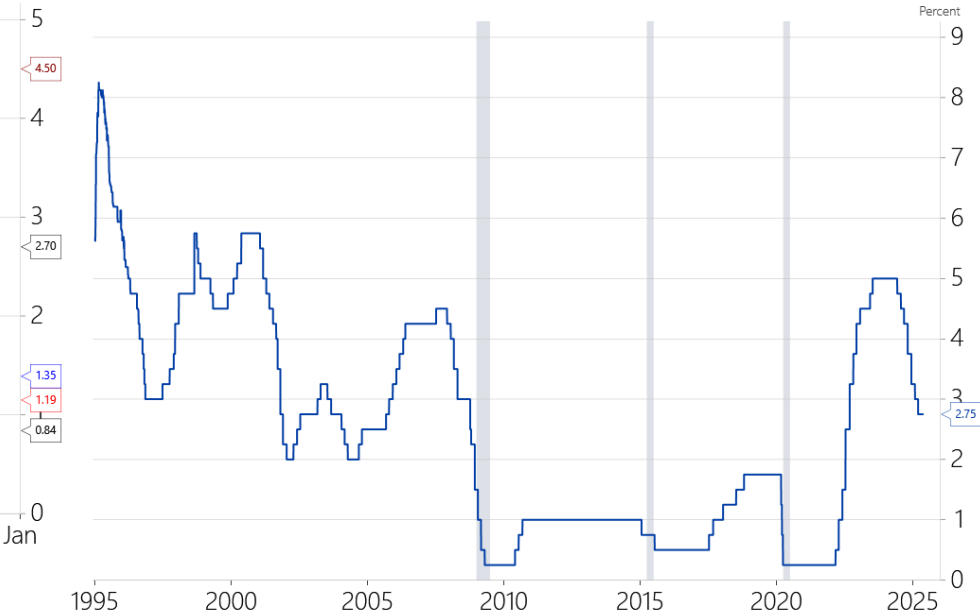
GDP Growth Forecasts for 2025

Bloomberg consensus survey, as at 5/27/2025



Bank of Canada: Overnight Rate

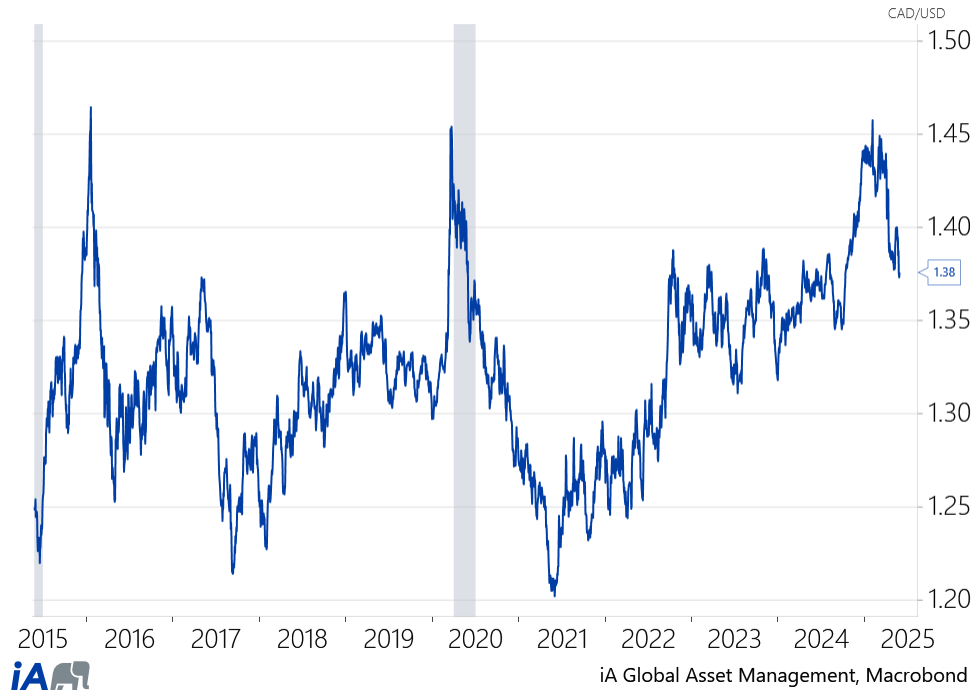
As at 5/26/2025



The Canadian Dollar Has Strengthened Since the Beginning of the Year

FX Rates: CAD/USD

As of 5/27/2025



- **U.S. Dollar Under Pressure:** Ongoing Trade Tensions and Growing Concerns Over the U.S. Fiscal Path
- **Canada Outperforming:** The Canadian Economy Exceeds Expectations Despite Global Uncertainty
- **Diverging Monetary Policies:** The Bank of Canada Nears the End of Its Rate-Cutting Cycle, While the Fed May Accelerate Cuts as Early as 2026.

Financial Markets: Steering Through Choppy Waters

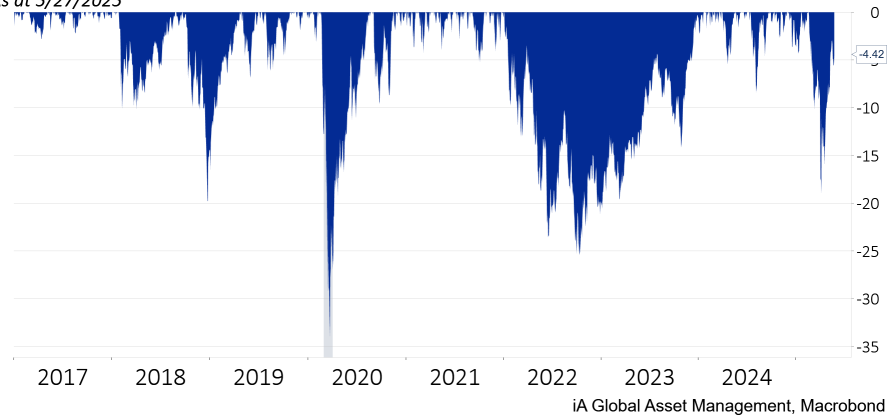


Returns as of May 23, 2025

		YEAR TO DATE	
		Return in local currency	Return in CAD
Canadian bonds	FTSE TMX Universe	0.29%	
	FTSE TMX Long	-2.32%	
	Corps	1.01%	
Equities	S&P/TSX	5.77%	
	S&P 500	-0.82%	-5.32%
	NASDAQ	-2.71%	-7.12%
	MSCI EAFE	6.34%	10.58%
	MSCI Emerging	6.58%	4.96%
		Current price	Return
Other	Oil (WTI)	61.53 \$	-14.21%
	USD/CAD	0.7283 \$	4.76%
	EUR/USD	1.1163 \$	9.74%
	Gold	3 357.51 \$	27.93%

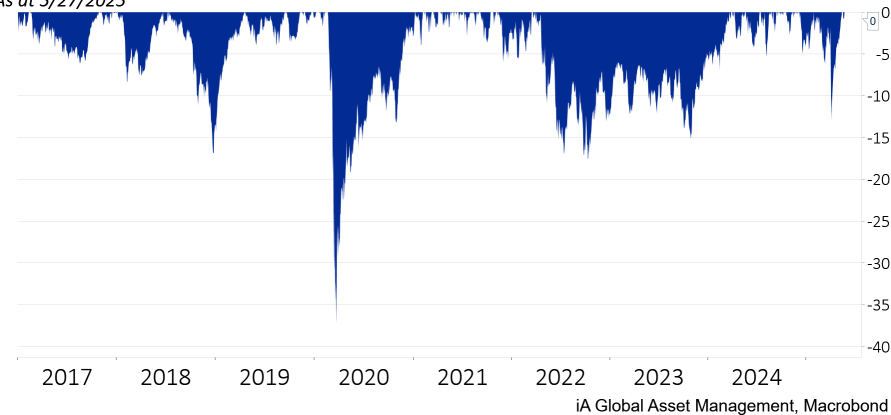
S&P 500 Index % Drawdown

As at 5/27/2025



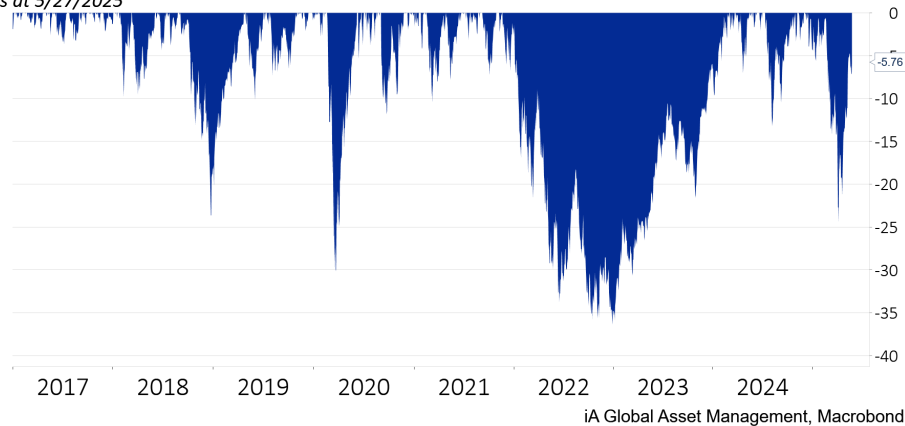
S&P/TSX Composite Index % Drawdown

As at 5/27/2025



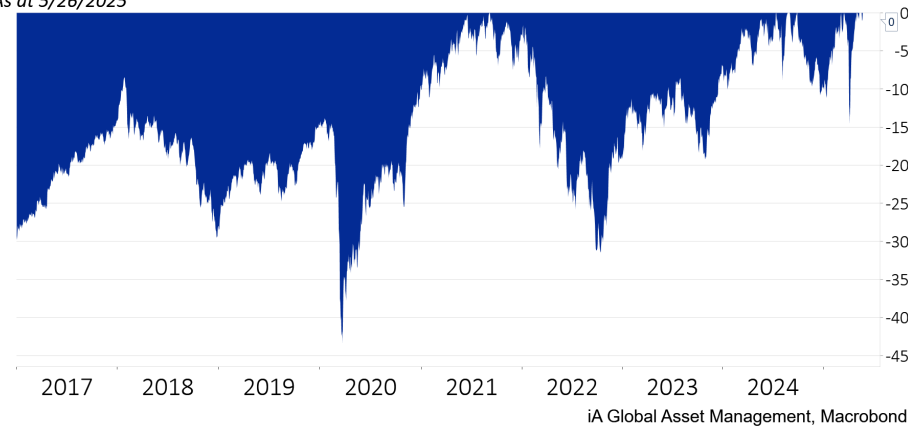
NASDAQ Composite % Drawdown

As at 5/27/2025



MSCI EAFE Index % Drawdown

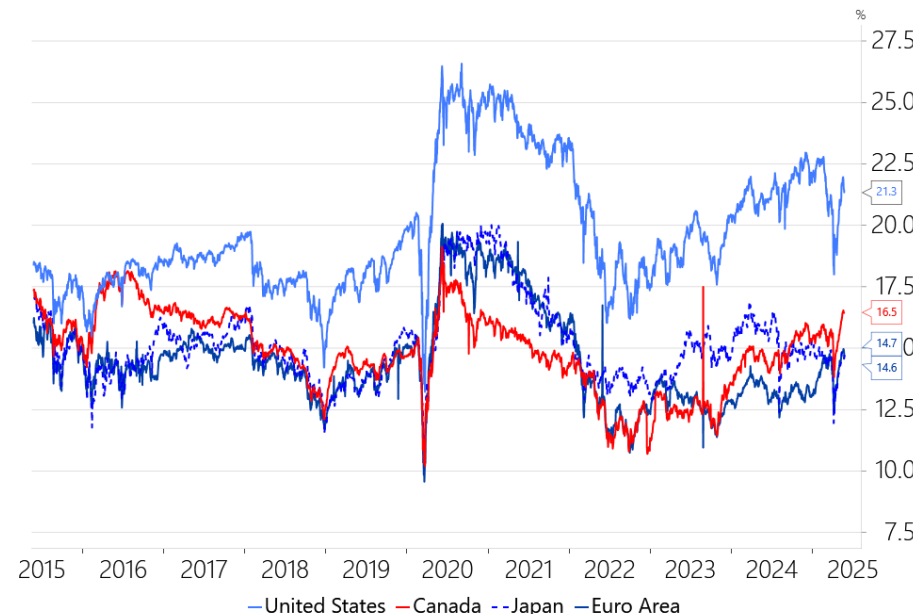
As at 5/26/2025



Global Stocks: Earnings Expectations Sharply Revised at the Start of the Year

Global Equities: Valuations are attractive outside the U.S.

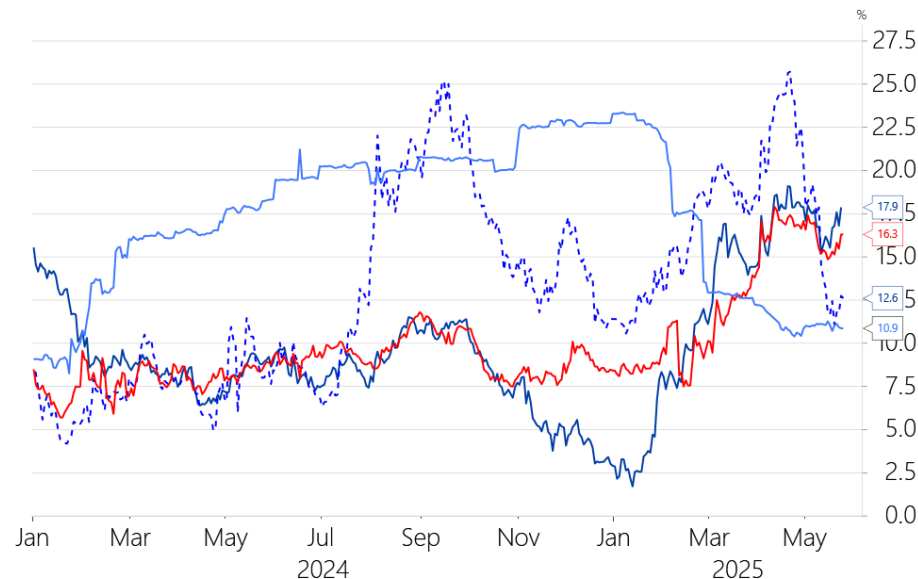
FactSet, Fwd P/E ratios, broad indices, as at 5/23/2025



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Global Equities: Earnings Growth Expectations Volatile in Japan

FactSet, NTM EPS growth, broad indices, as at 5/23/2025



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The Bond Market Is Searching for Direction

U.S. 10-Year Rate

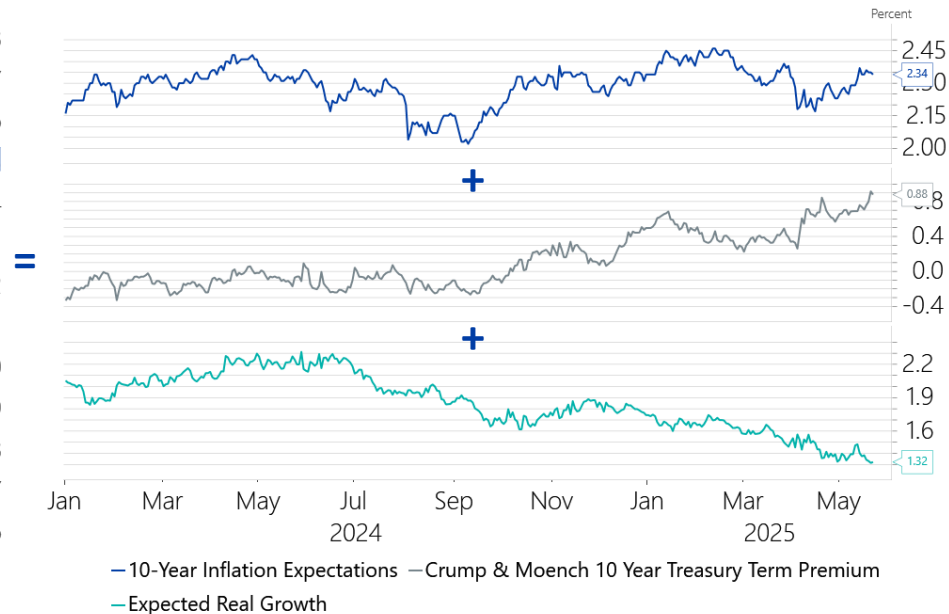
U.S. Department of Treasury, as at 5/23/2025



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U.S.: 10-Year Rate Decomposition

Macrobond Financial AB, as at 5/23/2025



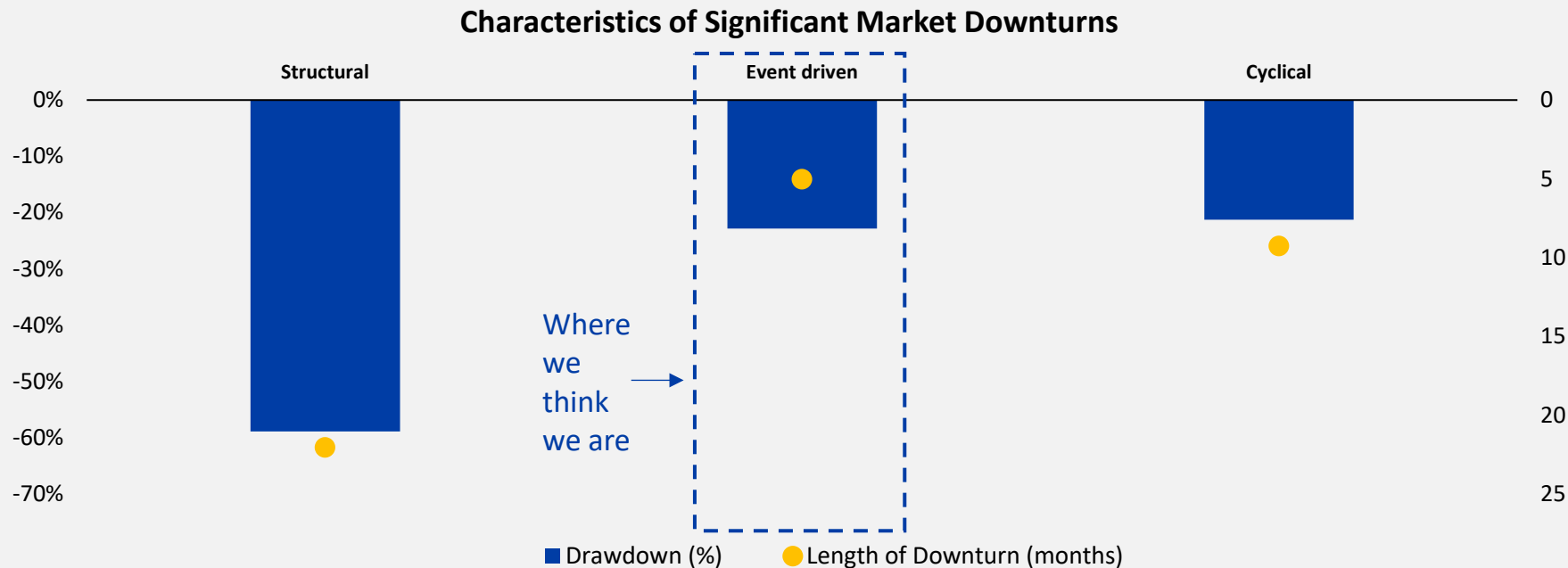
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We Identified 21 Significant Market Downturns Going Back 100 Years, and Categorized Them

S&P 500 Drawdown					
		<i>Recession?</i>			
Type of Market Downturn	Average	<i>Without Recession</i>	<i>Mild</i>	<i>Moderate</i>	<i>Severe</i>
Structural	-59%	N/A	-49%	-48%	-66%
Event-driven	-23%	-24%	-6%	-28%	N/A
Cyclical	-21%	-25%	-20%	-22%	N/A

Where we think we are →

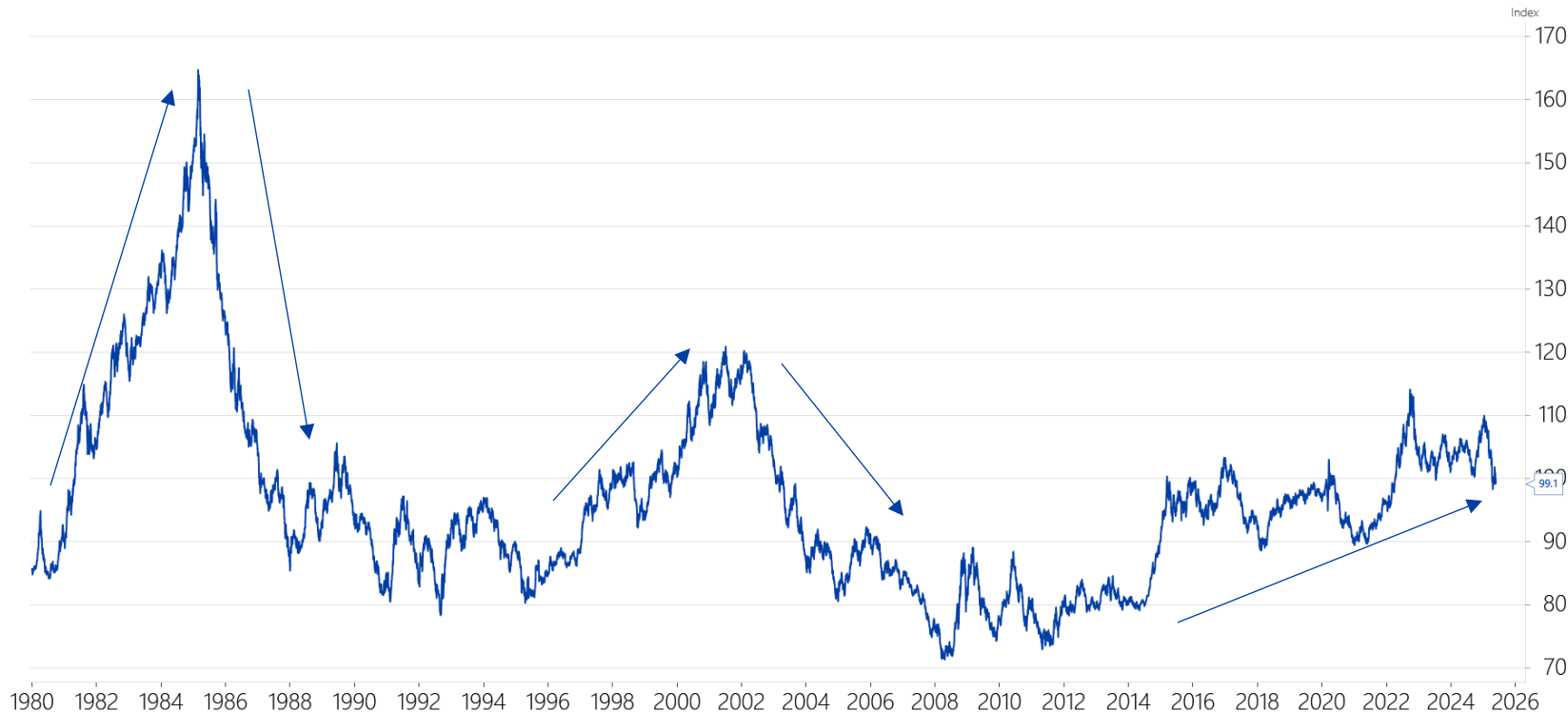
We Identified 21 Significant Market Downturns Going Back 100 Years, and Categorized Them



U.S. Dollar: Is a Secular Decline Ahead?

U.S. Dollar: DXY index

Intercontinental Exchange (ICE), as of 5/27/2025



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May 2025



The Tariffman Cometh

Section 1: The aftermath of “Liberation Day”

April 2, 2025, may well go down as one of the most iconic turning points in the postwar global economic order. What began as a highly choreographed press conference quickly turned into something more consequential: the formal declaration of a new U.S. trade doctrine. With one hand holding a Sharpie and the other clutching a poster board covered in tariff rates by country (including, bewilderingly, Antarctica), President Trump set the tone for what may be remembered as the day U.S. economic policy pivoted decisively away from openness and toward protectionism.

Beyond the spectacle and the inevitable memes that followed (questions abounded about what the

Highlights

- The formal declaration of a new U.S. trade doctrine on April 2, 2025, marks a decisive pivot towards protectionism, threatening to reshape global trade patterns and capital flows.
- Canada avoided direct retaliatory tariffs from the U.S., providing a valuable opportunity to address structural economic weaknesses and enhance productivity and investment.
- The dramatic repricing of U.S. Treasury yields and the weakening of the U.S. dollar signal a potential regime shift in how global markets perceive and price U.S. assets.

May 2025	--	-	N	+	++
ASSET CLASSES					
Money Market					
Fixed Income					
Equities					
Alternatives					
RELATIVE EQUITY					
Canadian Equities					
U.S. Equities					
International Equities*					
EM Equities					
RELATIVE FIXED INCOME					
Government Bonds					
IG Corporate Bonds					
HY Bonds					
OTHERS					
Oil					
Gold					
USD (trade weighted)					
CAD/USD					
* Japan					

Bonus: A Look Back at the Canadian Federal Election



Mark Carney elected PM with a mandate focused on the economy

Priorities according to the letter of mandate:

Trade

1. Establishing a new relationship with the United States
2. Remove barriers to interprovincial trade and expedite nation-building projects, in particular to favor exports to Asian and Europeans markets

Fiscal and Economic Policy

1. Lower taxes
2. Strengthen Canadian Forces (aiming for defense spending at 2% of GDP)
3. Spend less on government operations but increase government investments

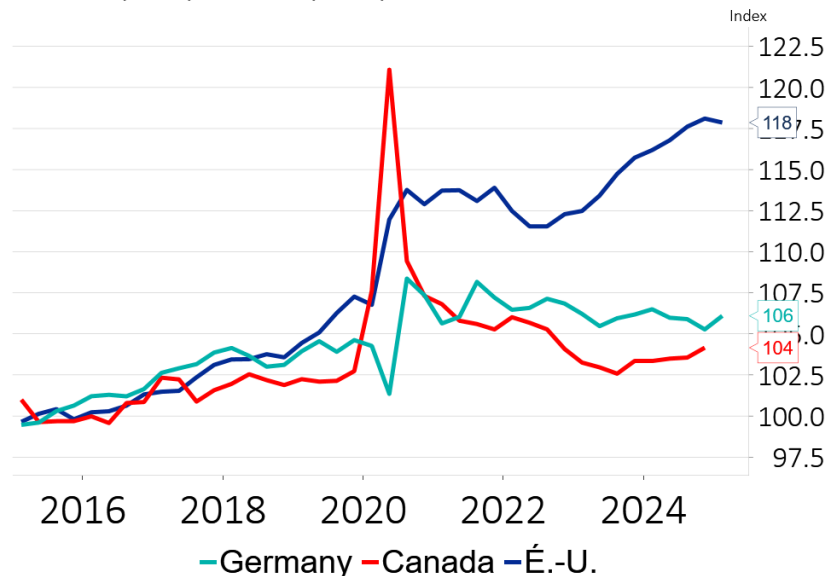
Social Policy

1. Make housing more affordable
2. Lower overall immigration rates and better target immigrants

Key Challenge: Improve Productivity by Stimulating Private Investment

Labour Productivity

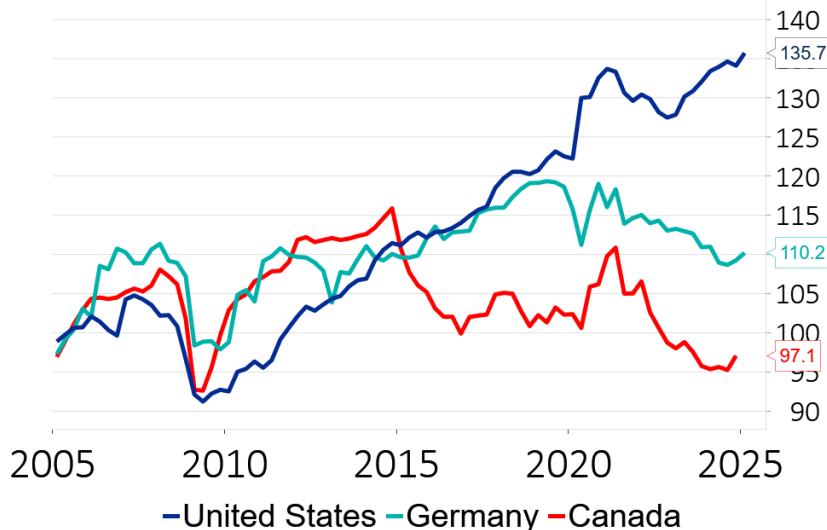
2015 = 100, BLS, StatCan, ECB, as at 2025 Q1



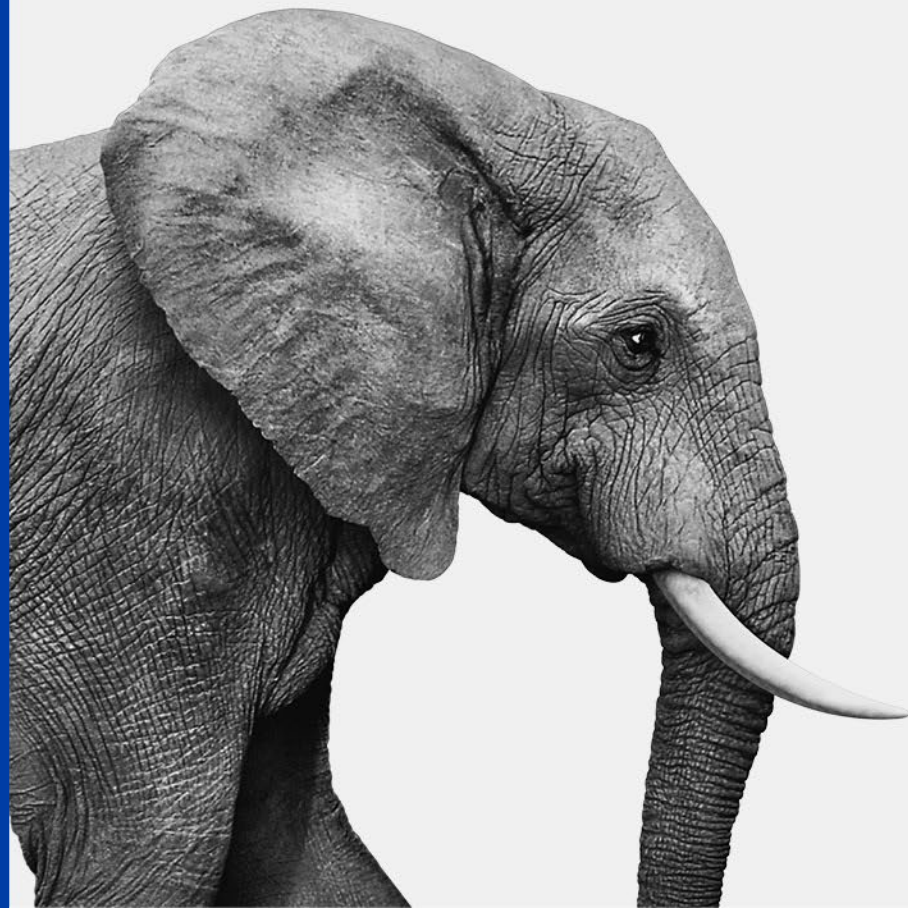
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Total Investment by Employee

2005 = 100, Constant prices, SAAR, BEA, StatCan, DESTATIS, 2025 Q1



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