**May 2025 Client Market Update Letter *template (general)***

***Advisors may use this letter as a model for a client letter. Please modify as you see fit.***

**May XX, 2025**

Dear Client,

North American stocks plunged at the start of the month after Donald Trump unveiled a far-reaching array of global trade tariffs on April 2 that exceeded any expectations. The yield on the benchmark US 10-year Treasury bond climbed half a percentage point in a week (yields move up as bond prices fall), the largest such move since 2001. Market volatility jumped and signs of dislocations in the fixed income market emerged. Gold fell sharply. But one week later equity indices abruptly reversed course and shot up when the president unexpectedly announced a “90 day pause” on his tariff program.

US stocks were buffeted again as the US and China traded sharp tariff escalations, but stabilized as the month wore on and steadily regained most of the ground lost in the first week. Bond yields declined. This despite further bumps, including Trump questioning US Federal Reserve Chair Jerome Powell’s job security (but later confirming it) and reiterating his commitment to punishing reciprocal tariffs on China (a position soon moderated with an exemption for electronics, notably iPhones). At April 30th, leading US equity induces remained in negative territory YTD, but the S&P/TSX Composite Index was essentially flat and continued to outperform US indices on a rolling one-year basis.

The S&P/TSX Composite Index ended the month down 0.10%, the S&P 500 Index fell 0.70%, the Nasdaq Index rose 0.88%, the MSCI World Index down 0.37% and the MSCI EAFE Index down 0.07. The FTSE Canada Universe Bond Index fell 0.65%.

**Monthly market developments**

* The US announced broad reciprocal tariffs on April 2 of varying levels on imports from nearly all its trading partners. A week later the US announced a 90 day pause on the tariffs, replacing them with a 10% baseline tariff on all countries except China, which would be hit with 145% tariff on all exports.
* US inflation eased in March as the annual consumer price index fell to 2.4% in March, down from 2.8% in February, according to the Bureau of Labor Statistics.
* March US retail sales rose 1.4% driven primarily by auto and building material purchases, possibly spurred by pre-tariff buying.
* In public remarks, Fed Chair Jerome Powell commented that the tariffs announced at the start of the month were “significantly larger” than expected and warned they could slow growth and raise inflation.
* At the end of April, survey data from the Conference Board suggested US consumers' outlook on the economy worsened in the month. Consumer expectations fell to the lowest level since October 2011, with a reading of 54.4, far below the level of 80 that the research group says often indicates a potential recession.
* Similar trends emerged from the monthly University of Michigan consumer sentiment survey, which dropped to 52.2 in April, from 57 in March. Consumers expect prices to climb 6.5% over the next year, the highest reading since 1981.
* Private payrolls grew by just 62,000 in April, much less than the 115,000 expected by economists and below the 147,000 new jobs added in March. The US unemployment rate held at 4.2%.
* On April 30th the advance estimate Q1 US GDP report revealed growth contracted at an annual rate of 0.3% in the first three months of 2025, according to the US Bureau of Economic Analysis. Q4 2024 GDP rose 2.4%. However, the weak Q1 data primarily reflected higher imports, which are a subtraction in the GDP calculation, and a drop in government spending. These movements were partly offset by increases in investment, consumer spending, and exports.
* The Canadian economy shrunk by 0.2% in February, according to Statistics Canada. This followed GDP growth of 0.4 % in January. It also said that initial indicators suggest there was moderate growth in March.
* Retail sales in Canada slipped 0.4%, month over month, in February, according to Statistics Canada. The advance estimate for March indicated a slight uptick of 0.7%, possibly in anticipation of potential tariff-related price hikes. Inflation dipped to 2.3% in March, down from 2.6% in February.
* Canada lost 33,000 jobs in March, the most since January 2022, and the unemployment rate inched up to 6.7% from 6.6% in February.
* The Bank of Canada held its benchmark policy rate at 2.75%, as expected, citing rising economic uncertainty due to tariff issues.
* In Europe, German and UK equities also suffered steep falls in early April before recovering by month end but were still below levels reached in February and March when they benefited from a significant rotation out of US shares.
* The European Central Bank (ECB) trimmed its benchmark interest rate for the seventh time since June 2024 by a quarter point to 2.25% on April 17th. Eurozone inflation slipped to 2.2% in March.
* Eurozone GDP grew just 0.4% in Q1, 2025, but better than the 0.2% recorded in Q4, 2024. The ECB is forecasting annual growth of 0.9% for 2025.
* China’s economy gave early signs of slowing down due to the tariff fight, as a manufacturing purchasing managers’ index fell to 49.0 in April, down from 50.5 in March. Anything below 50 indicates declining activity and the reading was weighed down by data for new orders for export, which sunk to their lowest levels since the Covid-19 pandemic.
* In Japan, inflation in April rose more than expected to 3.1%, annualised, up from 2.9% in March. The odds of additional Bank of Japan rate hikes rose following the release.
* Gold rose for the fourth consecutive month, up 5.8% in April, and closed the month at USD $3,305 a troy ounce. Oil fell during the month and remains well down from YTD highs in mid-January.

**How does this affect my investments?**

At the end of a tumultuous month for investors Canadians voted in an election overshadowed by the economic threat of tariffs as well as Trump’s musings on Canadian sovereignty. Now confirmed as prime minster, Mark Carney leads a minority Liberal government facing high expectations and major challenges, none greater than the imminent trade negotiations with the US. During the month the International Monetary Fund (IMF) revised its global growth forecasts downward citing heightened uncertainty related to the Trump administration’s tariff policy. Canada’s 2025 growth outlook was downgraded from 1.8% to 1.4% by the IMF, while the US is projected to be closer to its long-term trend of 1.8%. Yet by the end of April equity markets had largely recovered from the precipitous falls of the first days of the month as some hints surfaced that Washington may adopt a slightly more measured approach to pursuing the new global trading relationships it is prioritizing. Investors will continue to focus on the evolution of US policy and the direction of growth, inflation and employment in this environment.

Please contact me with any questions or ideas about your current investment strategy.

Sincerely,

[Financial Advisor]

*The information in this letter is derived from various sources, including CBC, The Wall Street Journal, The Global and Mail, BNN Bloomberg, Financial Times, Bureau of Economic Analysis, Statistics Canada, and The New York Times at various dates. This material is provided for general information and is subject to change without notice. Every effort has been made to compile this material from reliable sources and reasonable steps have been taken to ensure their accuracy. Market conditions may change which may impact the information contained in this document. Before acting on any of the above, please contact me for individual financial advice based on your personal circumstances. Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Global Asset Management has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.*

*Certain statements in this document are forward-looking. Forward-looking statements (“FLS”) are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “intend,” “plan,” “believe,” or “estimate,” or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Global Asset Management and the portfolio manager believe to be reasonable assumptions, neither CI Global Asset Management nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.*