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CHARTBOOK
Market Comment

Prepared by OceanFront Investment Counsel Inc.

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Market Comment

February saw the return of the Trump news cycle, which was a barrage of daily messaging of threats of tariffs against trading partners, potential annexation of neighbours, renaming of large bodies of water and much, much more. Don't be surprised to see the on-again, off-again trade war continue indefinitely. Markets seem to be less reactive to the threat of tariffs than they were as recently as a few weeks ago, suggesting that they believe some of Trump's threats to be bluster.

Canadian GDP for November was reported in February and showed an annualized growth rate of -0.2%, continuing the trend of weak growth in Canada. Inflation remains around the Bank of Canada's target of 2%, which gives the bank room to continue cutting rates to stimulate growth. However, these rate cuts risk further downside on the Canadian Dollar, which recently rebounded to over $0.70/USD following the announcement that the trade war with the US was on pause.

As investors, there are always reasons to worry or potential negative catalysts that seek to scare us out of our long-term, diversified portfolios. Despite the trade-related uncertainty and negative news cycle, many global stock markets are at or near new all-time highs.

A lesson that most investors repeatedly struggle to learn—a truth as relevant now as ever—is the importance of having a plan and sticking to it.

If you wish to discuss your situation further, please do contact us. We appreciate your ongoing trust & confidence.

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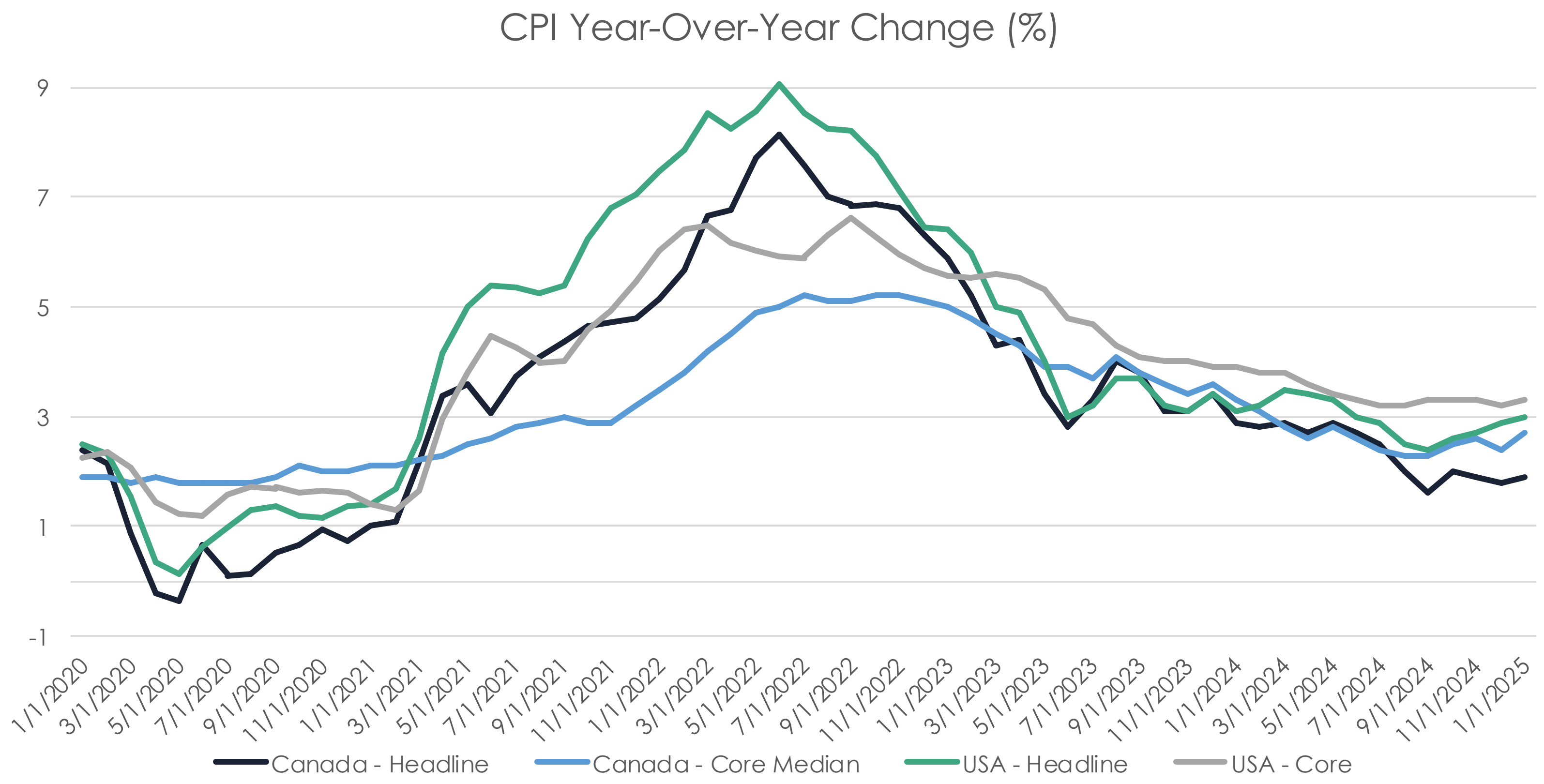
Inflation



“Headline” inflation refers to measures that include all components. Measures of “Core” inflation exclude certain outlier components which have high variability month-to-month or year-to-year.

CPI inflation is hovering around the low-mid 2% range in Canada and mid 2% to low 3% range in the US, where it has been stickier than it has in Canada. Inflation has seen a slight increase in the past couple of months on both sides of the border.

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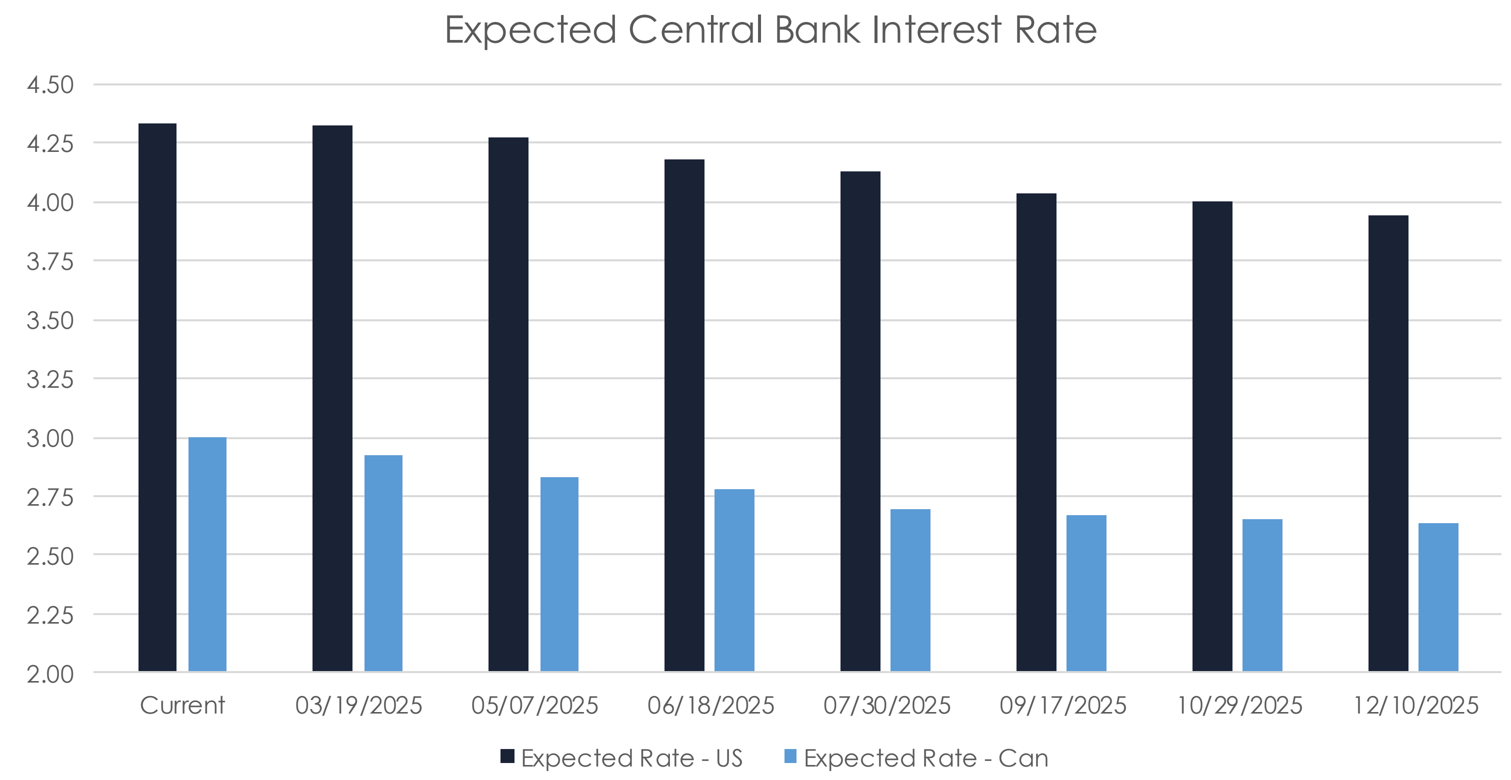
 Source: Bloomberg, OceanFront Investment Counsel Inc.

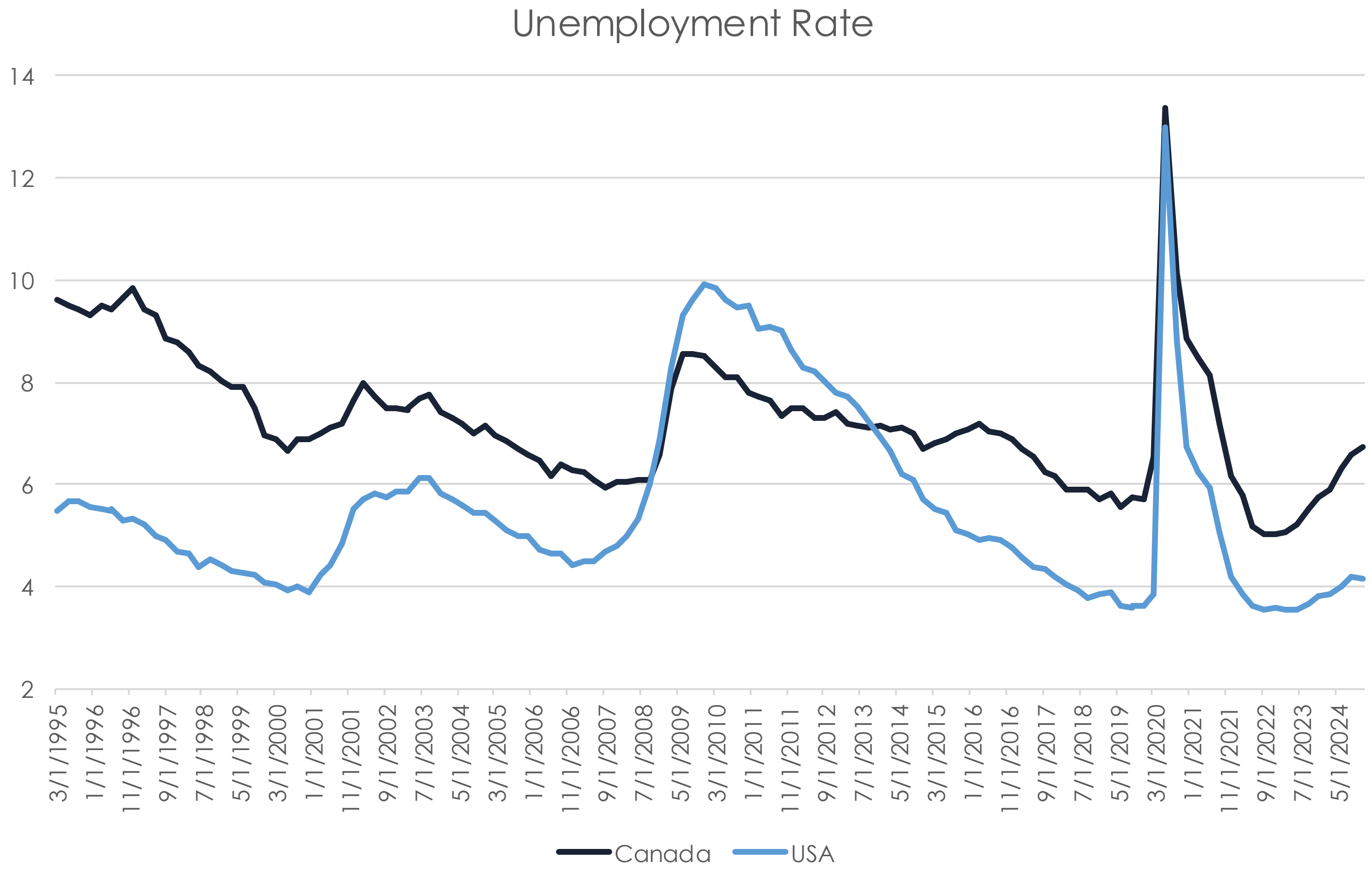
Interest Rate Expectations

By December 2025, central bank policy interest rates are expected to fall to about 2.75% or 2.5% (one or two more 25 basis point cuts) in Canada and 4.0% in the US. This is reflective of the strength of the two economies, where in the US economic growth has been much stronger than it has in Canada. This contributes to the relatively higher inflation in the US and thus higher interest rates to temper inflation.



Data: Overnight Index Swap markets as of February 20, 2025

Employment



More evidence of the divergence between the US and Canadian economies can be seen in the unemployment rates in each country, with Canadian unemployment almost 3% higher than in USA and continuing to rise.

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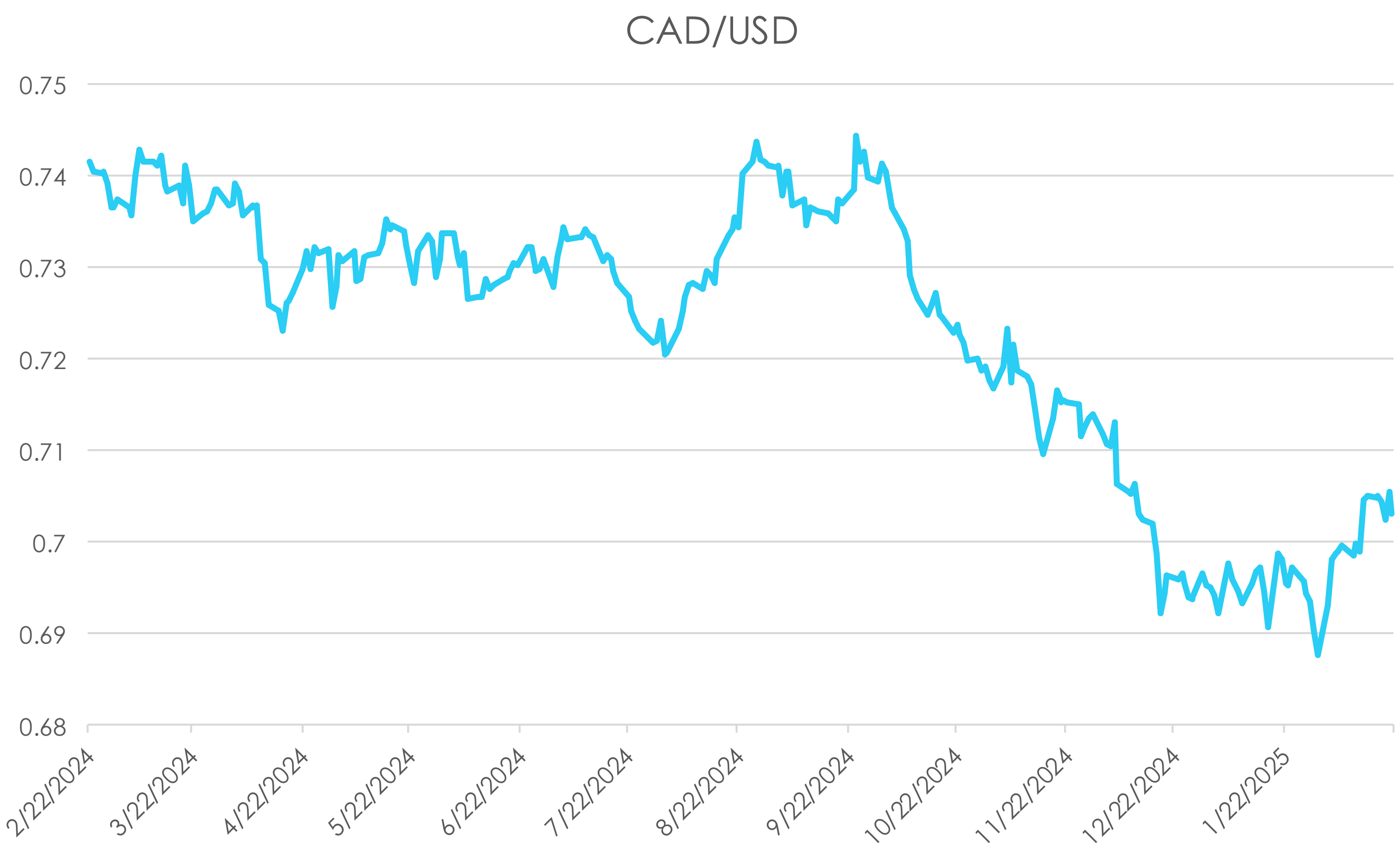
Canadian Dollar



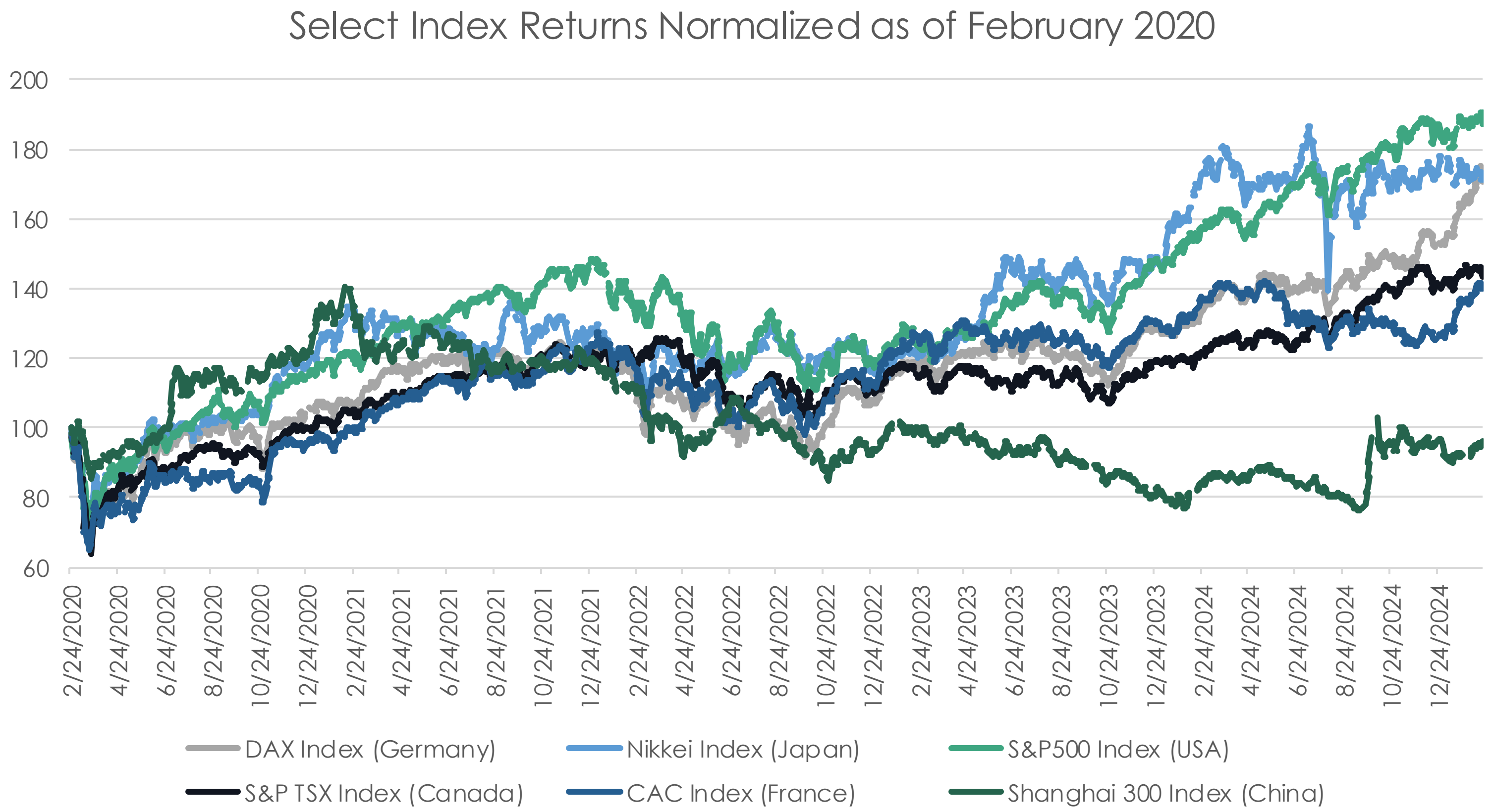
Lately, we have seen CAD rally to recover the $0.70 level following the pause in the trade war. We expect to see continued news-driven volatility here, at least in the short-term.

 Source: Bloomberg, OceanFront Investment Counsel Inc.

Index Returns

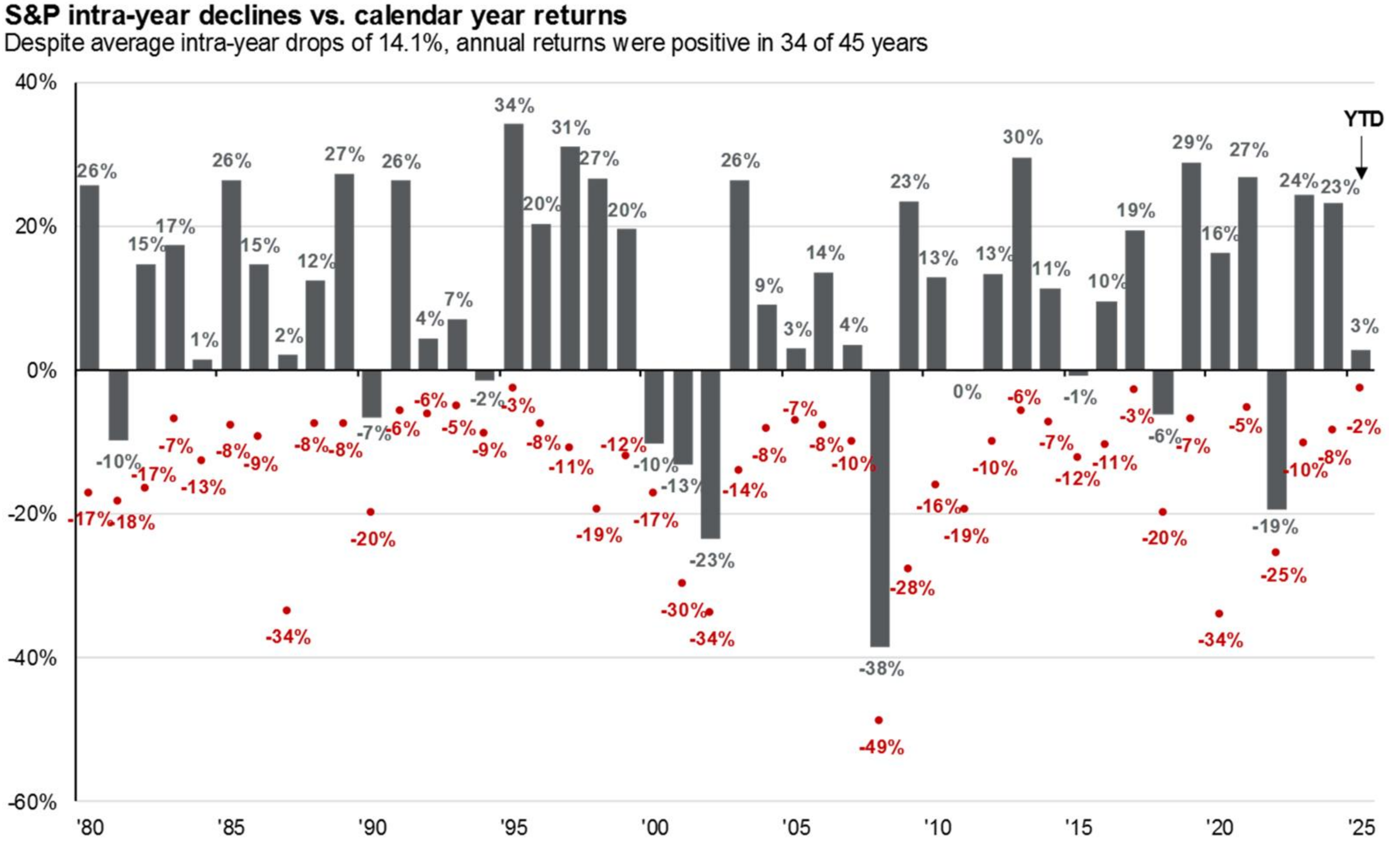
European stocks have been some of the best performers of 2025, with the German DAX index a clear leader.

Meanwhile, Chinese stocks have struggled as China struggles with slow growth amid its real estate market crisis.



Annual Returns and Intra-Year Declines

An important reminder that volatility is part of investing. Even in the best returning years, such as 2023 when the S&P500 returned 24%, there was an intra-year decline of 10%.



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