MACKENZIE Investments

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Weekly Market Snapshot

For the week ending April 11, 2025

Equities

Local currency, price only, % change

	2025-04-11	Week	QTD	YTD	1Y
S&P/TSX Composite	23,588	1.7%	-5.3%	-4.6%	6.7%
S&P/TSX Small Cap	766	3.9%	-6.3%	-6.0%	-1.2%
S&P 500	5,363	5.7%	-4.4%	-8.8%	3.2%
NASDAQ	16,724	7.3%	-3.3%	-13.4%	1.7%
Russell 2000	1,860	1.8%	-7.5%	-16.6%	-8.9%
UK FTSE 100	7,964	-1.1%	-7.2%	-2.6%	0.5%
Euro Stoxx 50	4,787	-1.9%	-8.8%	-2.2%	-3.6%
Nikkei 225	33,586	-0.6%	-5.7%	-15.8%	-14.8%
MSCI China (USD)	67	-7.9%	-9.3%	4.0%	20.7%
MSCI EM (USD)	1,045	-3.9%	-5.1%	-2.8%	-0.9%

Interest rates - Canada

Change in bps

	2025-04-11	Week	QTD	YTD	1Y
3-month T-bill	2.63	9	1	-53	-227
GoC bonds 2 yr	2.68	32	22	-25	-168
GoC bonds 10 yr	3.26	38	30	4	-47
GoC bonds 30 yr	3.55	36	33	22	-6

Canadian sector performance

Price return, % change

	Week	YTD
Energy	-1.9%	-9.8%
Materials	12.2%	20.4%
Industrials	2.3%	-3.9%
Cons. Disc.	0.9%	-3.8%
Info Tech	5.5%	-15.1%
Health Care	-9.9%	-23.9%
Financials	-0.5%	-8.0%
Cons. Staples	0.2%	-0.9%
Comm. Services	-5.6%	-7.0%
Utilities	-0.4%	0.1%
Real Estate	-3.7%	-7.3%

Fixed income

Total return, % change

	2025-04-11	Week	QTD	YTD	1Y
FTSE Canada Universe Bond	1,167	-2.5%	-2.2%	-0.2%	7.1%
FTSE Canada All Corporate Bond	1,437	-1.9%	-1.9%	-0.2%	7.9%
Bloomberg Canada High Yield	191	-0.7%	-1.6%	-0.6%	5.3%

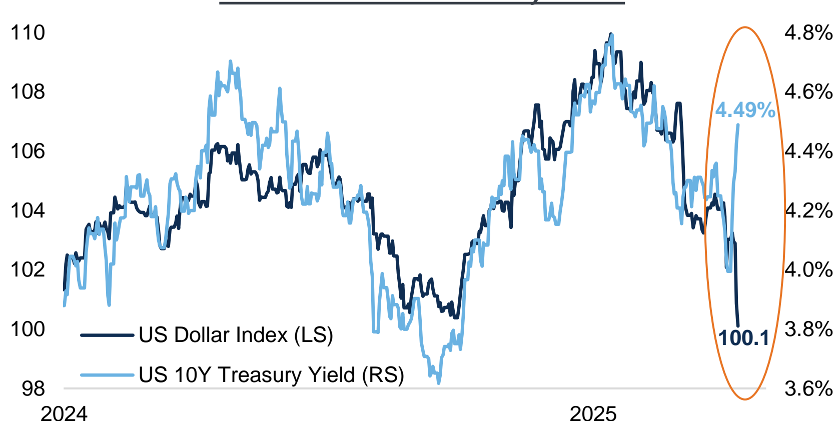
Currencies and Commodities

In USD, % change

	2025-04-11	Week	QTD	YTD	1Y
CADUSD	0.721	2.5%	3.7%	3.7%	-1.3%
US Dollar Index	100.10	-2.8%	-3.9%	-7.7%	-4.9%
Oil (West Texas)	61.50	-0.8%	-14.0%	-14.2%	-27.7%
Natural Gas	3.53	-8.1%	-14.4%	11.7%	13.6%
Gold	3,238	6.6%	3.7%	23.4%	36.5%
Copper	4.52	2.7%	-10.2%	11.4%	3.7%

Chart of the week: Dethroning King Dollar?

DXY Index vs. US Treasury Yields



In a typical risk-off environment, investors would flock to US Treasuries for safety, driving yields lower. However, the script ***flipped last week****, with the 10-year Treasury yield surging past 4.5% despite the spike in market volatility. Even more striking, the US dollar failed to catch a bid despite climbing US yields, indicating* ***global doubts about America's political and economic stability.*** *This week's chart exposes this shift: market stress has climbed, but Treasuries and the dollar are faltering as safe-haven anchors.* ***While inflation fears, coupled with a "patient" Fed, are obvious culprits for why rates are climbing higher, there are several other explanations.***

A key driver of last week's Treasury selloff was the ***unwinding of the basis trade****, a leveraged strategy betting on price gaps between US Treasury bonds (long) and Treasury futures (short). When prices remain steady, funds profit by pocketing the difference at settlement. However, as Treasuries dropped last week, collateral values shrank, triggering margin calls. Funds sold their Treasuries to cover these demands, driving yields higher and sparking a vicious cycle of sales.* ***This blocked the safe-haven rush expected in a risk-off environment, deepening the Treasury rout as investors rushed to the exit.***

Second, concerns over foreign selling have been percolating. While speculation that governments such as China are actively dumping Treasuries lacks hard evidence, the fear alone has been enough to shake confidence, particularly as US trade tensions rise. But the deeper issue appears to be structural: investors are reevaluating the credit profile of the United States itself. With federal debt nearing $40 trillion and the deficit widening, ***the long-term fiscal picture looks increasingly unstable****. A weak 3-year auction earlier this week raised fresh questions about demand. Although the 10- and 30-year auctions were better received, the market reaction suggests lingering anxiety over long-term debt sustainability.* ***The lack of confidence in the US dollar has prompted a rotation into alternative safe-haven candidates.*** *Flows have moved into…*

European sovereign bonds, the euro, the Swiss franc, and the Japanese yen. Meanwhile, gold continues to catch a strong bid, underscoring a broad reallocation away from US-denominated assets.

In short, US Treasuries are no longer acting as the reflexive safe-haven they once were. *With liquidity stress, fiscal questions, policy ambiguity, and rising political risk all converging, yields are rising when they would historically fall. Investors would do well to watch how upcoming auctions are received—and whether confidence in the world's most liquid market can recover. For now, the burden of proof lies with the US.*

Trump blinks

Global equities staged an impressive comeback last week, with the S&P 500 posting its third-largest daily gain in the post-WWII era after President Trump announced a 90-day pause on tariffs for most countries. US Treasury yields turned higher, with the 10-year climbing to ~4.5% (see chart comments for more). Demand for European bonds remained strong, with yields falling for the fourth straight week, while the euro, yen, and Swiss franc gained amid USD weakness. In commodities, oil prices (-0.8%) slipped to $61/bbl, while gold (+6.6%) continued to surge.

The markets rejoiced after President Trump announced a 90-day pause on the "reciprocal" tariffs. However, the pause notably excluded China, where levies hit 145% on autos, semiconductors and machinery—the 10% baseline tariff will remain in effect. An April 11 exemption for smartphones, computers, and semiconductor equipment eased market fears, but Commerce Secretary Lutnick warned of new levies soon via a semiconductor trade probe. Trump echoed this over the weekend, denying any "exception" and targeting tech tariffs separately. **Where things stand, the US is effectively creating a new global baseline: a flat 10% tariff on most US trade partners, while concentrating pressure squarely on Beijing.** We reiterate that until trade tensions ease or data deteriorates materially, investors should expect volatility to persist and be prepared for markets where geopolitics, not economic data, leads the narrative and dictates price action.

Similar to the US jobs report, last week's March CPI report was eclipsed by tariff headlines. **Still, headline consumer prices notably fell -0.1% m/m—the first monthly drop since May 2020—lowering the annual pace to 2.4% y/y from 2.8%.** Core CPI rose a mild 0.1% m/m or 2.8% y/y—its smallest annual increase since March 2021. A 6.3% drop in gasoline prices, alongside a cooling in airfare, used vehicles, and vehicle insurance, drove the decline. **Overall, there has been little to no observed tariff pass-through to prices yet.** Instead, cooling prices in discretionary spending categories, such as airfares, car rentals, and hotels, **suggest that consumers are pulling back on their spending.**

The latest CPI report is unlikely to spur immediate policy shifts at the Federal Reserve. Chair Jerome Powell has reaffirmed a data-dependent approach, noting that sustained inflation declines, notable labour market weakness, or financial instability would be needed to alter the current stance. **Until then, the Fed will likely remain cautious.** A May rate cut seems unlikely at this juncture, but April's CPI is shaping up to be another soft report if gas prices remain depressed, making the April jobs report critical for a potential change in stance from the Fed in its upcoming meetings.

The week in review

- US CPI inflation (Mar.) fell -0.1% m/m (versus 0.1% expected), lowering the annual pace to 2.4% y/y from 2.8% in the prior month. Core consumer prices rose 0.1% m/m (versus 0.3% expected), lowering the annual pace to 2.8% y/y from 3.1%. PPI inflation fell -0.4% m/m (versus 0.2% expected), lowering the annual pace to 2.7% y/y.
- US FOMC Minutes reinforced a cautious approach amid heightened risks and economic uncertainty around tariff policies on evolving inflation and growth dynamics.
- The Bank of Canada Business Outlook Survey revealed a significant decline in business confidence, with roughly a third of respondents expecting a recession in the coming year amid tariff uncertainty.
- Chinese CPI inflation (Mar.) was -0.1% y/y (versus 0.0% expected), from -0.7% in the prior month. PPI inflation was -2.5% y/y (versus -2.3% expected), from -2.2% in the prior month.
- Eurozone retail sales (Feb.) rose 0.3% m/m (versus 0.5% expected), after the prior month's upwardly revised flat reading. Sales are up 2.3% y/y.
- UK real GDP (Feb.) rose 0.5% m/m (versus 0.1% expected), or 0.6% on a three-month over three-month basis.
- Reserve Bank of India unanimously reduced the repo rate by 25 bps to 6%, the second cut since February.
- Reserve Bank of New Zealand lowered its Official Cash Rate by 25 bps to 3.5%, the fifth consecutive rate cut since August 2024.

The week ahead

- Bank of Canada announcement and Monetary Policy Report
- European Central Bank monetary policy announcement
- Canadian CPI and housing data
- US retail sales, industrial production and housing data
- Chinese GDP, trade, industrial production, retail sales, and aggregate yuan financing data
- Japanese CPI, industrial production, and trade data
- Eurozone CPI and industrial production
- UK employment and CPI data
- 32 S&P 500 and 2 S&P/TSX companies report earnings

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