

Market Update

February 2025

Threats about tariffs and how they could hurt Canada's arguably fragile economy seem to be at odds with the stock market on both sides of the border, though sector participation in Canada is not at all diverse, currently driven by Materials and a historically predictable fear commodity - Gold.

**Year-to-date (as of February 13, 2025)**

Canada's TSX	+3.9%	largely Materials and IT
U.S. S&P 500	+3.96%	
U.S. Nasdaq	+3.28%	

The logic of tariffs on Canadian goods doesn't make much sense in a robust American economy. Some believe that American tax cuts announced in 2018 during Mr. Trump's first term, will need to be funded from an alternative source of revenue when they end or are renewed in 2025.

One thing most economists seem to agree on, is that any tariffs will be inflationary and as the Federal Reserve has indicated this week, recent signs of rising inflation will mean no further interest rate cuts in the U.S. perhaps during 2025.

The Canadian dollar has weakened while the U.S. dollar is hitting new highs. Keep in mind that a benefit of a multi-currency portfolio, is that to some extent, the strong U.S. dollar is an offset (or your hedge) to a weaker Canadian dollar.

An unintended potential benefit of tariff news is that Canada awakens to our new reality with a more efficient economy. Already, there is talk of the potential to eliminate inter-provincial trade barriers, reduce regulation and bureaucracy where it hinders capital investment, while determining a more realistic energy policy around our biggest export, the majority of which currently flows to the U.S.

Often as humans, we have an intellectual bias toward 'activity'. In other words, what is going on over there? Whether it be loud politicians or rapid news feeds, the chaos naturally draw us in and can foster uncertainty. At times like this, I like to remind clients of market history and to stay the course. Investing versus speculation.

**I have attached the following link to our Chief Economists latest Economic commentary in video form:**

[Economic Impact | National Bank](#) (video)

[Hot Charts - Canada: Is "regulation" the most beautiful word in our policymakers' dictionary?](#)

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. This commentary reflects my opinions alone and may not reflect the views of National Bank Financial Group. In expressing these

opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

Best,

National Bank Financial

Rob Hunter  
Senior Wealth Advisor

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Risk/Reward of the strategy = Strike price minus the purchase price of the underlying plus the premium received from the sale of the call. The maximum loss is the same as holding a long position less the premium received.

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