

Market Update

March 2025

This quarter's earnings season is nearly complete with the banks' reporting. The U.S. banks have shown a positive outlook for 2025, with strong results relative to expectations. **The S&P 500 companies are reporting higher earnings for the fourth quarter, with 76% of companies reporting actual EPS above estimates.** The blended earnings growth rate for the fourth quarter is 16.9%, marking the highest year-over-year earnings growth rate since Q4 2021.

As you are likely aware, the U.S. has announced a 25% tariff on all Canadian products exported to its territory, along with a specific 10% tariff on the energy sector, effective March 4, 2025. This move has been justified by the U.S. administration for reasons of *national security* and the protection of domestic industries. In response, Canada has imposed 25% tariffs on \$30 billion of imports from the U.S., effective February 4, 2025, with an additional \$125 billion to follow.

A month ago, the discussion was about whether the tariffs would actually occur, where now they tend to be about how long they might last. The economic impact on Canada will be significant, with an estimated 2.5 percentage point hit to GDP over the next year and a 1 percentage point increase in inflation if they stick. That said, the Bank of Canada is expected to focus on stabilizing growth at the expense of higher inflation from tariffs on Canada (lowering interest rates).

While markets remain positive year-to-date, they have been choppy since January 20th. When the world is in a constant state of reacting to a deluge of (negative) news feeds and gross uncertainty we must look in the mirror and remember what we are doing and why.

Two things came to mind. The first is that we strive to invest in what will be true beyond today's politics and scalding rhetoric. Experience and history have taught us to invest through tumultuous times tactfully and to

participate in resilient businesses that will continue to be productive and relevant regardless of the current news cycle. The second thing that comes to mind is the ‘fallacy or seduction of pessimism’, where a pessimist will often sound like someone who has your best interests in mind, yet an optimist can often sound aloof or akin to lofty salesmanship.

“Save like a pessimist and invest like an optimist” *

Stay the course.

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,

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Sources: Reuters, *Morgan House

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I have prepared this report to the best of my judgment and professional experience to give you my thoughts on various financial aspects and considerations. The opinions expressed represent solely my informed opinions and may not reflect the views of NBF.

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