MACKENZIE Investments

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Weekly Market Snapshot

For the week ending June 13, 2025

Equities

Local currency, price only, % change

	2025-06-13	Week	QTD	YTD	1Y
S&P/TSX Composite	26,504	0.3%	6.4%	7.2%	22.2%
S&P/TSX Small Cap	908	1.7%	11.1%	11.5%	20.6%
S&P 500	5,977	-0.4%	6.5%	1.6%	10.0%
NASDAQ	19,407	-0.6%	12.2%	0.5%	9.8%
Russell 2000	2,101	-1.5%	4.4%	-5.8%	3.0%
UK FTSE 100	8,851	0.1%	3.1%	8.3%	8.4%
Euro Stoxx 50	5,290	-2.6%	0.8%	8.1%	7.2%
Nikkei 225	37,834	0.2%	6.2%	-5.2%	-2.3%
MSCI China (USD)	74	0.3%	0.4%	15.1%	25.1%
MSCI EM (USD)	1,190	0.6%	8.0%	10.7%	10.6%

Fixed income

Total return, % change

	2025-06-13	Week	QTD	YTD	1Y
FTSE Canada Universe Bond	1,173	-0.2%	-1.6%	0.4%	4.0%
FTSE Canada All Corporate Bond	1,459	-0.1%	-0.5%	1.3%	6.3%
Bloomberg Canada High Yield	197	0.2%	1.3%	2.4%	7.4%

Interest rates - Canada

Change in bps

	2025-06-13	Week	QTD	YTD	1Y
3-month T-bill	2.67	1	5	-49	-198
GoC bonds 2 yr	2.71	2	26	-22	-115
GoC bonds 10 yr	3.37	3	40	15	4
GoC bonds 30 yr	3.66	7	43	33	39

Currencies and Commodities

In USD, % change

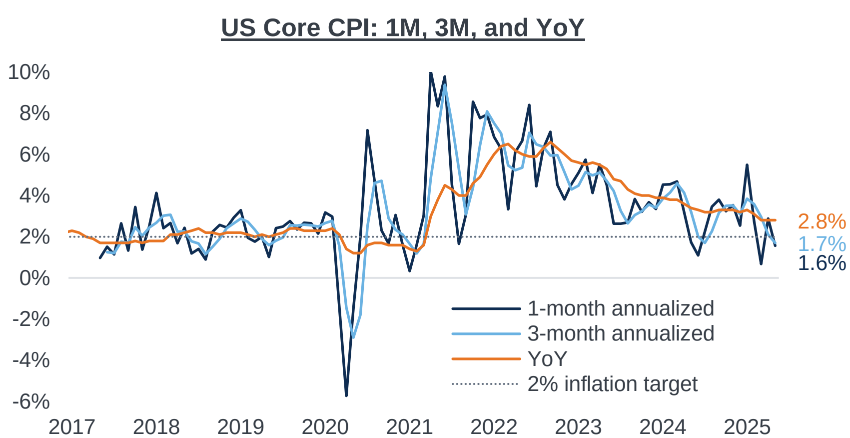
	2025-06-13	Week	QTD	YTD	1Y
CADUSD	0.736	0.8%	5.9%	5.9%	1.1%
US Dollar Index	98.18	-1.0%	-5.8%	-9.5%	-6.7%
Oil (West Texas)	72.98	13.0%	2.1%	1.8%	-7.2%
Natural Gas	3.58	-5.4%	-20.0%	1.7%	0.3%
Gold	3,432	3.7%	9.9%	30.8%	49.0%
Copper	4.87	-0.7%	-4.9%	18.3%	7.6%

Canadian sector performance

Price return, % change

	Week	YTD
Energy	3.8%	4.6%
Materials	2.3%	31.9%
Industrials	-0.9%	3.8%
Cons. Disc.	2.0%	11.5%
Info Tech	-3.6%	-1.5%
Health Care	5.2%	-11.5%
Financials	-1.0%	4.7%
Cons. Staples	0.5%	4.9%
Comm. Services	1.2%	0.5%
Utilities	1.0%	7.9%
Real Estate	0.2%	5.4%

Chart of the week: US inflation remains benign in May



The May CPI report offered fresh evidence that inflation continues to cool across several key categories. Headline CPI rose 0.1% m/m or 2.4% y/y, with the annual uptick largely due to base effects. Core CPI increased just 0.1% m/m and held steady at 2.8% y/y. Beneath the surface, inflationary pressures eased across the board: core goods prices were negative m/m, shelter inflation continued its mechanical deceleration due to the lagged nature of its calculation, and "supercore" inflation (core services ex-shelter) rose just 0.06% m/m—its second-lowest reading since last summer.

The backdrop to this softer CPI print includes additional signs of labour market cooling. While May's nonfarm payrolls beat expectations, continuing jobless claims have quietly climbed to cycle highs, indicating that unemployed workers are struggling to reenter the workforce. ***Ordinarily, this combination of soft inflation and a gradually cooling labour market would prompt a more dovish tone from the Federal Reserve.*** *But the current environment is anything but ordinary.*

Uncertainty tied to President Trump's evolving tariff policy remains a key risk factor, as does the recent surge in oil prices following the flare-up in tensions between Israel and Iran (more below). Higher energy prices could pass through to core inflation over time and cloud the Fed's ability to act decisively. ***That leaves policymakers in an increasingly difficult spot.***

For now, we expect the Fed to hold rates steady at this week's meeting. But if inflation continues to ease and labour market momentum softens further, the odds of a rate cut could rise sooner than current expectations. Markets are now assigning an ~85% chance of a cut by the September meeting. ***With persistent downside inflation surprises, cooling supercore measures, and growing labor market slack, look for Chair Powell to use this week's press conference to hint that the Fed is nearing the evidence needed to justify a policy shift.***

Oil Returns to Centre Stage

The escalation of tensions in the Middle East—triggered by Israeli strikes on Iranian nuclear and military facilities—has injected fresh geopolitical risk into an already fragile global economic backdrop. For much of 2025, falling oil prices had been a rare bright spot amid escalating trade wars and slowing growth. Crude tumbled from over $80/barrel in January to below $60 in May, helping to anchor inflation expectations despite mounting tariff pressures. This decline was partly driven by OPEC+'s recent shift toward boosting output, after a year of coordinated supply cuts aimed at stabilizing prices. **That relief evaporated last week.**

WTI crude surged to $73/bbl (+13%), with further upside pressure seen over the weekend due to reciprocal attacks on key energy infrastructure. The spike, fueled by fears of supply disruptions, offset optimism from a better-than-expected US CPI report (see chart for more), signalling that energy prices may no longer be a reliable buffer against inflation. Over the past year, the energy component in CPI has declined -3.7% y/y, subtracting 25 bps from headline CPI. A prolonged conflict threatens Iran's 3.3 million bpd of crude oil production (~3.5% of global supply) and, more critically, disrupt flows through the Strait of Hormuz, which handles nearly 20% of global oil supply, equivalent to total US daily consumption. Historical disruptions, like 2019's brief Strait tensions, saw Brent spike 15% overnight. A full closure would likely drive oil prices significantly higher. **That scenario, however, remains unlikely.**

Iran depends heavily on oil revenue, much of it shipped through the Strait, making a full closure self-defeating. It would also risk swift and severe retaliation from the US and other global powers. Even if Iran's supply is disrupted, buffers remain. US and Chinese strategic reserves are ample, and OPEC+ has shown a willingness to lift output as of late. That said, a meaningful supply disruption through the Strait would likely overwhelm these mitigants, at least temporarily.

As a result, global equities ended the week in the red, with geopolitical risk offsetting another string of strong economic data. Unlike past crises, **there was no classic flight to safety.** US Treasuries failed to rally—10-year yields rose on Friday following the news, reversing declines sparked by the benign CPI and PPI data. The US dollar weakened for a second straight week, with the DXY index falling -1.0%, while the euro broke above 1.15 against the dollar—the strongest level since 2021. **Meanwhile, gold and the Japanese yen saw gains, pointing to a diversification of safe-haven flows away from US assets.**

This shift comes despite a solid 30-year US Treasury auction that helped soothe recent concerns about fiscal sustainability. Also weighing on markets: Washington and Beijing effectively agreed to the same terms that underpinned the earlier détente: China committing to lifting rare earth export restrictions for six months, while the US eased some recent measures, including its ban on Chinese university students. Still, net tariffs remain elevated—55% on Chinese goods, 10% on US exports—underscoring that tensions are far from resolved. Attention now turns to the upcoming G7 summit in Kananaskis, Alberta, for potential trade policy announcements may emerge.

While oil's rebound may prove short-lived—particularly if Iran refrains from closing the Strait and OPEC+ continues raising output—the broader implications for inflation expectations, central bank policy, and investor positioning could linger***. Policymakers now face a familiar dilemma: higher energy prices may necessitate tighter policy, even as weaker global growth demands accommodation.*** All eyes turn to Fed Chair Powell at this Wednesday's meeting.

The week in review

- US CPI inflation (Mar.) rose 0.4% m/m (versus 0.3% expected), raising the annual pace to 3.5% y/y from 3.2% in the prior month. Core consumer prices came in equally hot at 0.4% m/m (versus 0.3% expected), keeping the annual pace at 3.8% y/y. PPI inflation (Mar.) rose 0.2% (versus 0.3% expected), bringing the annual pace to 2.1% y/y from 1.6% in the prior month.
- The Canada National Balance Sheet (Q1) showed household finances were relatively stable leading up to the trade war. Household debt-to-disposable income ratio was up slightly to 173.9% from 173.5%, net worth as a percentage of disposable income fell to 985.2% from 1001.5%, and gross government debt-to-GDP rose to 129.3% from 128.0%. Chinese CPI inflation (May) held steady at -0.1% y/y (versus -0.2% expected). PPI inflation slowed further to -3.3% y/y from -2.7% in the prior month.
- China's trade surplus (May) expanded to US$103.2 billion (versus $101.1 billion expected), from a $96.2 billion surplus in the prior month. Exports decelerated to 4.8% y/y from 8.1%, while imports are down -3.4% y/y (prev. -0.2%).
- China's aggregate yuan financing (May) accelerated to ¥18.6 trillion (versus ¥18.7 trillion expected), up from ¥16.3 trillion in the prior month. New loans was up slightly to ¥10.7 trillion (versus ¥11.0 trillion expected), up from ¥10.1 trillion in the prior month. M2 money supply slowed slightly to 7.9% y/y from 8.0%.
- UK real GDP (Apr.) contracted -0.3% m/m (versus -0.1% expected), after the prior month's 0.2% gain.
- UK industrial production (Apr.) fell -0.6% m/m (versus -0.5% expected), after the prior month's -0.7% decline. In annual terms, industrial production has fallen -0.3% y/y.
- The UK trade deficit (Apr.) expanded to £23.2 billion (versus £20.7 billion expected), from a £19.9 billion deficit in the prior month.
- Eurozone industrial production (Apr.) fell -2.4% m/m (versus -1.7% expected), after the prior month's 2.4% increase.
- The Eurozone trade surplus (Apr.) narrowed to €14.0 billion (versus €18.3 billion expected), down from €28.8 billion.

The week ahead

- US FOMC monetary policy announcement and Summary of Economic Projections
- BoJ and BoE monetary policy announcements
- BoC Summary of Deliberations from June meeting
- Canadian housing and retail sales data
- US retail sales, industrial production and housing data