



# 2nd Quarter Commentary 2025

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**Cheering for the Blue Jays and the Equity Markets!**

A lot has changed since “Liberation Day” at the beginning of this quarter. In particular, our investors have seen investment pessimism (mainly surrounding tariffs), turn into investment optimism as markets have climbed back to new heights.

This is a good time to remind everyone that investing to build wealth is done over long periods of time despite headlines that seem to fluctuate daily. A person could be forgiven for beginning to think their investment strategy has to change based on current events (HINT: It doesn't). So the next time a Blue Jays pitcher has one bad inning, before heading for the exits, please remember the game goes to nine full innings!

Now let's get to your questions.....

### **Q: How did the markets perform in the second quarter of 2025?**

A: The second quarter was marked by significant volatility, driven by tariff policy uncertainty and geopolitical tensions. Despite a sharp selloff in April—triggered by new U.S. tariffs and retaliatory measures—markets rebounded strongly. The S&P 500 and Nasdaq 100 ended the quarter at new all-time highs, with the S&P 500 up over 11% for Q2 after a dramatic V-shaped recovery. Growth stocks, especially in technology and AI, led the rally, while value and defensive sectors lagged. Bond markets were also volatile but managed modest gains as inflation data stabilized and the Federal Reserve and the Bank of Canada held rates steady.

### **Q: What is the outlook for the second half of 2025?**

A: The outlook is cautiously optimistic but clouded by persistent risks. While the market's momentum could continue, several factors warrant caution:

- Tariff and trade policy uncertainty remains a key risk, with the potential for renewed volatility if trade negotiations falter.
- Inflationary pressures could re-emerge, especially if tariffs drive up input costs.

- Economic growth is expected to moderate, with GDP forecasts for the U.S. and Canada revised downward due to trade disruptions and slowing consumer demand.
- Federal Reserve policy is likely to remain accommodative, with potential rate cuts later in the year if inflation remains contained.

### **Q: What is happening with Canada-U.S. trade?**

A: Trade relations between Canada and the U.S. have been turbulent in 2025. The U.S. imposed broad tariffs on Canadian goods, prompting swift Canadian retaliation. This has disrupted supply chains, increased costs, and led to a sharp drop in Canadian exports to the U.S. after an initial surge as businesses tried to front-run tariffs. While some progress has been made in negotiations, uncertainty remains high, and both economies are feeling the impact—Canada in particular faces risks of slower growth and higher unemployment if tariffs persist.

### **Q: How have company earnings fared, and what is the future outlook?**

A: Q2 earnings were generally strong, with over 78% of S&P 500 companies beating expectations, helping to restore

investor confidence after the spring selloff. Major holdings like Netflix and IBM continue to report solid revenue and earnings growth, driven by resilient consumer demand and innovation in technology and services. However, forward guidance has become more cautious, with many companies warning of potential headwinds from tariffs, higher costs, and slowing global demand.

Looking ahead, earnings growth is expected to slow, with consensus forecasts for S&P 500 earnings growth at around 5% for Q2—down from earlier expectations. Companies with strong balance sheets, pricing power, and exposure to secular growth trends (like AI and healthcare innovation) are likely to fare best.

### **Q: What are the main risks facing the market for the rest of 2025?**

A: Key risks include:

- Trade policy and tariffs: Ongoing disputes could disrupt supply chains, raise costs, and dampen business investment.
- Inflation and interest rates: Tariff-driven inflation could force central banks to keep rates higher for longer, pressuring both consumers and businesses.

- Geopolitical tensions: Conflicts in Eastern Europe, Asia, and the Middle East continue to weigh on global sentiment.
- Consumer debt and slowing demand: Elevated consumer debt and weakening job growth could reduce spending and corporate earnings.
- Potential for a market correction: After a strong rebound, markets could be vulnerable to disappointing earnings or macro shocks, especially in overvalued sectors like technology.

## Customer Experience Alert

Many of you have now been exposed to our client experience surveys. In many cases we have asked several of you to please fill them out after your annual reviews. We realize we are all now inundated with surveys from various companies, but they help us recognize staff and help us improve our services. If you do see a survey from “TDSurvey@feedback-td.com” we would really appreciate if you could fill it out. If we aren’t a 9 or 10 please let us know what might be missing in your current service levels and we will try and rectify it as soon as possible.

Thanks again for your trust and we will see you online or in person over the next few months. Please reach out to Jeff, Andrew, James, Jessica, or Chris should you have any follow-up questions.

## Q: Final thoughts—what is our overall view?

A: The second half of 2025 is likely to remain volatile, with policy and macro risks front and center. However, strong corporate fundamentals, innovation, and selective sector opportunities provide reasons for optimism. Investors should remain diversified, focus on quality, and be prepared to navigate further market swings as the global economy adapts to a new trade and policy landscape.



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Source for index returns and data: 2025 FactSet Research Systems Inc.

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