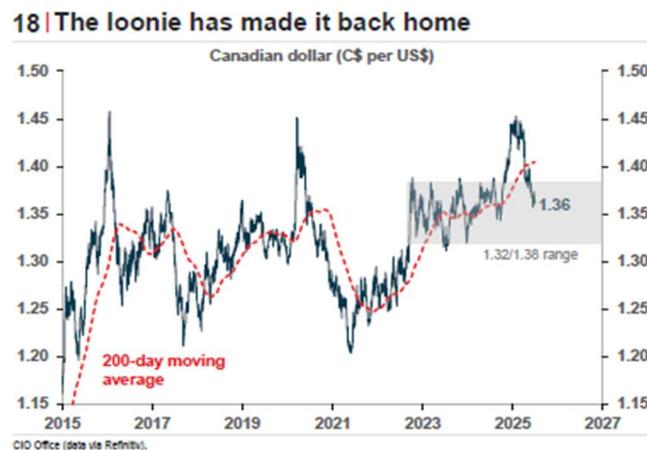


The Art of Disruption: Markets vs. Mayhem

As we reach the midpoint of 2025, markets have once again demonstrated their resilience in the face of uncertainty. The first half of the year brought no shortage of challenges—from geopolitical tensions and tariff shocks to shifting central bank rhetoric and mixed economic data. Yet, despite these headwinds, equity markets have continued to climb, supported by investor optimism, stable inflation, and a growing belief that the worst may be behind us.

The second quarter of 2025 saw a continuation of the equity rally that began earlier in the year. Canadian equities in particular, have stood out with the S&P/TSX reaching new highs. This strength is partly due to the indexes composition which is heavily weighted in materials and financials and partly due to improving long-term earnings expectations. Despite a softer domestic economic backdrop, investors appear to be looking through short-term weakness and focusing on Canada's future growth potential.

Following a sharp selloff in early April in the US markets, triggered by unexpected tariff announcements, equity markets staged a sharp rebound. The S&P 500 rallied over 25% from its April lows, finishing June up more than 10%. This underscores the importance of staying invested during periods of volatility, as those who exited the market early potentially missed out on significant gains. The apparent shift toward a weak-dollar policy in the U.S.—likely aimed at revitalizing its manufacturing base—has its implications for Canadian portfolios. While it may benefit U.S. exporters, it also means that returns on U.S. denominated investments could be diminished when measured in Canadian dollars.



Bond markets have remained relatively stable, with Canadian yields flat and U.S. Treasuries gaining ground on softer economic data. The Bank of Canada has held rates steady, while the U.S. Federal Reserve has begun signaling the possibility of rate cuts later this year. Inflation remains contained, and with tariffs already in place for several months, markets are increasingly pricing in a shift toward more accommodative policy.

While the Bank of Canada had previously signaled a path toward further rate cuts, recent developments—particularly renewed U.S. tariff threats and the unpredictability that follows their president—have introduced fresh uncertainty. CIBC now expects the BoC to pause at its July meeting,

citing both trade unpredictability and stronger-than-expected job data. However, two additional rate cuts remain likely later in the year, potentially in September and December.

While the outlook remains constructive, the absence of a recession, signs of easing trade tensions, and a more accommodative tone from central banks continue to support an upward trajectory for markets. In this environment, we believe that staying invested and maintaining a diversified portfolio remains the most effective way to navigate short-term volatility. Behavioral economics reminds us that the pain of losses often outweighs the joy of gains. This year has been a textbook example: April's market drop tested investor resolve, but those who stayed the course were rewarded. Fundamentals remain strong—corporate profits, return on assets, and lower debt levels all support current valuations. While risks persist, history shows that time in the market consistently outperforms attempts to time it.

The past six months have tested investor resolve, but they've also reinforced the importance of patience and perspective. As always, we remain committed to monitoring your portfolios closely and adjusting our strategies as needed to align with your long-term goals.

If you have any questions about your investments or would like to review your financial plan, please don't hesitate to reach out. We're here to help.

Thank you for your continued trust and confidence.

Sincerely,

The Zentner Wealth Advisory Group

Tel.: 204-283-9089 | Toll Free: 1-800-461-6314 | zag@nbc.ca

National Bank Financial (Transit: W21) 1000-400 St Mary Ave, Winnipeg, MB, R3C 4K5

--

Lev Zentner
Senior Wealth Advisor/
Portfolio Manager
Tel.: 204-283-9080
Fax: 204-942-6194
Lev.Zentner@nbc.ca

Boedey Vaeth, QAFP®
Wealth Associate
Tel.: 204-283-9089
Fax: 204-942-6194
boedey.vaeth@nbc.ca

Chantelle Nault, CFP®
Senior Wealth Associate
Tel.: 204-283-9084
Fax: 204-942-6194
chantelle.nault@nbc.ca

National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF. The information contained herein has been prepared by (*Lev Zentner*), an Wealth Advisor at NBF. The opinions expressed do not necessarily reflect those of NBF.