

## **Monthly Market Perspectives**

*'What You Need to Know'*

August 9, 2025

After a brief pause earlier this summer, equity markets picked up speed again in July, extending their lead over bonds. For the past several years, markets have followed a familiar pattern: a sudden shock causes a sharp drop, followed by a strong rebound that often proves more durable than expected once policymakers step in. This year appears to be no exception.

The U.S. economy remains in solid shape. In the heart and back half of earnings season, corporate profit expectations have stabilized—and in most cases improved—while the labour market continues to hum along in balance although showing signs of weakening. Perhaps the most encouraging news, and one that hasn't received as much attention, is inflation. The CITI Inflation Surprise Index recently hit its lowest level in nearly a decade, indicating that price growth has been much milder than many had forecast.

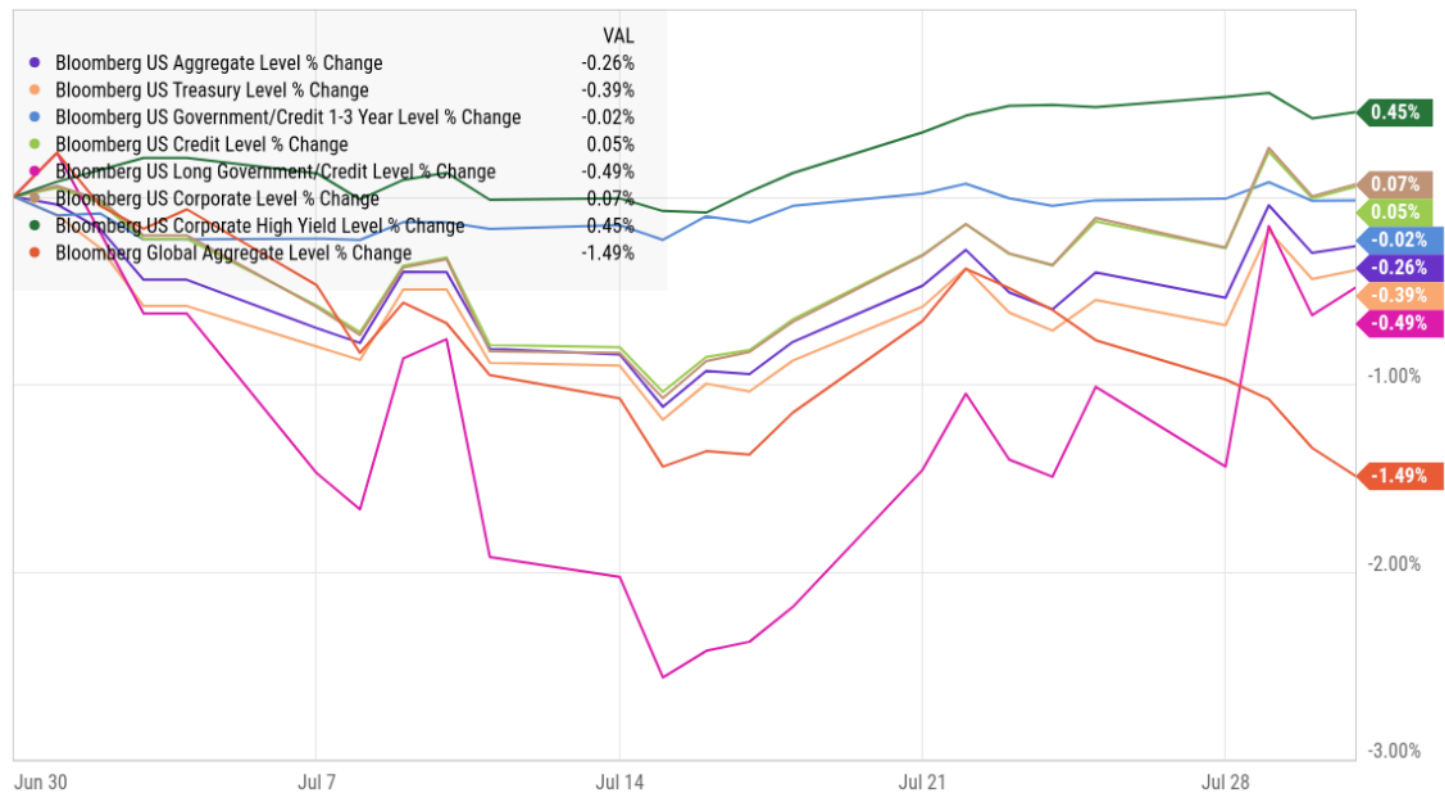
The progress and developments on easing inflation accompanied with a less heated job market could give the Federal Reserve room to slowly move interest rates closer to neutral over the coming quarters. This would be positive for both the stock and bond markets.

While I wouldn't be surprised to see a modest equity pullback in the short term, the bigger picture remains constructive. Healthy economic fundamentals, calmer inflation, and the potential for a more supportive Fed stance create meaningful tailwinds.

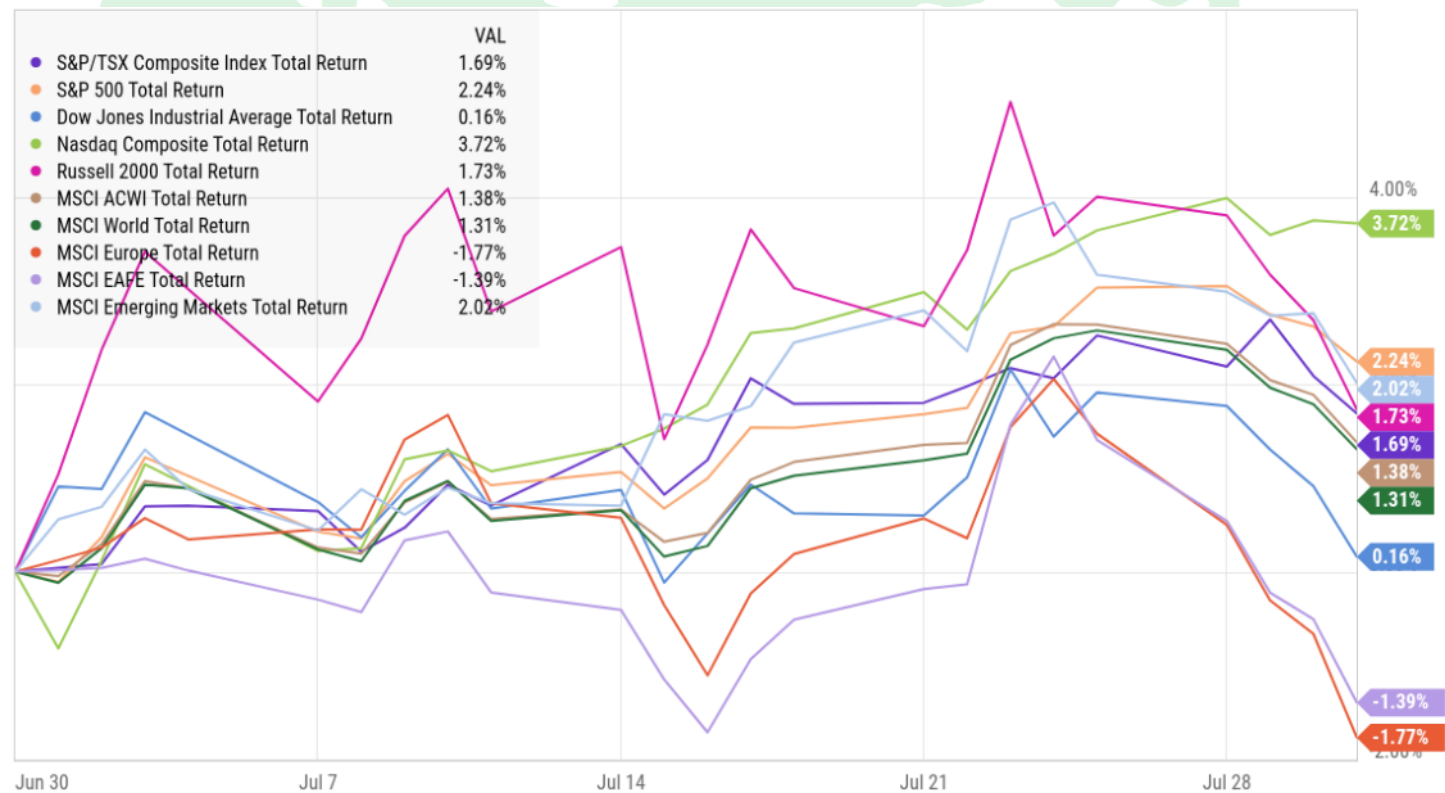
All told, I continue to believe that stocks are likely to end the year higher—perhaps by a decent margin—despite elevated valuations pointing to a more measured pace of gains ahead.

***“Invest for the long haul. Don't get too greedy and don't get too scared.”***  
**- Shelby M.C. Davis**

## Fixed Income Indices - July 2025



## Equity Indices - July 2025



## July Market Review

### Fixed Income

- The Canadian fixed-income universe posted losses in July. Both inflation and net job creation surprised on the upside during the month, putting upward pressure on bond yields.
- In the U.S., Treasuries also ended the month lower, facing, among other things, a more hawkish Federal Reserve than initially hoped.

### Equities

- Canadian, U.S. and Emerging Market equities posted fairly similar returns in July, with all three regions ending with modest gains. The EAFE region underperformed, largely due to the depreciation of the euro and Japanese yen.
- Within the S&P 500, Information Technology was supported by the excellent earnings season of the tech giants, while Health Care continued to underperform as it has since the beginning of the year.

### FX & Commodities

- Oil prices climbed for the second month in a row in response, among other things, to the resilience of the global economy and the threat of U.S. tariffs against countries importing Russian oil.
- After several months of significant depreciation, the U.S. dollar rebounded in July, with the DXY index gaining more than 3%. The Greenback was supported by good economic data in the United States, as well as by the Federal Reserve which continues to ride alone by keeping its monetary policy in restrictive territory.

### Market Total Returns

Asset Classes	July	YTD	12M
Cash (S&P Canada T-bill)	0.2%	1.7%	3.6%
Bonds (ICE Canada Universe)	-0.7%	0.6%	2.8%
Short Term	-0.1%	2.1%	4.6%
Mid Term	-0.6%	1.6%	3.8%
Long Term	-1.9%	-2.5%	-0.6%
Federal Government	-0.8%	0.5%	2.1%
Corporate	0.0%	2.2%	6.0%
U.S. Treasuries (US\$)	-0.4%	3.4%	2.5%
U.S. Corporate (US\$)	0.1%	4.4%	4.7%
U.S. High Yield (US\$)	0.4%	5.0%	8.6%
Canadian Equities (S&P/TSX)	1.7%	12.0%	21.4%
Communication Services	5.0%	10.1%	-7.5%
Consumer Discretionary	2.1%	16.3%	20.8%
Consumer Staples	2.1%	6.2%	7.6%
Energy	2.6%	6.7%	12.0%
Financials	1.5%	12.4%	30.4%
Health Care	-6.2%	-12.0%	-5.3%
Industrials	-0.5%	5.4%	5.0%
Information Technology	4.5%	10.4%	50.2%
Materials	0.0%	30.1%	27.3%
Real Estate	4.7%	8.1%	7.3%
Utilities	2.5%	12.7%	20.0%
S&P/TSX Small Caps	1.5%	14.4%	18.1%
U.S. Equities (S&P 500 US\$)	2.2%	8.6%	16.3%
Communication Services	2.4%	13.8%	31.3%
Consumer Discretionary	2.6%	-1.3%	19.5%
Consumer Staples	-2.4%	3.9%	7.4%
Energy	2.9%	3.7%	-3.2%
Financials	0.0%	9.2%	21.5%
Health Care	-3.3%	-4.3%	-11.3%
Industrials	3.0%	16.1%	20.7%
Information Technology	5.2%	13.7%	23.7%
Materials	-0.4%	5.6%	-2.9%
Real Estate	-0.1%	3.4%	4.1%
Utilities	4.9%	14.8%	21.3%
Russell 2000 (US\$)	1.7%	-0.1%	-0.6%
World Equities (MSCI ACWI US\$)	1.4%	11.9%	16.4%
MSCI EAFE (US\$)	-1.4%	18.3%	13.3%
MSCI Emerging Markets (US\$)	2.0%	17.9%	17.9%
Commodities (GSCI US\$)	3.6%	5.6%	7.7%
WTI Oil (US\$/barrel)	6.1%	-2.9%	-11.3%
Gold (US\$/oz)	0.4%	25.5%	36.1%
Copper (US\$/tonne)	-4.9%	10.5%	5.0%
Forex (US\$ Index DXY)	3.2%	-7.9%	-4.0%
USD per EUR	-2.5%	10.5%	5.8%
CAD per USD	1.8%	-3.7%	0.3%

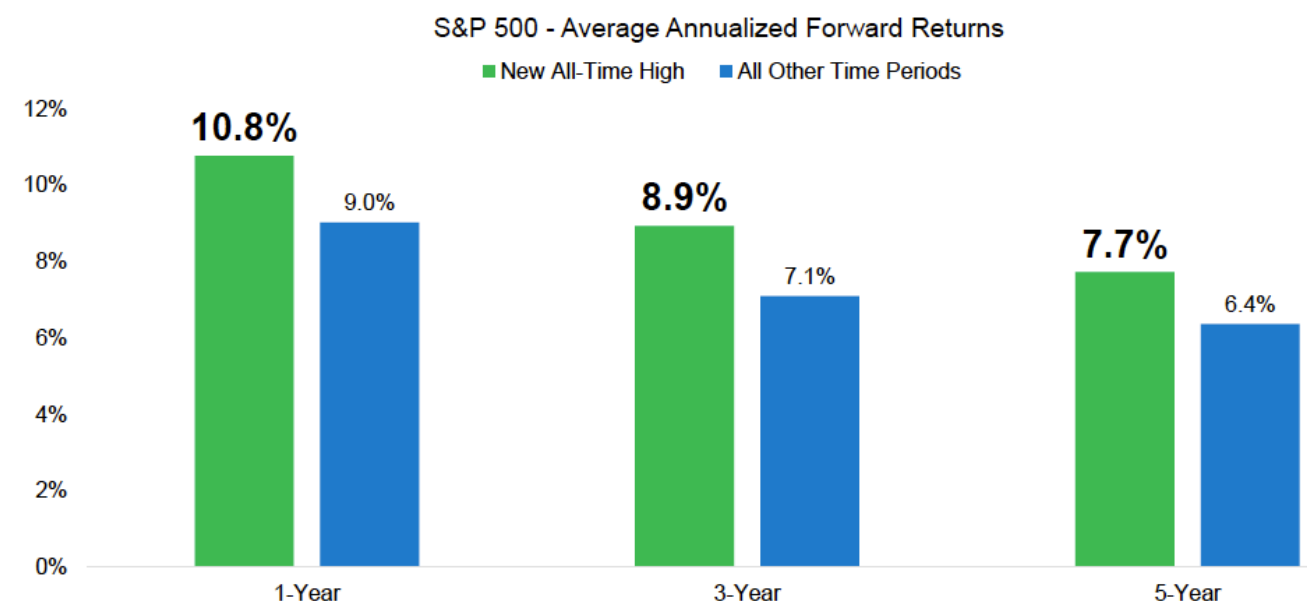
CIO Office (data via Refinitiv, as of 2025-07-31)

## What Goes Up Must Come Down or Does it?

U.S. equity markets seem to be defying the laws of physics. Both the Nasdaq and the S&P 500 are hitting at or near record highs despite the headlines and elevated valuations. Despite the records, investors seem to be hesitant about investing at these levels, preferring to wait for a better entry point.

One of the key principles of investing is to buy low and sell high. We all know that, but the question is “should investors sit on the sidelines and wait and see?”.

The data suggests otherwise. Imagine you were the worst market timer ever and over the last 30 years, you invested every time the S&P 500 or the Nasdaq hit a new high. Well, the results may surprise you.



Source: Bloomberg, Manulife Investment Management, Capital Markets Strategy, as of June 30, 2025. Data: (7/21/1995 - 7/21/2025)

Over the past 30 years, investors in the S&P 500 were better off buying the S&P 500 at record highs on average than any other day when it wasn't a record high.

Interestingly enough, the S&P/TSX does not follow the same dynamic. Perhaps it's the cyclical nature of the Canadian stock market or the lack of diversification that leads to these results.

In the US equity markets, record highs or not doesn't really matter. The key is getting and staying invested.

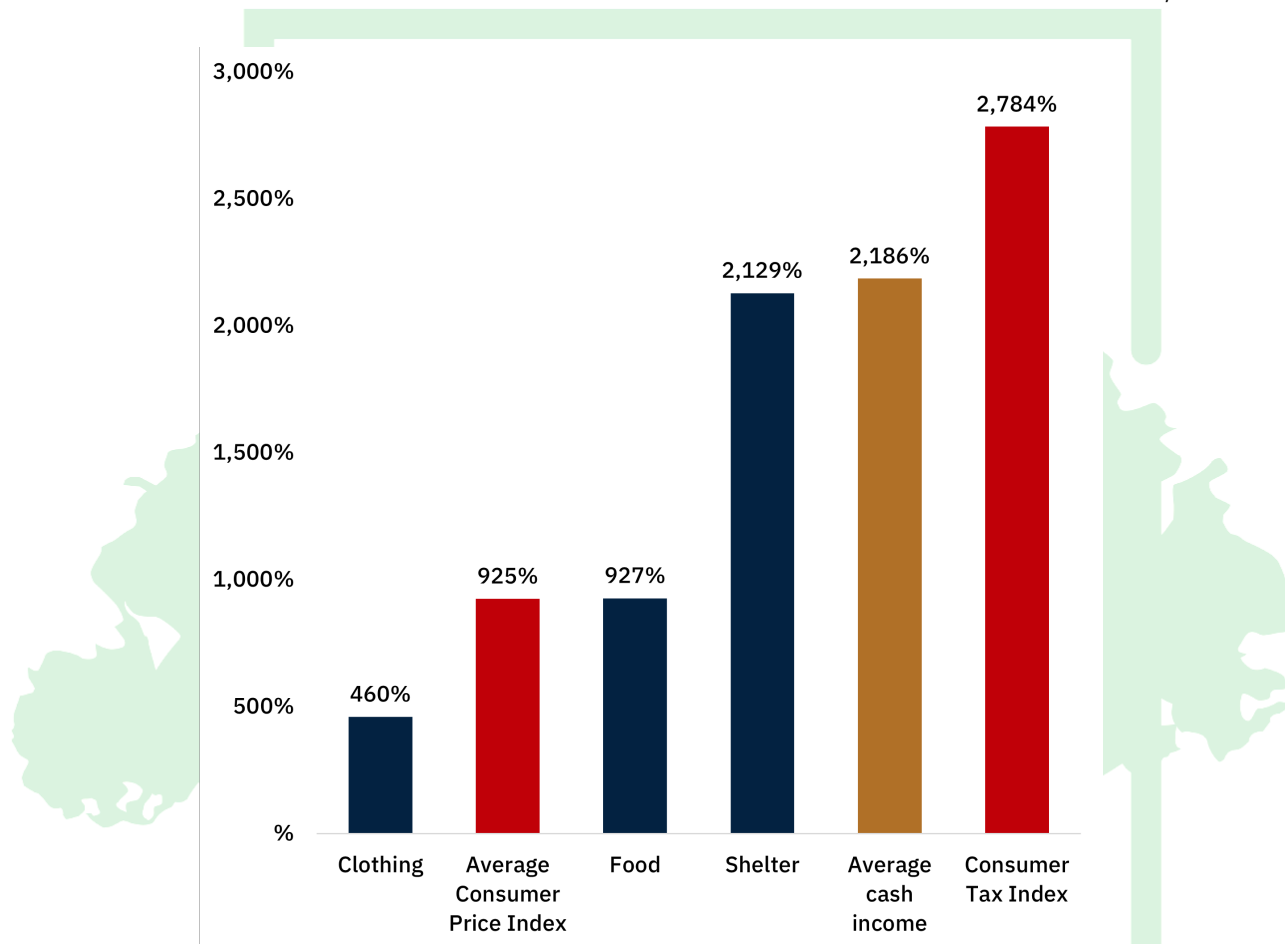
The key takeaway: don't let market highs keep you on the sidelines.

***“the best time to plant a tree was 20 years ago, the second-best time is now”***

## Chart of the Month, and Not-so-Fun Facts About Tax

### Taxes are rising faster than inflation and income

How the Canadian Consumer Tax Index has increased relative to other indices, 1961 - 2024



Source: Fraser Institute. July 2025. All expenditure items include indirect taxes. Average shelter expenditures for years prior to 1998 are estimates. The estimate is to take account of a change in the definition of shelter between the Family Expenditure Survey and the Survey of Household Expenditures. Expenditures for 2010 were estimated using the results of the 2009 Survey of Household Spending and adjusting final results for inflation. Expenditures for 2022 to 2024 were estimated using the results of the 2021 Survey of Household Spending and adjusting final results for inflation.

**Your total tax bill.** To compute the total tax bill of the average Canadian family, we need to add up all the various taxes that the family pays to federal, provincial, and local governments. This includes income taxes, payroll taxes, health taxes, sales taxes, property taxes, fuel taxes, carbon taxes, vehicle taxes, import taxes, alcohol and tobacco taxes, and the list goes on.

**The Canadian Consumer Tax Index** tracks the total tax bill paid by a Canadian family with average income from 1961 to 2024. The results show that the tax burden faced by the average Canadian family has risen compared with 63 years earlier.

**Not-so-fun fact #1:** The total tax bill has increased by 2,784% since 1961, significantly outpacing expenditures on necessities of life (clothing, food and shelter). Taxes have also grown more rapidly than the Consumer Price Index and income.

**Not-so-fun fact #2:** In 2024, the average Canadian family, including both families and unattached individuals, earned cash income of \$114,289 and paid total taxes equaling \$48,306. In other words, the total tax bill of the average Canadian family in 2024 amounted to 42.3% of cash income. By comparison, 33.5% of the average family's income went to pay taxes in 1961.



### **Brace for August: Volatility Ahead, But the Bull Still Roars**

After stocks gained more than 2% in July, the first day of August landed with a thud, as the S&P 500 fell 1.60%, the first 1% drop since June 13<sup>th</sup> and worst overall single day since a 1.61% drop on May 21<sup>st</sup>. The truth is after a 28% rally and a historically calm market the past few months, some type of well-deserved volatility and a potential pause is perfectly normal.

I wish I knew why, but August is a month that tends to have a lot of out-of-the-blue scary events pop up and with that comes a good deal of market volatility. Who could forget last August? Stocks fell more than 1% on the first Thursday and Friday of the month, and then on Sunday, August 4, we went to sleep knowing that Japan was crashing (having its worst day since the Crash of 1987) and US futures were down huge as well. That Monday saw the VIX spike to 50 and stocks fell 3% for one of the worst days in years.

After more selling into the middle of the week and incredible amounts of fear, stocks bottomed that Wednesday and actually finished up on the month. Yes, despite this roller coaster, black swan event stocks finished positive, but I distinctly remember how frightening it was, and sure enough it happened in August.

Going back to 1990 when Iraq invaded Kuwait, August is notorious for big events and market weakness. 1997 had the Asian Contagion, 1998 the Russian Default, and 2010 the European Banking Crisis. The next year saw the first US debt downgrade and a near bear market in just a few days. 2015 had the first 1,000 Dow point drop ever after the surprise Chinese yuan devaluation. Then in 2022 Jerome Powell surprised markets in August by turning quite hawkish at the annual Jackson Hole Economic Symposium. All of these times saw big drops, proving once again there is something in the water when it comes to investment markets and August.

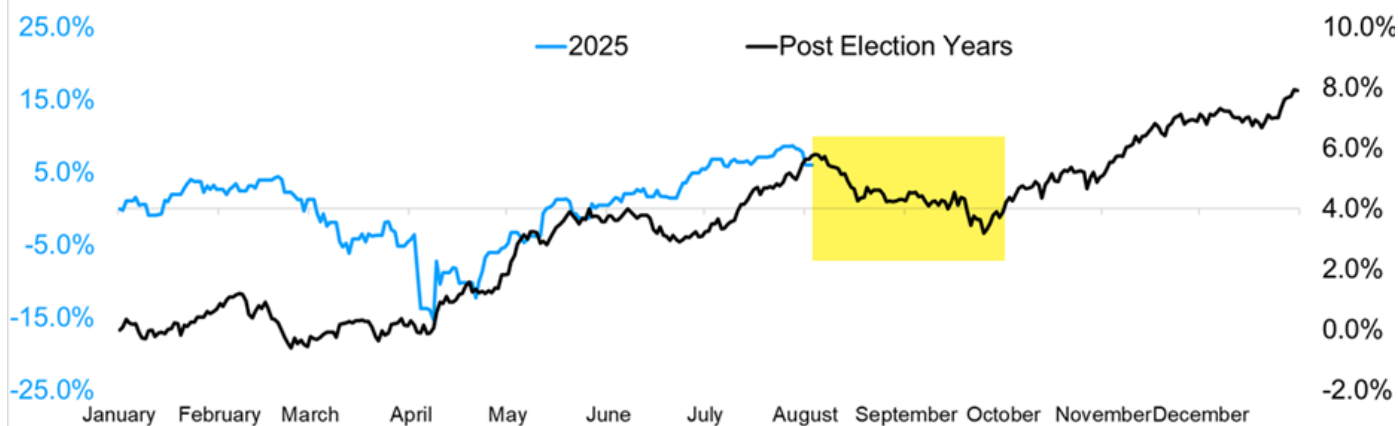
## The Bad News

We will start with the bad news. Let's be clear, I still see more good than bad news and expect this bull market to continue into year end, but it's important to highlight to investors that this month tends to be volatile.

Taking this a step further, the average post-election year peaks in early August and tends to bottom in late October. So, any near-term weakness would be perfectly normal.

### Post-Election Years Tend To Peak Around Now

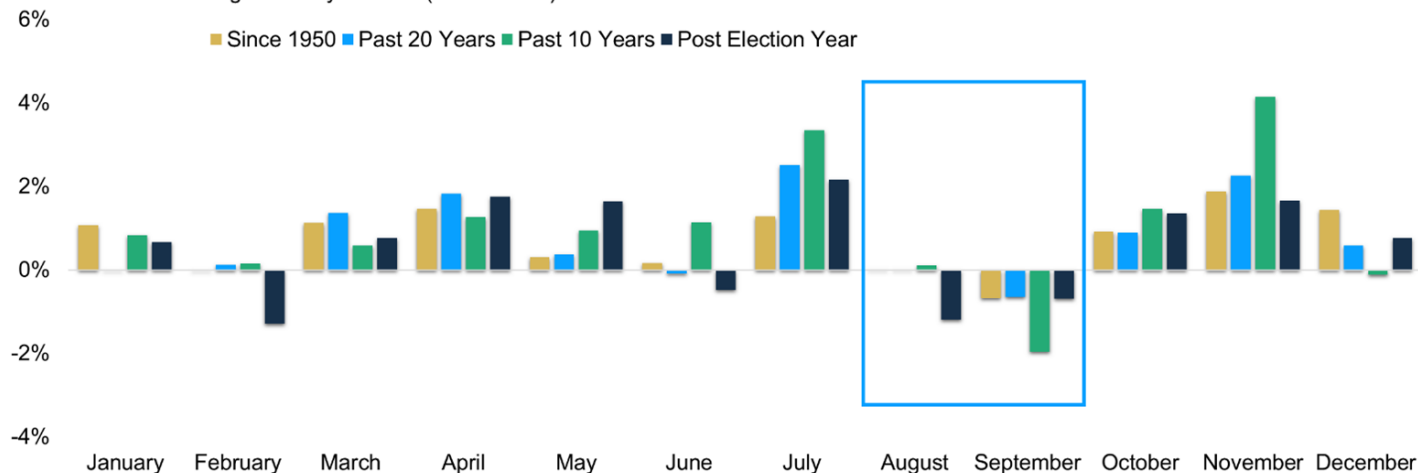
Average Post-Election Year For S&P 500 (1950 - Current)



Here's another way of showing that the next two months could be a headwind for the bulls. I'd like to remind investors that while I don't suggest ever blindly investing in calendar effects, it is good to have a gauge for what seasonality could bring and note we are in the worst part of the calendar historically.

### Buckle Up In August And September

S&P 500 Index Average Monthly Returns (1950 - 2024)



Some other bad news is the economy is clearly slowing down, yet the Federal Reserve Bank (Fed) is standing pat for now and refusing to cut interest rates.

Lastly, we are seeing some potential signs of technical weakness, as the number of stocks above their 20-day moving average has been trending lower (after peaking back in May), even as indexes overall have moved higher. This isn't end of world stuff, but it is a clue the footing for the bulls could be weakening.

## The Good News

Ok, enough of that. I'm a glass half full type of person, so let's now get to the good news.

The first day of August's big drop brought with it the first close for the S&P 500 beneath the 20-day moving average after an incredible 68 trading days above it, the longest streak since 1998. There have been eight other times the index was above the 20-day moving average at least 60 days and the good news is after these long streaks ended it didn't mean the bulls stopped having fun.

A year later, stocks were higher seven out of eight times and the past four times (going back 50 years) stocks were up each time, with a 14% gain being the worst outcome.

## It Had To End Eventually, But The Good Times Likely Aren't Over

S&P 500 Performance After 60 Days Above The 20-Day MA Ends (Since 1950)

Date	Ultimate Days Above	S&P 500 Future Returns After Long Streak Ends			
		1 Month	3 Months	6 Months	12 Months
4/21/1961	94	1.6%	-1.4%	4.1%	4.1%
4/23/1964	101	0.4%	3.9%	5.9%	10.6%
11/8/1965	70	-1.0%	1.5%	-6.4%	-12.4%
2/19/1971	61	4.0%	4.7%	1.5%	9.2%
3/21/1975	60	4.4%	11.1%	3.0%	20.6%
1/7/1986	61	-0.4%	9.2%	13.0%	18.2%
8/7/1997	76	-2.1%	-0.9%	6.4%	14.5%
4/23/1998	61	-0.8%	1.8%	-4.4%	21.2%
7/31/2025	68	?	?	?	?
Average		0.8%	3.7%	2.9%	10.8%
Median		0.0%	2.8%	3.6%	12.6%
% Higher		50.0%	75.0%	75.0%	87.5%
All Years Since 1950					
Average		0.7%	2.2%	4.5%	9.2%
Median		1.0%	2.6%	4.9%	10.4%
% Positive		60.7%	66.0%	70.1%	73.8%

Remember Sell in May? Market pundits told us that the worst six months of the year were May through October and how stocks might struggle because of it in 2025. As you know, and if you read my commentary regularly, I continuously pushed back against that narrative and expected a surprise summer rally, which fortunately has happened.

In fact, stocks were up in May, June, and July in 2025, something that has surprisingly happened three years in a row and five of the past six years. The good news is after these three months are higher, the rest of the year (final five months) has been higher 15 out of 17 times and up nearly six percent on average with more than an 8% median return. Good news indeed for investors.

## So Much For Sell In May

S&P 500 Performance After Green In May, June, and July (Since 1950)

Year	Return In May	Return in June	Return In July	S&P 500 Future Returns		
				August	Rest Of Year	Next 12 Months
1952	2.3%	4.6%	1.8%	-1.5%	4.6%	-2.6%
1954	3.3%	0.1%	5.7%	-3.4%	16.5%	40.9%
1958	1.5%	2.6%	4.3%	1.2%	17.0%	28.2%
1964	1.1%	1.6%	1.8%	-1.6%	1.9%	2.5%
1980	4.7%	2.7%	6.5%	0.6%	11.6%	7.6%
1987	0.6%	4.8%	4.8%	3.5%	-22.5%	-14.6%
1995	3.6%	2.1%	3.2%	0.0%	9.6%	13.9%
1997	5.9%	4.3%	7.8%	-5.7%	1.7%	17.4%
2003	5.1%	1.1%	1.6%	1.8%	12.3%	11.3%
2009	5.3%	0.0%	7.4%	3.4%	12.9%	11.6%
2016	1.5%	0.1%	3.6%	-0.1%	3.0%	13.6%
2017	1.2%	0.5%	1.9%	0.1%	8.2%	14.0%
2018	2.2%	0.5%	3.6%	3.0%	-11.0%	5.8%
2020	4.5%	1.8%	5.5%	7.0%	14.8%	34.4%
2021	0.5%	2.2%	2.3%	2.9%	8.4%	-6.0%
2023	0.2%	6.5%	3.1%	-1.8%	3.9%	20.3%
2024	4.8%	3.5%	1.1%	2.3%	6.5%	14.8%
2025	6.2%	5.0%	2.2%	?	?	?
Average				0.8%	5.9%	13.5%
Median				0.9%	8.3%	13.8%
% Higher				62.5%	87.5%	87.5%

So, there you have it, some bad news and some good news. Overall, worries are increasing, but I remain in the camp stocks will be higher (maybe by a decent amount) by year-end.

While August has earned a reputation for throwing curveballs, the broader landscape remains firmly bullish—earnings and profit margins are powering forward, and history reminds us that successful bull markets often navigate through rather than buckle under volatility. Stay engaged, stay diversified, and use volatility as opportunity.

No matter what the headlines read or how the markets move in the short term, please know that my focus remains firmly on you and your long-term financial success. I'm here to help you stay grounded, keep emotions as it relates to your financial future in check, provide you the tools to make informed decisions, and adjust when needed—always with your best interests at heart. Together, we will navigate the ups and downs and continue building toward the future you've envisioned.

As always, thank you for reading and be sure to enjoy the last few weeks of summer.



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