

FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

FINANCIAL RISK MANAGEMENT



March 2025

GOOD DAY

INTRODUCTION

The month of February has proven to be a period marked by disappointing developments, rather than offering the hopeful news many had been anticipating. The Bank of Canada has expressed concern that the trade war initiated by the United States could result in a "lasting" decline in Canada's GDP. The greenback has wobbled every time Donald Trump has made a statement on tariffs. The eurozone has still not managed to pull itself out of stagnation. The crisis is such that the Bank of England has halved its growth forecasts for the British economy in 2025. Finally, the number of marriages fell last year by 20.5% in China, "for economic reasons". Enjoy your reading!

CAD



ZOOM ON ▼ THE CANADIAN DOLLAR

MORE DETAILS

In February, the value of the USDCAD currency pair fell from 1.4428 to 1.4194. The inflation rate was 1.9% in January in Canada, 0.1 percentage point higher than the previous month, according to Statistics Canada.

The Trudeau government had introduced a sales tax holiday on a range of products such as food, restaurant meals and children's clothing from mid-December to mid-February, whether ease inflationary pressures. The prices of food in the Consumer Price Index (CPI) basket fell by 0.6% in January, the first decline since May 2017. But without the tax break, they would have grown by 2.7%, according to Statistics Canada.

With inflation remaining close to its 2% target, the Bank of Canada has been able to embark on the most aggressive interest rate easing among G7 countries. Last month, it cut its key interest rate to 3%, its sixth consecutive cut.

That said, the Bank of Canada's governing council believes that a prolonged trade war with the U.S. would "permanently" reduce the level of Canada's gross domestic product (GDP). "It is clear that such a conflict would lead to a decline in economic activity," he said in a readout. Canada, which exports nearly 75% of its goods and services to the United States, has made it clear that it will retaliate, which the Canadian central bank says is sure to "worsen the economic situation" of Canada.

We would then witness the phenomenon of the snowball, which grows larger as it descends the slope. "This would reduce revenues, disrupt the supply chain, fuel inflation and further weaken the Canadian dollar," says the Bank of Canada. In addition, there are other sources of concern: "Some Canadian companies are already considering setting up in the United States, which would cause capital flight and harm Canadian competitiveness," the report says. U.S. President Donald Trump is expected to announce in early March whether he will launch a trade war against Canada.



USD



ZOOM ON ▼
THE AMERICAN DOLLAR

MORE DETAILS

The DXY index fell in February from 108.99 to 106.62. The US dollar is suffering against other currencies mainly due to the turbulence created and fuelled by US President Donald Trump's thunderous and contradictory statements. Turbulence that is of great concern to investors.

The occupant of the White House seems to change his targets at all times, for no specific reason. One day, he threatens to impose a 25% general customs tax on all American imports. The next day, a tax on steel and aluminum, also of 25%. Two days later, a tax on automobiles, semiconductors and pharmaceutical products, once again at 25%.

"We noticed that the greenback wobbled every time Donald Trump made a statement on tariffs," says Chester Ntonifor, chief strategist at BCA Research in Montreal. This pattern mirrors what happened during his first presidential term, when he also used tariffs as a tool of economic pressure. Federal Reserve (Fed) officials added that all this turbulence led to "growing risks of worsening inflation," which was up to 3% in January. This largely explains, they say, their decision to "keep key rates unchanged", in a range of 4.25% to 4.50%.

The supermarket chain Walmart warned in mid-February that its sales and profit growth would surely slow in 2025, "due to the high risks of renewed inflation". The forecast sent its stock down nearly 6 percent in early trading on the day, dragging the Dow Jones Industrial Average (Dow Jones) down 1 percent.

David Silverman, senior director at the rating agency Fitch Ratings, agrees: "Retail is going to be marked by a lot of instability in 2025," he says, explaining that this is "a result of presidential statements" on tariffs and, as a result, the "continued decline in consumer confidence." It should be noted, in this regard, that only one American president has been more unpopular with Americans than the current 47th president at the beginning of his term, and it was... the 45th president, according to CNN data.



EUR



ZOOM ON ▼
THE EURO

MORE DETAILS

The EURUSD pair rose last month from 1.0344 to 1.0461. The eurozone is stagnating, with its S&P Global Flash PMI at 50.2 in February, unchanged from the previous month. (A score above 50 indicates growth in economic activity, and below 50 indicates contraction.) "Political instability in France and the threat of tariffs from the United States are creating a climate of uncertainty, which is prompting investors, consumers and entrepreneurs to be cautious," says Cyrus de la Rubia, economist at the Hamburg Commercial Bank (HCOB).

Over the whole of 2024, the gross domestic product (GDP) of the euro area grew by only 0.7%, after a paltry increase of 0.4% the previous year. For its part, the United States grew by 2.8% last year. In addition to the structural problems of the European economy, there are fears of trade wars around the world, with US President Donald Trump threatening to raise US tariffs. "Greater frictions in world trade could weigh on growth in the euro zone, penalizing exports," said Christine Lagarde, the president of the European Central Bank (ECB). And they could also make "the euro area inflation outlook more uncertain".

In fact, inflation increased in intensity in January in the euro zone, at 2.5%, 0.1 percentage point higher than the previous month, according to Eurostat. This is its highest level since July 2024. Core inflation, which excludes volatile energy and food prices, held steady at 2.7%. Among the main components of inflation, services recorded the highest rate, at 3.9%.

Inflation is affecting Europe in a disparate way. Croatia posted the highest inflation rate in January (5%), followed by Belgium (4.4%) and Slovakia (4.1%). Ireland, Finland and Italy recorded the lowest inflation rates, at 1.5%, 1.6% and 1.7% respectively. Faced with this gloomy context, the European Union is relying on measures to support investment and streamline administrative processes, aiming to give new impetus to companies. Ursula von der Leyen, the president of the European Commission, has pleaded for a "more pro-business" policy, particularly in the industrial sector.



GBP



ZOOM ON ▼
THE POUND

MORE DETAILS

The GBPUSD pair saw its value increase from 1.2450 to 1.2645 in February. The British economy grew unexpectedly in the last quarter of 2024, at 0.1%, with December at 0.4%, according to the Office for National Statistics (ONS). This is thanks to the construction and service sectors, which have recorded a revival of activity.

However, most analysts are far from optimistic. Paul Dales, chief economist, UK, at Capital Economics, considers that the economy is in "stagnation," and that this will continue, "at least for the first six months of 2025". A data from the ONS supports this idea: real gross domestic product (GDP) per capita, which corresponds to the standard of living of the British, fell by 0.1% in 2024, and there is no indication that it will improve, he believes.

In addition, British companies continue to struggle with "high costs" and are confronted with "increased uncertainty" due to the economic and geopolitical turbulence triggered by Washington, according to experts at the Bank of England. This is impacting businesses today and, as they explain, "will surely affect tomorrow" in terms of hiring, profits, and investment. As a result, the Bank of England has slashed its growth forecasts for the UK economy in 2025, from 1.5% to 0.75%.

As for the UK's public finances, they recorded a surplus of £15.4 billion last month, 0.8 billion more than a year earlier. The catch? This surplus is lower than the £20 billion that the Office for Budget Responsibility (OBR) had projected in October.

"As a result of this disappointing performance, the OBR is likely to dampen the Starmer government's momentum in its vast stimulus package," said Alex Kerr, an economist at Capital Economics. The latter echoes the Prime Minister's thunderous announcement in December that he promised "the boldest plan for change in a generation," including "fewer emergency room waits," "more police officers" and "more housing."



CNH



ZOOM ON ▼ THE RENMINBI

MORE DETAILS

In February, the USDCNH currency pair rose to 7.2511 from 7.3097. China's manufacturing activity grew less than expected in January: Caixin's manufacturing PMI stood at 50.1 last month, below expectations of 50.6 and the previous month's score of 50.5. (A score above 50 corresponds to an increase in activity, and less than 50 to a contraction.)

"Business optimism took a hit following the threat of a 10% across-the-board tariff raised by U.S. President Donald Trump," said Wang Zhe, senior economist at Caixin Insight Group. "Since then, their morale has certainly been further dampened by the fact that he actually followed through with action at the beginning of February."

The Consumer Price Index (CPI) rose 0.5% last month, its highest level in five months, according to the National Bureau of Statistics (NBS). This data may seem encouraging, as China has been mired in severe deflation for many months. But the January CPI is "distorted," said Xu Tianchen, senior economist at the Economist Intelligence Unit.

Indeed, the Lunar New Year, China's biggest annual holiday, started in January this year, while it usually takes place in February. Typically, prices rise at this time of year as consumers stock up on goods, especially food for large family gatherings. "Producer prices are not expected to return to positive territory in the short term, as overcapacity in industrial goods persists," said Xu Tianchen, adding that it will take "a few more quarters to emerge from deflation".

A telltale sign of the depth of the crisis is that the number of marriages in China fell by 20.5% last year. It has decreased from 7.7 million in 2023 to 6.1 million in 2024, according to data from the Ministry of Civil Affairs. The main reason for this pronounced decline, according to the ministry's experts, lies in the fact that "the Chinese are increasingly reluctant to have children for economic reasons".



COMMO



ZOOM ON ▼
GOLD

MORE DETAILS

The price of an ounce of gold has jumped by 44.25% over the last 52 weeks, rising sharply since the election of US President Donald Trump, with a peak of 2973.74 USD reached on February 23rd. In 2024, physical gold-backed exchange-traded funds (ETFs) saw a significant turnaround, with a net inflow of USD 3.4 billion, as reported by the World Gold Council. This marks the first time in four years that these funds have experienced an influx.

The current appeal of gold, the classic "safe haven", is largely the result of the economic and geopolitical turbulence unleashed by the new occupant of the White House. The latter has consistently threatened to impose a wide range of tariffs on countries that conduct business with the United States.

Other factors are also contributing to the shift in market dynamics. One of these is the weakening of the greenback: the DXY index has dropped by 2% since mid-January, a move that generally drives up the prices of precious metals. Additionally, there has been a decline in bond yields: the yield on 10-year U.S. Treasury bonds has decreased by 27 basis points, further enhancing the appeal of non-yielding gold as an investment.

Growing investor interest in gold has led to an increase in requests to deliver physical gold to vaults approved by the New York Commodities Exchange (Comex), the U.S. exchange specializing in energy and precious metals. For example, gold exports from Switzerland to the United States rose to 192.9 tonnes in January, compared to 64.2 tonnes in December. This is the largest volume of gold shipped by Switzerland, one of the world's largest gold exporters, since 2012.

Gold is expected to flirt with the highs it is experiencing today all year round. According to analysts at Trading Economics, an ounce of gold is expected to be around USD 2832 at the end of the current quarter. And it is expected to be worth nearly 2940 USD by the end of 2025.





Will life soon be more expensive for Americans?

If U.S. President Donald Trump does impose a 25% tariff on all U.S. imports, what will be the real impact on U.S. consumers? A study by the Washington Post shows that this would have "significant repercussions" on food products, as the United States imported USD 9.9 billion worth of vegetables from Mexico last year. Consumer goods (toys, cell phones, television sets, etc.) as well as vehicles and spare parts would also be affected.

Source: The Washington Post.

Link: [HERE](#)

Who will rebuild Gaza?

The reconstruction of Gaza would represent a gigantic project of 50 billion USD, according to the calculations of the United Nations, the European Union and the World Bank. Several giants in the construction industry are already positioning themselves in this market. An Egyptian conglomerate is proposing a five-year plan that would keep the population in place, which would be housed in temporary housing while reconstruction is carried out. For his part, Egyptian businessman Hisham Talaat Mustafa proposes to rebuild everything in just three years, for only 27 billion USD. As for the Emirati Khalaf Al-Habtoor, one of Dubai's most successful businessmen, he is betting on a "holistic approach", with the new buildings expected to promote "better social cohesion", and therefore a "lasting peace" (without however explaining who should govern the territory).

Source : The New York Times.

Link: [HERE](#)

” THE BEST
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