

FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

FINANCIAL RISK MANAGEMENT



April 2025

GOOD DAY

INTRODUCTION

Greetings,

March has regrettably been a month dominated by unfavorable developments. In Canada, morale—particularly among small and medium-sized enterprise (SME) leaders—has hit an all-time low. Signs of a pronounced economic slowdown are mounting in the United States. Europe's economy faces the risk of stagnation in 2025 should the US impose new tariffs. The United Kingdom teeters on the edge of stagflation, characterized by stagnant growth and rising inflation. Meanwhile, China is intensifying its international trade efforts, aiming to gain the upper hand in its escalating economic confrontation with the Trump administration. We hope you find this edition insightful.

CAD



ZOOM ON ▼
THE CANADIAN DOLLAR

MORE DETAILS

In March, the USDCAD exchange rate declined from 1.4478 to 1.4394. According to Statistics Canada, retail sales dropped by 0.6% in January to CAD 69.4 billion, following a 2.6% increase the previous month. Quebec saw the steepest decline, with sales falling by 2.7%.

Significant decreases were recorded among new vehicle dealers (-3.2%), auto parts, accessories, and tire retailers (-2.8%), and supermarkets and other food retailers (excluding convenience stores) (-3.4%). Statistics Canada projects a further 0.4% decline in retail sales for February. A Bank of America Securities study raises concerns about a grim outlook for Canada's economy in 2025 if the trade war initiated by the Trump administration persists. Canada's GDP growth is now expected to rise by only 1.5% in 2025, down from an earlier forecast of 2.4%. By 2026, the country could slip into a recession, with GDP projected to contract by approximately 2.2%.

Amid fears of inflation, recession, and unemployment, questions linger: Can Canada withstand such a severe crisis? Bank of America Securities analysts doubt it, anticipating that the Canadian government will seek to mitigate economic tensions with the US. "We are likely to see a renegotiation of the Canada-United States-Mexico Agreement (CUSMA) shortly after the Canadian federal elections," they suggest, adding that "CUSMA 2.0 is expected to heavily favor the Americans." This uncertainty has driven SME leaders' morale to a nadir. The long-term index of the Canadian Federation of Independent Business (CFIB) Business Barometer, which gauges 12-month performance expectations for SMEs, recorded its steepest drop since its inception in 2000. In March, the index plummeted to 25, a 24.8-point decline in a single month—the lowest score ever, eclipsing downturns during the 2020 pandemic, the 2008 financial crisis, and the aftermath of 9/11.



USD



ZOOM ON ▼
THE AMERICAN DOLLAR

MORE DETAILS

The DXY index, which tracks the US dollar's value against a basket of foreign currencies, fell from 106.75 to 104.33 in March. The Federal Reserve (Fed) is grappling with concerns over slowing growth and rising inflation, driven largely by President Donald Trump's protectionist policies. US GDP growth is now forecasted at 1.7% for the year, down from the Fed's prior estimate of 2.1%. Inflation is expected to peak at 2.8% in 2025, exceeding the Fed's 2% target.

For now, the Fed anticipates two rate cuts this year but cautions that conditions could “evolve rapidly” in the coming months. In March, it maintained its key interest rates within the 4.25% to 4.50% range, with its next decision scheduled for May 7. “The new administration has embarked on sweeping policy reforms across four key areas: trade, immigration, taxation, and regulation,” stated Fed Chair Jerome Powell, noting that these shifts introduce “a high degree of uncertainty.”

President Trump had pledged that his first day in office would usher in a “Golden Age” for the US. However, with worsening economic indicators—rising unemployment and inflation—he has adjusted expectations, suggesting it may take “six months to a year” to make the economy “radiant” again.

Yet, optimism appears scarce elsewhere, with most US analysts warning of a “real risk of stagflation” or even recession in the near term. American morale reflects this pessimism. The Conference Board's Consumer Confidence Index dropped 7 points in February to 98.3, its lowest level in four years. Notably, the Expectations Index fell below 80 for the first time since June, a threshold typically signaling an impending recession, according to Conference Board economist Stéphanie Guichard.



EUR



ZOOM ON ▼
THE EURO

MORE DETAILS

The EURUSD exchange rate rose from 1.0486 to 1.0787 last month. Private sector activity in the Eurozone reached a seven-month high in March, with the composite PMI climbing to 50.4 (above 50 indicates growth), per preliminary data from S&P Global and Hamburg Commercial Bank (HCOB). The manufacturing output sub-index entered expansion territory for the first time in two years, surging from 48.9 to 50.7.

Another positive signal: Eurozone businesses have resumed hiring, with the composite employment index rising from 49.2 to 50.1, crossing the 50 mark for the first time in eight months. “These indicators suggest the beginning of an economic recovery in the Eurozone,” said Cyrus de la Rubia, chief economist at HCOB.

However, challenges loom. President Trump has threatened to designate April 2 as the US “Day of Liberation,” after which all imports would face tariffs matching those imposed by exporting countries on US goods. European Central Bank (ECB) President Christine Lagarde warned that a full-scale trade war with the US could “significantly harm” Europe’s economy and trigger “a surge in inflation” in the Eurozone.

Lagarde estimates that 25% US tariffs on European imports could shave 0.3 percentage points off Eurozone growth in the first year. Retaliatory EU measures could deepen this impact to 0.5 points. This would be a harsh blow, as Europe’s economy stagnated in 2024, with analysts from Crédit Agricole anticipating a modest 1% growth in 2025—a recovery now at risk.



GBP



ZOOM ON ▼
THE POUND

MORE DETAILS

The GBPUSD exchange rate increased from 1.2699 to 1.2899 last month. The Bank of England projects UK inflation to peak at 3.75% in Q3 this year, up from 3% in January. Deutsche Bank forecasts inflation could hit 4% for much of 2025, attributing this to “deep uncertainty” from President Trump’s protectionist stance, per economist Sanjay Raja.

Tom Pugh of RSM predicts the UK will enter stagflation this year. “A sluggish end to 2024, a weak start to 2025, and the threat of US tariffs have dashed hopes for improvement,” he noted, projecting UK GDP growth below 1% in 2025.

Additional pressures compound the outlook. The Labour government under Keir Starmer plans to raise employer contributions in April. The Chartered Institute of Personnel and Development (CIPD) estimates that one in three SMEs will face higher payroll costs, potentially halting hiring or prompting layoffs. “Hiring intentions are already weakening across the labor market, a trend likely to persist,” said KPMG analyst Yael Selfin.

Sectors reliant on minimum-wage workers, such as hospitality and retail, face a “double whammy,” Selfin added. Alongside higher contributions, April will bring a significant minimum wage increase. “The stage is set for a prolonged paralysis of the UK economy,” concluded Richard Carter of Quilter Cheviot.



CNH



ZOOM ON ▼
THE RENMINBI

MORE DETAILS

The USDCNH exchange rate fluctuated between 7.2147 to 7.3080 in March. President Trump has vowed to impose new tariffs on Chinese exports starting April 2, adding to the 20% tariffs enacted last month. China responded with additional duties on various US agricultural products.

As trade tensions escalate between the world's two largest economies, China has launched a global charm offensive targeting nations also affected by US protectionism. Beijing hosted a business forum to boost foreign investment, attended by CEOs including Tim Cook (Apple), Cristiano Amon (Qualcomm), Pascal Soriot (AstraZeneca), and Amin Nasser (Saudi Aramco).

"Chinese consumers are eager to spend, and foreign companies would be unwise not to seize this opportunity," said Vice Minister of Commerce Wang Shouwen, highlighting China's readiness to "open up like never before" to foreign investment in sectors like hospitality and real estate.

Additionally, Japan, South Korea, and China convened in Tokyo to strengthen economic ties "amid growing global uncertainty." "With our vast markets and strong growth potential, we can wield significant influence over the global economy," stated Chinese Foreign Minister Wang Yi. Together, these nations represent 1.6 billion people and an annual economic output exceeding USD 24 trillion.

Tang Yao, an economics professor at Peking University, describes China's strategy as twofold: stimulating its economy internally via foreign investment and externally by fostering new economic hubs in Southeast Asia. "The objective is clear: to thwart the Trump administration's plans by any means possible," he said.



COMMO



ZOOM ON ▼
PETROLEUM

MORE DETAILS

Over the past year, the price of West Texas Intermediate (WTI) crude oil has fallen 16% to USD 71.20 per barrel, per Trading Economics. Its historical zenith was USD 147.27 in July 2008. Analysts largely anticipate price stability in the coming months, with Trading Economics projecting WTI at USD 68.44 by the end of Q1 and USD 68.91 in 12 months.

This equilibrium stems from countervailing forces. OPEC+, comprising 13 OPEC members and 10 allied oil-producing nations including Russia, plans a second consecutive monthly production increase of 135,000 barrels per day (bpd) in May. While this might typically depress prices, it offsets OPEC+'s broader strategy of cutting production by 5.85 million bpd since 2022. Andrew Botterill, energy analyst at Deloitte Canada, suggests that this modest increase, set against substantial prior reductions, should sustain relatively stable oil prices.

Nonetheless, the outlook remains fragile. In late March, President Trump threatened 25% tariffs on nations importing Venezuelan oil and gas, aiming to undermine Nicolás Maduro's regime while pressuring China, a key buyer already facing 20% U.S. tariffs. Should this materialize, global oil supply chains could face disruption, potentially elevating prices, warn Trading Economics experts.

"The oil market is rife with uncertainty, and unexpected shocks remain a distinct possibility," cautioned John Kilduff, founder of Again Capital.





Chinese AI is revolutionizing telemarketing

In China, artificial intelligence (AI) agents have reached such sophistication that each can execute up to 100,000 sales calls daily—a capacity far surpassing human telemarketers. Their voices are remarkably lifelike, and their dialogues so seamless and pertinent that recipients genuinely believe they are conversing with a person. By posing a few deft questions, the AI discerns whether a respondent is a prospective buyer and tailors the most compelling arguments to seal the deal. Moreover, the operational cost of an AI agent is a mere tenth of that of a human telemarketer in a call center.

Source: Pengpai Xinwen.

Link: [HERE](#)

Greenpeace condemned for defamation

In the United States, Greenpeace was ordered to pay USD 665 million to Energy Transfer, an oil pipeline operator. A jury in North Dakota found the environmental organization guilty of defaming the American company, following the comments it made against it during the violent protests of 2016 and 2017 against the Dakota Access Pipeline project. Greenpeace intends to appeal this judgment, considering that it aims above all to "silence" them.

Source : The Washington Post.

Link: [HERE](#)

” THE BEST
STRATEGY IS
TO HAVE ONE

