

FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

FINANCIAL RISK MANAGEMENT



MAY 2025

GOOD DAY

INTRODUCTION

April was undeniably marked by turbulence. The Bank of Canada now fears the country could slip into recession this year if the Canada-U.S. trade showdown escalates further. South of the border, many companies are freezing hiring, uncertain about what lies ahead. Meanwhile, the IMF has turned pessimistic about the eurozone's growth perspectives for 2025. British consumers are downbeat. And China has launched a new offensive against the U.S. dollar's dominance in global trade.

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CAD



ZOOM ON ▼
THE CANADIAN DOLLAR

MORE DETAILS

In April, the USDCAD currency pair saw its value drop from 1.4303 to 1.3819. Inflation in Canada decreased by 0.3 percentage points in March, to 2.3%. This drop surprised most analysts, who had expected an increase, especially given the rising prices of food, which saw inflation at 3.2%. However, the prices of gasoline and organized trips fell sharply, as Canadians significantly reduced their trips to the U.S., according to Statistics Canada.

Retail sales declined by 0.4% in February, reaching 69.3 billion CAD, according to Statistics Canada. The most significant drop in dollars was seen in Quebec, down by 0.9%, marking its second consecutive monthly decrease. In the greater Montreal area, sales plummeted by 2.5%. In April, the Bank of Canada kept its key interest rate unchanged at 2.75%, awaiting more clarity on the disruptions caused by the White House's protectionist policies on both the Canadian and global economies. Since June 2024, the bank had implemented seven consecutive rate cuts.

Alongside this decision, the Bank of Canada presented its forecasts in case the U.S. and Canada engage in a full-fledged trade war, expected to begin in July. In such a scenario, the country would enter a recession: Canada's GDP would contract for four consecutive quarters, with an average decline of 1.2%. The production and standard of living of Canadians would shrink "permanently," and inflation would surpass 3% by 2026.

According to a survey by consulting firm Arton Capital, 28% of wealthy Canadians are considering moving abroad. They cite a decline in quality of life (56%) and bleak economic outlook (45%) as their main reasons. Australia is their preferred destination (31%), followed by the U.S. (26%), the U.K. (17%), and Portugal (13%). A notable 10% mentioned Singapore, with East Asian markets seen as offering promising future opportunities.



USD



ZOOM ON ▼
THE AMERICAN DOLLAR

MORE DETAILS

The DXY index saw a significant drop in April, falling from 104.20 to 99.92. According to the latest Federal Reserve "Beige Book," which compiles the monthly views of experts and economic actors, the global trade war initiated by President Donald Trump is already having repercussions on the U.S. economy.

"The growing economic uncertainty is notably reflected in a significant reduction in consumer spending," it states. Several states have reported a "major decline in the number of international visitors," particularly among business travelers. Most businesses plan to pass on the additional costs of new tariffs to their sale prices. Furthermore, they are adopting a wait-and-see stance, which is leading them to freeze hiring; some of the most sensitive businesses have even expressed intentions to lay off employees soon.

According to BCA Research in a recent note, "The U.S. and global economies are highly likely to enter a recession this year, unless most of the tariffs imposed by the White House are quickly lifted or substantial fiscal stimulus measures are introduced to counter the upcoming trade shock.

"Moreover, the "Sell America" financial strategy, characterized by global investors' aversion to U.S. assets, has become so popular that it is now threatening the greenback. "The U.S. dollar could enter a real crisis if this investor attitude persists in the coming months," warn BCA Research analysts, although they emphasize that they do not expect such a scenario to truly materialize. In their view, the Trump administration will have no choice but to retreat.

The latest International Monetary Fund (IMF) forecast suggests that U.S. GDP will grow by only 1.8% this year, a 0.9 percentage point reduction from January's estimate. Tariffs alone are responsible for a 0.4 percentage point decline. As for U.S. inflation, it is expected to reach 3%, an increase of 1 percentage point compared to January's forecast.



EUR



ZOOM ON ▼
THE EURO

MORE DETAILS

Last month, the EURUSD pair's value rose from 1.0793 to 1.1321. Economic activity in the eurozone stagnated in April, with the Composite Purchasing Managers' Index (PMI) at 50.1 (the 50 threshold separates growth from contraction). For the first time this year, Germany's economic activity, the "economic engine" of Europe, contracted in April, falling to 49.7. As for France, another major European player, its economic activity fell for the eighth consecutive month in April, reaching 47.3.

European Union (EU) exporters are currently subject to a 10% base U.S. tariff, as well as a 25% tariff on cars, steel, and aluminum. U.S. President Donald Trump also suspended an additional 20% customs tax on all EU exports for 90 days.

The International Monetary Fund (IMF) has warned that the protectionist policies of the Trump administration have ushered in a "new era", marked by "turbulence", "tensions", and "crises." As a result, it has lowered its growth forecasts for the eurozone, predicting only 0.8% growth in 2025 and 1.2% in 2026, which is 0.2 percentage points lower than its January projections. This year, France is expected to see only 0.6% growth, while Germany, in recession for two years and with export companies heavily exposed to global trade disruptions, is forecast to grow at 0%.

The only positive point: inflation in the eurozone was just 2.2% in March, down 0.1 percentage point from the previous month, according to Eurostat. This decline is mainly due to lower energy prices and a slowdown in services. This has raised hopes for François Villeroy de Galhau, a member of the ECB's governing council, who publicly stated that "there will be no additional inflation in Europe, neither this year nor next year." However, it remains to be seen whether the repeated turbulence caused by the Trump administration will eventually make him reconsider...



GBP



ZOOM ON ▼
THE POUND

MORE DETAILS

Last month, the GBPUSD pair increased from 1.2923 to 1.3321. Inflation in the UK slowed more than expected in March, mainly due to a drop in fuel prices, according to the Office for National Statistics (ONS). It fell from 2.8% to 2.6% in just one month.

However, many analysts warned that this decline might be short-lived, as energy bills and rising business costs are likely to push inflation higher again. Ruth Gregory, Deputy Chief Economist for the UK at Capital Economics, predicts that inflation will rebound to around 3.5% in the coming months.

On the other hand, British consumers are feeling down. According to the research firm GfK, their confidence in the future dropped by four points in April to -23, the lowest since November 2023. They are mainly concerned about rising consumer prices and the economic impact of the new 10% tariffs on exports to the United States. The consulting firm EY now forecasts UK GDP growth of 0.8% this year, down from 1% predicted in February. It has also revised its forecast for 2026, lowering it from 1.6% to only 0.9% due to the protectionist US policies.

This anticipated fall in UK GDP is largely due to the financial shock that UK export businesses are set to experience. According to consulting firm BDO, most of them will be forced to slow down their operations. Only 40% of exporting businesses plan to invest in new markets abroad, focusing on the European Union (41%), Australia (38%), or even Africa (32%).

Also, the Office for Budget Responsibility (OBR) halved its growth forecast for the UK, cutting it from 2% to 1% for 2025. This was due to significant cuts in social spending and an increase in business taxes, which have raised concerns about the country's economic outlook. ONS data earlier this year showed that UK GDP grew by just 0.1% in the fourth quarter of 2024, following stagnation in the previous quarter.



CNH



ZOOM ON ▼
THE RENMINBI

MORE DETAILS

Last month, the USDCNH currency pair saw its value drop from 7.2812 to 7.2728. On April 2, during what was referred to as “Liberation Day” by Donald Trump, the U.S. imposed 145% tariffs on most Chinese products. This move prompted China to retaliate with a 125% tariff on U.S. imports, creating a near-embargo on trade between the two largest economies in the world.

In an effort to counterbalance the impact of the trade war, Chinese President Xi Jinping embarked on a diplomatic tour across Southeast Asia, encouraging countries in the region to align with China in its commercial battle against the U.S. One key aspect of this outreach was the promotion of the yuan in international trade. UnionPay, a Chinese financial services company controlled by the People’s Bank of China (PBOC), expanded its payment network in Vietnam and Cambodia. With this expansion, tourists and small-to-medium-sized enterprises (SMEs) in these countries can now easily conduct transactions in yuan using a simple QR code provided by UnionPay. The company now operates in more than 30 countries outside China.

Despite the yuan’s increasing presence, the U.S. dollar remains dominant in global trade. It accounts for nearly half of all payments worldwide, according to SWIFT, and more than 80% of global trade financing. However, the yuan’s growing influence in regional trade agreements and financial transactions is difficult to ignore. A striking example of this trend is Argentina, which in April renewed a 6.9 billion CAD yuan swap line. In February, the PBOC’s offshore currency swaps hit a record 4.3 trillion yuan (820 billion CAD).

While the dollar is still the undisputed leader in global finance, the yuan is positioning itself as a viable alternative, particularly in trade with countries in Asia and other emerging markets. Economist Qu Fengjie has warned, “If China truly wants it, it can disrupt the existing international monetary system.” While the yuan may not be an immediate threat to the dollar, its rise marks a shift in global financial dynamics that could reshape international trade in the future.



ALUMINIUM



ZOOM ON ▼
ALUMINIUM

MORE DETAILS

Since the beginning of 2025, the price of aluminum has dropped by over 110 USD per tonne, now standing at 2,415 USD, according to Trading Economics. Its historical peak was reached in March 2022 at 4,103 USD.

On March 12, US President Donald Trump imposed a 25% tariff on Canadian aluminum, raising serious concerns for an industry that exported 17 billion CAD worth of aluminum in 2023. The United States is the primary destination for Canadian aluminum exports, accounting for 90.3% of the total value of exports, followed by the Netherlands (2.4%) and Mexico (2.1%), according to Natural Resources Canada data.

The new aluminum tariffs alone add “about 3,000 USD to the manufacturing cost of an F-150 pickup” in the United States, estimates Jean Simard, CEO of the Aluminum Association of Canada. When combined with the new US tariffs on steel and cars, the cost rises by 12,000 USD. “This is downright destructive for the automotive industry,” he states.

For now, Canadian aluminum smelters are not absorbing the 25% tariffs imposed by the Trump administration; instead, they are passing them on to their American clients. Therefore, they are not directly impacted by the trade war but could soon be indirectly affected: “Aluminum demand may eventually decrease, whether from car manufacturers or other producers of manufactured goods, and this would affect our production levels,” explains Mr. Simard.

According to William Oplinger, CEO of Alcoa, the White House has no choice but to quickly abandon its tariff policy. It is costly for American aluminum producers, many of whose plants are overseas. For Alcoa, the bill reached 20 million USD in the first quarter, and it could rise to 90 million USD in the second quarter, estimates its CEO.





Empty Shelves Coming Soon to the U.S.?

The U.S.-China trade war is causing a drop in Chinese shipping volumes to the United States, with cancellation rates now reaching 50% at some Chinese ports, according to logistics firm Flexport. Since Chinese cargo ships take about three weeks to reach the West Coast and roughly 40 days to reach the East Coast, the impact is expected to show up in stores just before summer. “Americans will likely start seeing empty shelves for certain everyday goods,” notes a report from Apollo Global Management. The National Retail Federation, which includes Walmart and Target, is forecasting a decline of “at least 20%” in imported goods on display in stores during the second half of 2025.

Source: Yahoo!

Link: [HERE](#)

Trump’s Gas Price Claim Doesn’t Hold Up

In April, U.S. President Donald Trump claimed that gas prices had dropped to USD 1.98 per gallon, saying, “Nobody thought it was possible, but we did it.” However, this statement is inaccurate. A Houston Chronicle investigation found that the lowest price during the weeks Trump made these comments was USD 2.66. According to GasBuddy.com, none of the roughly 150,000 gas stations in the U.S. were selling gas at USD 1.98 per gallon. The last time prices were below that level was in January 2021, when the COVID-19 pandemic caused a significant drop in demand, as fewer Americans were driving.

Source : Houston Chronicle.

Link: [HERE](#)

” THE BEST
STRATEGY IS
TO HAVE ONE

