

FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

FINANCIAL RISK MANAGEMENT



JUNE 2025

GOOD DAY

INTRODUCTION

May brought no shortage of twists and turns on the global economic front. Canada remains stuck in stagnation, with the Bank of Canada navigating a difficult path to avoid recession. In the US, Donald Trump's unpredictable trade policies are causing global market disruptions. Europe faces weak growth and is gearing up to confront looming tariff threats. The UK, under Keir Starmer, is strengthening ties with the EU in search of stability. Meanwhile, China shows signs of recovery thanks to stimulus measures, but challenges like the persistent housing crisis continue to weigh on its outlook.

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CAD



ZOOM ON ▼
THE CANADIAN DOLLAR

MORE DETAILS

In May, the USDCAD currency pair declined from 1.3821 to 1.3725, reflecting some caution in the markets regarding Canada's economic outlook. Analysts at Swiss bank UBS pointed out that the recent election of Canadian Prime Minister Mark Carney has had a stabilizing influence on the Loonie.

Carney's quick focus on accelerating trade negotiations with the United States, combined with a pragmatic fiscal approach, has helped to reassure investors. Nevertheless, underlying economic challenges persist.

Canada's GDP contracted by 0.2% in February, the first monthly decline since November, driven largely by softness in mining, oil and gas, and construction sectors, according to Statistics Canada. The Bank of Canada now expects growth to remain weak in the near term due to ongoing global economic uncertainties and the risk of new trade barriers with the United States.

In response, major Canadian banks and institutions—such as TD Bank, BMO, National Bank, and Deloitte—have lowered their economic forecasts. Several now anticipate that Canada may enter a technical recession before year-end. For example, National Bank projects GDP to shrink by 1.1% in Q3 and 1.0% in Q4 of 2025.

Beata Caranci, Chief Economist at TD Bank, cautions that this downturn could lead to the loss of around 100,000 jobs nationwide. The unemployment rate already increased to 6.9% in April, impacting more than 1.5 million Canadians.

“Unemployment rises during recessions due to less business investment, weaker exports, and reduced consumer spending,” notes Lars Osberg, economics professor at Dalhousie University. He adds that if trade tensions between the U.S. and Canada escalate further—as President Trump has hinted—the economic fallout could be even more severe, delaying recovery and placing greater strain on Canadian households and businesses.



USD



ZOOM ON ▼
THE AMERICAN DOLLAR

MORE DETAILS

The DXY index, which measures the US dollar against a basket of foreign currencies, declined in May from 100.03 to 99.35. Michael Feroli, Chief US Economist at JPMorgan Chase, told clients that recession risks remain “still high, but now below 50%,” following the White House’s sharp reduction of Chinese tariffs from 145% to 30% for at least three months. This move has eased some trade tensions, but uncertainty persists amid ongoing geopolitical risks.

Torsten Slok, Chief Economist at Apollo Global Management, believes that if the US enters a recession this year, it would largely be due to Donald Trump’s “disastrous” trade policies, despite inheriting “a strong growth economy.” These policies have created volatility and dampened business confidence, complicating the economic outlook.

Lawrence Summers, former Treasury Secretary under Bill Clinton, warns a recession “would put two million more Americans out of work,” a 28% rise from the 7.1 million unemployed in March. He also predicts “a decline of \$5,000 or more in annual household income,” highlighting the significant social and economic consequences.

Consumer confidence offers a stark warning: the Conference Board’s survey fell in April to its lowest since 2020, while the University of Michigan’s sentiment index recorded its sharpest three-month drop since 1990 in the first quarter. Falling confidence could reduce consumer spending, further weakening the economy.

Adding to concerns, commodity markets hint at a global slowdown. Gold prices have surged over 20% this year, nearing an all-time high of \$3,500 per ounce, as investors seek safe havens. Meanwhile, Brent crude oil prices have dropped to their lowest since 2021, reflecting expectations of weaker global oil demand due to slowing economic activity. Together, these signals suggest cautious times ahead for markets and policymakers worldwide.



EUR



ZOOM ON ▼
THE EURO

MORE DETAILS

Last month, the EURUSD currency pair rose from 1.1296 to 1.1353. The European Commission sharply downgraded its GDP growth forecasts for the eurozone, projecting just 1.1% growth this year, down from the 1.5% predicted last November. Similarly, production growth across the 20 eurozone countries was revised down from 1.3% to a mere 0.9%, signaling a significant slowdown in economic momentum.

Donald Trump continues to send mixed signals to the European Union (EU). The US president has already imposed new tariffs—25% on steel, aluminum, and cars, and 10% on nearly all other goods—and threatens to raise them to 50% if a new US-EU trade deal is not reached by July 9. This looming deadline has intensified uncertainty among European businesses and policymakers alike.

Many business leaders lament that the ongoing uncertainty makes planning difficult, if not impossible. “The current US trade policy is marked by unpredictability and a relentless pursuit of individual interests,” says Matthias Lapp, CEO of the German family-owned company LAPP, which manufactures cables and wires used in robotics. “It forces us to be cautious, investing less than before to minimize risks as much as possible.”

As a result, the Federal Statistical Office anticipates zero GDP growth for Germany in 2025, despite its reputation as Europe’s economic engine. Growth is expected to return next year, but only at around 1%; Germany experienced recessions during 2023 and 2024, adding to concerns about a fragile recovery.

Indeed, the German economy grew by 0.4% in the first quarter of 2025, buoyed by stronger-than-expected exports and manufacturing output. However, this appears to be an artificial rebound driven by anticipation of the looming crisis. “German industrial production and exports surged in March to beat Trump’s tariffs, but this will likely fall back in the coming months,” says Carsten Brzeski, global head of macroeconomics at ING.



GBP



ZOOM ON ▼
THE POUND

MORE DETAILS

The GBPUSD pair saw its value rise in May from 1.3272 to 1.3468. According to the International Monetary Fund (IMF), the British economy is expected to face headwinds from the new tariffs imposed by Donald Trump, despite the recent trade agreement reached between London and Washington aimed at easing tensions.

Following the negotiations, a 10% tariff remains on most British imports to the United States. Washington had previously threatened to raise tariffs on British cars to 27.5%, but ultimately decided to maintain them at 10%. In return, the UK granted expanded access to American agricultural exports, notably removing its 19% tariff on up to 1.4 billion liters of American ethanol—the main US agricultural export to the UK—and easing market access for beef and other key products.

As a result, the IMF estimates that the trade turbulence caused by the White House will have a more moderate impact on the UK than on other economies. It is expected to reduce British economic growth by “only 0.3 percentage points” in 2025, bringing GDP growth to 1.2% for the year, according to Luc Eyraud, IMF mission chief in the UK.

Adding to the economic outlook, Prime Minister Keir Starmer secured a “historic agreement” with the European Union in May. Nine years after Brexit, this pact renews cooperation with the continent, focusing especially on areas such as security, defense, trade, and fisheries. The agreement is projected to inject up to \$12 billion into the British economy by 2040, offering a much-needed boost amid ongoing challenges.

However, the deal has not been without controversy. Nigel Farage, leader of the far-right Reform UK party, criticized the agreement as an “abject capitulation,” with particular concern over the fisheries provisions. The agreement grants European fishermen access to British waters for the next 12 years—three times longer than originally proposed—raising tensions among UK fishing communities who view this as a significant concession.



CNH



ZOOM ON ▼
THE RENMINBI

MORE DETAILS

Last month, the value of the USDCNH currency pair fell from 7.2110 to 7.2059. Industrial profits grew by 1.4% between January and April, according to the National Bureau of Statistics (NBS). This figure compares to a 0.8% increase in the first quarter. In April alone, profits rose by 3%, up from 2.6% in the previous month.

Several signs appear to indicate a genuine recovery in the Chinese economy, says Dan Wang, China director at geopolitical risk consultancy Eurasia Group. “For example, commodity prices essential for the manufacturing industry, particularly high-end manufacturing, are holding up well, which indicates that industrial activity is picking up,” he explains.

Since last September, Chinese authorities have implemented stimulus measures aimed at boosting both domestic demand and investor confidence. The latest package, introduced in early May, included interest rate cuts and a significant liquidity injection. These efforts seem to be paying off: “Industrial profit growth is expected to remain positive throughout the first half of the year,” says Zhang Zhiwei, CEO of the Chinese hedge fund management firm Pinpoint Asset Management.

However, the outlook remains “uncertain” for the second half of 2025. Despite the truce reached in early May in Geneva between China and the United States—lifting most tariffs imposed since April—Pinpoint analysts warn that “this agreement may not last, which would likely jeopardize China’s economic recovery.”

China remains weakened by major vulnerabilities, notably the persistent real estate crisis. New home prices fell by another 4% in April, a slight improvement compared to the 4.5% decline in March, according to Reuters citing NBS data. “The Chinese property sector has been in decline for years, and there is no sign it has hit bottom yet,” observes Zhaopeng Xing, China strategist at the Australian banking group ANZ.



SOYBEAN



ZOOM ON ▼
SOYBEAN

MORE DETAILS

Soybean futures have climbed by 4.3% since the beginning of the year, reaching \$1,040 per bushel. However, when looking at their performance over the past twelve months, prices have actually fallen by nearly 15%. To put things in perspective, soybean prices hit a record high of \$1,794.75 per bushel in September 2012.

The recent rebound in soybean prices mainly follows U.S. President Donald Trump's decision to revoke a previous decree aimed at making half of new vehicles sold in the United States electric by 2030. This earlier measure was designed to reduce greenhouse gas emissions. Its repeal has given new momentum to biofuels, especially soybean oil, which accounts for about half of the raw material used in biodiesel production—a sector that injects around \$12 billion annually into the U.S. economy.

Trump's trade war with China has also turned out to be advantageous for Brazilian soybean producers. The Brazilian news outlet G1 even called it a "blessing," as Brazil hopes to capitalize on the situation to replace U.S. soybeans in China's market. Supporting this trend, Nikkei Asia reported that about forty cargo ships carrying Brazilian soybeans arrived at the Chinese port of Zhoushan in May, a 48% increase compared to the same period last year. Following this, Chinese authorities officially confirmed that Brazilian soybeans could substitute U.S. supplies in their market.

Other South American countries, like Argentina, are also eager to benefit from these shifts, but climate challenges are complicating matters. Heavy rains and excessive humidity have raised concerns about the quality of Argentina's upcoming soybean harvest. Consequently, the Buenos Aires Grain Exchange lowered its forecast for Argentina's 2024/25 soybean crop from 49.6 million tonnes to 48.6 million tonnes, reflecting the growing impact of weather on agricultural output.





In Denmark, retirement age to rise to 70

The Danish parliament voted in May to set the legal retirement age at 70 years, starting in 2040; currently, the official retirement age is 67. The change will be gradual: by 2030, the legal retirement age will increase to 68, and by 2035, it will rise to 69. According to the parliament's website, 81 lawmakers voted in favor while 21 opposed the measure. The government's stated goal is to "address the costs generated by Denmark's aging population," explained Prime Minister Mette Frederiksen, a Social Democrat. This reform reflects broader demographic challenges and is part of efforts to ensure the sustainability of the pension system over the coming decades.

Source: Berlingske

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Russia closely monitoring Greenland

The United States isn't the only country focused on Greenland. "Russia's interest in Greenland primarily stems from its proximity to strategic naval routes between the Arctic Ocean and the Atlantic Ocean, including routes used by nuclear submarines," states the CIA's 2025 report on emerging global threats. Russian President Vladimir Putin himself confirmed this concern in March, saying: "We are closely monitoring developments in this Arctic region. We are developing response strategies and strengthening our combat capabilities." This highlights the growing geopolitical significance of the Arctic amid increasing global competition for influence and resources in the region.

Source : Le Grand Continent

Link: [HERE](#)

” THE BEST
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TO HAVE ONE

