



**HARBOURFRONT**  
WEALTH MANAGEMENT

# **WATERMARK PRIVATE PORTFOLIOS**

**APRIL 2025 COMMENTARY**



**TRUE INDEPENDENCE™**

# Market Review in Minutes

## Equities

- April saw high volatility levels once again as tariff discussions and geopolitical tensions dominated the news headline, leading to panic and recessionary fears early in the month. However, once President Trump pulled back on the negative headline, equities rallied back with both the S&P 500 and the S&P/TSX Composite ending the month flat, falling only 0.76% and 0.10%, respectively, with the S&P 500 (in CAD) falling 4.68% due to the USD depreciation.
- International equities (outside the US) had a strong month in April, gaining +2.51% with technology stocks performing well.
- **Leaders:** The tech-focused S&P 500 underperformed the commodity-heavy S&P/TSX Composite in April.
  - In the US, the technology sector sold off during the month but made a comeback and became the leader amongst the other sectors in the S&P 500.
  - In Canada, the consumer staples and utilities were the highest performing sectors during the month. The materials sector also positively contributed to the S&P/TSX Composite's performance as the price of gold rose.
- **Laggards:**
  - In the US, the energy sector experienced the largest decline, falling over 10% during the month as the price of oil fell.
  - In Canada, health care and energy were the biggest laggards in the S&P/TSX Composite.

## Fixed Income

- The fixed income market remained volatile throughout April. Bond values peaked early in the month once news on tariffs became more constructive and assets rotated out to equities. However, the seesaw battle in the bond market continues:
  - Tariffs drive prices higher and will likely cause consumer spending to slow, resulting in slowing economic growth and interest rates to fall.
  - Alternatively, higher prices are also inflationary, resulting in higher interest rates.
- The net result was the Canadian Universe Bond Index ended April slightly lower by 0.65%.

As at April 30, 2025	Monthly % Total Return	YTD % Total Return
Canadian Bonds <i>FTSE Canada Universe Bond Index</i>	-0.65%	+1.36%
Canadian Equities <i>S&amp;P/TSX Composite Index</i>	-0.10%	+1.41%
US Equities S&P 500, in C\$	-4.68%	-8.68%
Intl Equities (ex USA) iShares MSCI ACWI ex US	+2.71%	+9.18%
Gold	+5.36%	+25.68%
Oil <i>West Texas Intermediate Crude</i>	-18.56%	-18.84%
Canadian Dollar	+4.32%	+3.75%

# Market Review in Minutes (Continued)

## Commodities

- Oil (WTIC) was volatile this month as it fell to as low as roughly \$56 and ended slightly higher at \$58. The decline of 18.56% this month alone was a result of:
  - Trade tensions worsening between China and the US, with global trade likely to fall, thereby less need to transport goods.
  - Several OPEC+ countries announced they would increase output by almost three times more than what was originally planned, leading to an increase in oil supply.
- On the back of all the uncertainty, gold had a strong month, gaining +5.36% and ending the month at roughly \$3200.
- The US Dollar fell against the Canadian Dollar this month, logging its third consecutive monthly loss and ending lower by 4.15% in April.

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<b>Canadian Equities</b> <i>S&amp;P/TSX Composite Index</i>	-0.10%	+1.41%
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<b>Gold</b>	+5.36%	+25.68%
<b>Oil</b> <i>West Texas Intermediate Crude</i>	-18.56%	-18.84%
<b>Canadian Dollar</b>	+4.32%	+3.75%

# Notable Monthly Highlights

## USA – Volatility spiked in the US markets as Trump continued to dominate headlines with tariff announcements

- Throughout the first few weeks of April, the rhetoric around tariffs escalated, notably:
  - The minimum 10% reciprocal tax on imports on all countries took effect. Trump noted that tariffs on Canada and Mexico may drop from 25% to 12% if US demands regarding immigration and drug trafficking are met.
  - Trump's 25% tariffs on imported vehicles began.
- The US Federal (Fed) Reserve signaled that the policy rates will likely be unchanged as it continues to assess economic data and as it waits for clearer signs that inflation is trending towards its 2% target. The Fed is also looking for some indication of a deteriorating job market. However, traders are betting against that and are expecting a rate cut in June as more economic data suggests that the US economy is weakening.
- Despite some signs of economic weakness, inflation still appears to be above the Fed's 2% target and the labour market remains solid despite unemployment rate ticking up slightly higher:
  - Retail sales grew by 1.4% MoM in March, higher than February and higher than the consensus of 1.3%; this was the largest monthly increase in retail sales since January 2023. The increase in sales were due to businesses rushing to buy motor vehicles and parts before the auto tariffs took effect.
  - The US Fed's preferred measure for interest rate policy, the core personal consumption expenditures (PCE), came in at 2.3% YoY in March, beating the consensus forecast of 2.2% YoY.
  - The annual inflation rate declined to 2.4% YoY in March, down from 2.8% in February and below the consensus expectations of 2.6%. Inflation this month has eased to its lowest level since September 2024.
  - The core inflation rate also decreased to 2.8% YoY in March, which was also slightly below the 3.0% market consensus and at levels last seen in March 2021.
  - The unemployment rate ticked up slightly higher to 4.2% YoY in March, which came in slightly above expectations.

# Notable Monthly Highlights (Continued)

## Canada – Bank of Canada held its policy rate at 2.75% due to fears of recession stemming from global tariffs





- Canada responded to Trump's auto tariffs by matching and implementing a 25% tariff on vehicles imported from the US.
- Canadian election results came in: Liberal Party's Mark Carney will continue as the prime minister, but the Liberal Party will be another minority.
- Bank of Canada's future rate cuts will largely depend on the economic supply and demand forces and foreign country policies and its implications on Canada's inflation outlook.
  - Inflation slowed to 2.3% YoY in March, below the 2.6% consensus and lower than February. Core inflation also fell to 2.2% from 2.7% in February.
  - Retail sales contracted by 0.4% MoM in February, which was inline with market consensus. However, preliminary estimates show that retail sales in Canada likely grew by 0.7% in March.
  - Canada's unemployment rate ticked slightly higher to 6.7% YoY in March from 6.6% in the previous month and it came inline with expectations.

## World – China responds to US' tariffs by implementing additional tariffs

- Chinese equity markets saw high volatility in April and ended in negative territory for the month as the tariffs imposed on China were larger than expected.
  - China retaliated and imposed an extra 34% tariff on all US goods (now at 54% tax) and placed export restrictions on some rare earths.
  - The Manufacturing PMI (Purchasing Manager's Index) decreased to 50.4 in April, down from 51.2 in the previous month.

# Watermark Private Portfolios Outlook and Positioning

April started off with the 5<sup>th</sup> largest two-day drop for the S&P 500 and since bottoming on April 7<sup>th</sup>, it has almost recovered the losses. In early April, we took defensive measures selling the Dynamic Active Enhanced Yield ETF and holding cash. After the market dropped, we put the cash back to work on April 7<sup>th</sup>, adding some growth names to the portfolio as valuations on these companies became more reasonable. We will look to sell these stocks in May and flip back defensive should another bout of volatility appear.

	Underweight	Target	Overweight	April 2025 Highlights
Equities				<ul style="list-style-type: none"><li>• Early in April, we raised a good chunk of cash by selling the Dynamic Active Yield ETF.</li><li>• After the S&amp;P 500 dropped around 8%, we felt it would be a good opportunity to put cash back to work and bought two growth ETFs.</li><li>• With the subsequent rebound in stocks, the two growth ETFs have performed well with both ETFs up over 10%.</li><li>• We also added Low Volatility ETFs in case negative news headlines continue to drive stocks lower and volatility higher.</li><li>• Overall, the equity investments in the portfolios are high quality (ie. strong balance sheets and growing cash flows) and diversified amongst different sectors. We added to technology stocks this month after those companies pulled back around 30% from their highs (historically, a 30% sell-off on these stocks has been a great buying opportunity since 2008).</li></ul>
Fixed Income				<ul style="list-style-type: none"><li>• We remain underweight fixed income, holding Brandsen Global Income Opportunities Pool, which offers several fixed income strategies that focus on achieving positive returns in all investment environments, thereby providing more diversification than traditional fixed income.</li></ul>
Private Credit				<ul style="list-style-type: none"><li>• No changes. Maintain our long-term allocation to private credit as it adds asset class diversification and reduced volatility to your portfolios.</li></ul>
Private Real Estate				<ul style="list-style-type: none"><li>• No changes. Long-term structural supply and demand fundamentals continue to favour private real estate as an asset class.</li></ul>



# Changes in Portfolio Positioning Over the Past Month

## **In the Enhanced Conservative Plus & Balanced Plus:**

- Sold Dynamic Active Enhanced Yield ETF in Enhanced Conservative Plus & Balanced Plus portfolios.
- Bought BMO Low Volatility Canadian Equity ETF in Enhanced Conservative Plus & Balanced Plus portfolios.
- Bought CI Munro Global Growth ETF in Enhanced Conservative Plus & Balanced Plus portfolios.
- Bought iShares Nasdaq 100 ETF (CAD-Hedged) in Enhanced Conservative Plus & Balanced Plus portfolios.

## **In Enhanced Growth Plus & Maximum Growth Plus :**

- Sold Dynamic Active Enhanced Yield ETF in Enhanced Growth Plus & Maximum Growth Plus portfolios.
- Bought CI Munro Global Growth ETF in Enhanced Growth Plus & Maximum Growth Plus portfolios.
- Bought iShares Nasdaq 100 ETF (CAD-Hedged) in Enhanced Growth Plus & Maximum Growth Plus portfolios.

## **In Conservative Core & Balanced Core:**

- Sold Dynamic Active Enhanced Yield ETF in Enhanced Conservative Core & Balanced Core portfolios.
- Bought iShares MSCI Min Vol Global Index ETF (CAD-Hedged) in Enhanced Conservative Core & Balanced Core portfolios.

# Did You Know?

On April 4th and 5th, the S&P 500 had two consecutive days down more than 4.5%, which is a rare occurrence as seen below. Even more rare are occurrences outside the Great Depression and the Financial Crisis, with 6 of 11 occurrences happening during those two events. When we look out over 1 and 2 months after, we see the market has been up 90% of the time.


























## Our opinion:

We look to history to anticipate what may happen and in these instances in the past, the S&P 500 has been higher 9 out of 10 times when looking out 1, 2 and 6 months, with the 6-month average return of 17.6%. These are compelling numbers and a big reason why we put cash back to work on April 7th. Furthermore, it appears headline risk has been reduced significantly, and we could be getting good news on the tariff front soon if the US and India can announce a deal.

S&P 500 after 2 consecutive days of -4.5% declines									
@SubuTrade									
	1 Day Later	2 Days Later	1 Week Later	2 Weeks Later	1 Month Later	2 Months Later	3 Months Later	6 Months Later	1 Year Later
October 29, 1929	12.53%	18.21%	4.60%	-5.82%	5.97%	1.13%	6.90%	26.63%	5.24%
November 6, 1929	3.69%	2.77%	-14.31%	3.20%	10.29%	3.01%	7.23%	24.84%	3.30%
November 12, 1929	-5.71%	2.72%	10.52%	10.30%	13.03%	13.67%	22.42%	35.02%	7.69%
July 20, 1933	-8.70%	-8.14%	0.19%	-0.76%	1.80%	2.37%	-3.22%	-8.14%	-7.00%
October 19, 1933	2.90%	-0.46%	11.85%	4.07%	12.54%	19.40%	13.94%	23.58%	4.18%
May 14, 1940	0.97%	1.95%	-4.77%	-10.02%	-9.24%	-3.89%	-1.95%	2.92%	-2.43%
October 19, 1987	5.33%	14.92%	1.26%	13.75%	8.09%	8.07%	10.89%	14.71%	22.94%
November 6, 2008	2.89%	1.58%	0.71%	-16.85%	0.53%	0.54%	-3.87%	0.48%	18.17%
November 20, 2008	6.32%	13.21%	19.11%	16.43%	15.84%	10.57%	2.75%	20.98%	45.05%
March 12, 2020	9.29%	-3.81%	-2.87%	6.02%	11.33%	15.70%	21.02%	34.61%	58.96%
April 4, 2025?									
Average:	2.95%	4.29%	2.63%	2.03%	7.02%	7.05%	7.61%	17.56%	15.61%
% Positive:	80%	70%	70%	60%	90%	90%	70%	90%	80%
Average Max Loss	-1.44%	-1.87%	-4.40%	-8.05%	-8.10%	-8.24%	-8.39%	-11.11%	-11.35%
Average Max Gain	4.39%	6.98%	9.26%	9.83%	12.03%	13.88%	15.33%	23.38%	30.26%



# Key Economic Indicators

	Inflation Rate		Interest Rate		Unemployment Rate		GDP Annual Growth Rate		Stock Market Valuation (Forward P/E)	
	Last	Chg.	Last	Chg.	Last	Chg.	Last	Chg.	Last	Chg.
USA	2.40%		4.50%		4.20%		2.00%		20.6	
Canada	2.30%		2.75%		6.70%		2.40%		15.2	
China	-0.10%		3.10%		5.20%		5.40%		10.9	
Japan	3.60%		0.50%		2.40%		1.20%		13.6	
United Kingdom	2.60%		4.50%		4.40%		1.50%		12.1	

Source: Trading Economics

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