

Market Environment

Since his inauguration on January 20th, President Trump is now well-positioned to begin his second term with greater latitude, as Republicans control both the Senate and Congress.

As we anticipated in our December review, each day brings new inflammatory statements: threats of tariffs, annexation of Canada as the 51st state, renaming the Gulf of Mexico, control of Greenland, to name just a few.

President Trump's statements never go unnoticed and create volatility in financial markets. In such a context, it's crucial for investors to avoid panic and maintain a long-term investment perspective.

In 1987, Trump published "The Art of the Deal," where he explained the negotiation techniques that make him a skilled negotiator (at least according to him). Not surprisingly, his favored tactics include:

- Destabilizing the other party from the start;
- Demanding extreme concessions;
- Disparaging the opponent.

It's clear that ultimately, the skilled negotiator obtains far less than his initial demands, which should encourage him to carefully calibrate his provocative statements.

Another event rattled stock markets over the past month: the arrival of DeepSeek, an AI-powered conversational agent. Developed by a Chinese company, this new AI model is a direct competitor to ChatGPT.

DeepSeek's breakthrough should be viewed as a significant threat, as according to unconfirmed reports, the company developed its model in a short timeframe (two months), at low cost (\$6 million), and with less powerful processors than those used by American tech giants, who are spending hundreds of billions of dollars on AI development.

This serves as a serious warning for American companies engaged in a frenzied AI development race, while also calling into question the high stock market valuations of these companies. DeepSeek also disrupts everything related to data center energy demand, as the new software consumes significantly less energy to operate.

Financial Markets

In this environment, the tech-heavy S&P 500 technology sector delivered a performance of 2.8% in January (in local currency), while the Dow Jones Industrial Average climbed 4.7%.

In Canada, the S&P TSX index rose 3.5%, driven by the materials sector and information technology, which is less affected by the new DeepSeek player.

In Europe, major indices also recorded widespread gains: 6.1% for the FTSE 100 (United Kingdom), 7.7% for the CAC 40 (France), and 9.2% for the DAX 30 (Germany).

In China, the Shanghai SE index had a difficult start to the year with a 3% decline in January.

Finally, in the bond market, we observed a decline in interest rates during the month, allowing the FTSE Canada Universe Bond Index to achieve a return of 1.2%.

Economic Data

As expected, the Bank of Canada lowered its key rate for a sixth consecutive meeting, bringing it to 3%. Given the highly unpredictable nature of tariff threats, these were not included in the central bank's economic scenarios. However, Governor Macklem's remarks deserve attention: he noted that, unfortunately, the monetary policy tools at the bank's disposal are of no use against tariffs. It would be up to the government to implement programs to counter the economic slowdown caused by these protectionist measures.

South of the border, the U.S. Federal Reserve also held a monetary policy meeting. The situation in the United States differs from Canada's, with the labor market regaining strength and inflation remaining above the 2% target. Unsurprisingly, the Fed maintained its key rate. Like us, American monetary authorities are awaiting more visibility on tariffs.

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RRSP, TFSA AND FHSA: WHAT'S THE DIFFERENCE?

	RRSP	TFSA	FHSA
OBJECTIVE	<p>Accumulate savings mainly for retirement or for any other time convenient for cashing out (for example, sabbatical leave, period of unemployment).</p> <p>It is also useful when purchasing or building a first home (HBP) or financing your education (LLP).</p> <p>The RRSP is part of the family estate.</p>	<p>Accumulate tax-sheltered savings to achieve financial goals (e.g. renovations, car purchase, business start-up, travel, etc.). The TFSA can also be used for retirement planning.</p> <p>The TFSA is not part of the family estate.</p>	<p>Accumulate tax-sheltered savings to build or buy a first home.</p> <p>The FHSA is not part of the family estate.¹</p>

RRSP, TFSA AND FHSA: WHAT'S THE DIFFERENCE?

	RRSP	TFSA	FHSA
WHEN TO CONTRIBUTE?	<p>If you wish to deduct the contribution on your 2024 tax return, the deadline is March 3, 2025.</p> <p>There is no minimum age for contributing to an RRSP; you just have to earn qualifying income.</p> <p>You can contribute to your RRSP up to age 71.</p>	<p>The TFSA contribution deadline is December 31 of each year. TFSA contributions are not tax-deductible.</p> <p>The minimum age to contribute to a TFSA is 18.</p> <p>From the year the taxpayer turns 18, contribution rights accumulate throughout his or her life. There is no maximum age for contributions.</p>	<p>You must contribute by December 31, 2024, to claim the contribution on your 2024 tax return.</p> <p>The minimum age to contribute to a FHSA is 18.</p> <p>You can contribute up to age 71. However, the FHSA account can be open for a maximum of 15 years. Once a withdrawal is made for the purchase of a first home, it is no longer possible to contribute after December 31 of the year following the withdrawal.</p>
ALLOWABLE CONTRIBUTIONS	<p>The maximum RRSP deduction for a year is 18% of the previous year's earned income, up to a maximum of \$31,560 in 2024. The maximum will increase to \$32,490 in 2025.</p> <p>Certain adjustments are made by the CRA and have an impact on the maximum deductible amount, notably participation in a pension fund reduces the amount of the allowable contribution.</p> <p>The tolerance threshold for excess contributions is \$2,000 for life; beyond this amount, a penalty of 1% per month on the excess is applicable.</p> <p>You can contribute to your spouse's RRSP and still benefit from the deduction if your spouse has unused contribution room.</p>	<p>Your contribution room is the unused portion of your maximum amount applicable to your situation that has accumulated since 2009 or since you turned 18.</p> <p>The maximum contribution since the introduction of the TFSA is \$102,000. It breaks down as follows:</p> <p>from 2009 to 2012: \$5,000; from 2013 to 2014 + 2016 to 2018: \$5,500; in 2015: \$10,000; from 2019 to 2022: \$6,000; in 2023: \$6,500; in 2024 and 2025: \$7,000.</p> <p>Excess contributions are not permitted, or there is a 1% per month penalty.</p> <p>You cannot contribute to your spouse's TFSA. However, nothing prevents you from giving the money to your spouse so that they can do it themselves later on.</p>	<p>The maximum annual contribution is \$8,000, regardless of the taxpayer's earned income. There is also a lifetime limit of \$40,000.</p> <p>There is no indexation mechanism.</p> <p>A maximum of \$8,000 in contributions not deducted in the current year can be carried forward to the following year.</p> <p>Excess contributions are not permitted, or a penalty of 1% per month will apply.</p> <p>You cannot contribute to your spouse's FHSA. However, there's nothing to stop you from giving him or her the amount to make the contribution.</p>
WITHDRAWALS	<p>Withdrawals are taxable and may reduce income-tested government benefits and credits.</p> <p>Amounts that are withdrawn cannot be re-contributed.</p>	<p>Withdrawals are non-taxable and do not affect eligibility for income-tested government benefits and credits.</p> <p>Withdrawals made up to December 31 of each year are added to the following year's contribution room.</p>	<p>Withdrawals are not taxable under certain conditions that are similar to the HBP. The taxpayer must qualify as a first-time home buyer.</p> <p>Withdrawals for purposes other than the purchase of a qualifying first home will be taxable.</p> <p>Withdrawn amounts cannot be re-contributed.</p>
TAXATION UPON DEATH	<p>Amounts accumulated in an RRSP are taxable at the time of death. You can delay this tax by transferring the RRSP to the surviving spouse. This is called a rollover. Under certain circumstances, you can also do a full or partial rollover to a minor child or a dependent disabled child.</p>	<p>No taxation upon death. The surviving spouse may add the amounts accumulated in their own TFSA without affecting their contribution room.</p>	<p>No tax at death, if all FHSA accounts are closed within the first calendar year following death. If accounts are not closed on time, the estate will be taxed on the fair market value of the FHSA at the time of death.</p> <p>It is also possible to transfer the FHSA to a surviving spouse (to his or her own FHSA or RRSP/RRIF¹) without affecting contribution room.</p>

¹ Everything leads us to believe that, as of the date of this bulletin, the TFSA is not part of the family patrimony, as the Civil Code of Québec has not been reformed since the creation of this new vehicle, and no case law has been identified.

STATISTICS ON JANUARY 31, 2025

CANADA		UNITED STATES		CURRENCIES	
Unemploy. rate (December)	6.7 % ↓	Unemploy. rate (December)	4.1% ↓	\$ USA / \$ CAN	0.69 ↑
CPI (December)	1.8% ↓	CPI (December)	2.9% ↑	\$ USA / € Euro	1.04 ↓
3-month Treasury Bills	2.86% ↓	3-month Treasury Bills	4.28% ↓	¥ Yen / \$ USA	155.19 ↑
5-year bonds	2.73% ↓	5-year bonds	4.33% ↓	The arrow indicates the trend since the publication of the last monthly data or end of the month.	
10-year bonds	3.07% ↓	10-year bonds	4.54% ↓		
S&P/TSX	25,533 ↑	Dow Jones - Industrial	44,545 ↑		
		S&P 500	6,041 ↑		

MARKET INDICES IN CANADIAN DOLLARS AS OF JANUARY 31, 2025

	YTD	3 months	1 year	3 years*	5 years *
FTSE Canada 91 Day TBill Index	0.34%	0.96%	4.79%	3.92%	2.52%
BONDS					
FTSE Canada Universe Bond Index	1.20%	2.19%	6.94%	0.95%	0.45%
FTSE Canada Short Term Overall Bond Index	0.88%	1.84%	6.82%	2.75%	2.10%
Eterna Adapted Private Wealth Index ¹	1.11%	2.10%	7.09%	2.18%	1.69%
FTSE Canada Mid Term Overall Bond Index	1.45%	2.50%	7.47%	1.26%	1.02%
FTSE Canada Long Term Overall Bond Index	1.36%	2.18%	6.21%	-1.87%	-2.23%
NORTH AMERICA STOCK MARKETS					
Canada - S&P/TSX Composite	3.48%	6.47%	25.19%	9.97%	11.45%
United States - Standard & Poor's 500	2.86%	9.87%	35.89%	16.70%	17.13%
United States - Dow Jones Industrial Average	4.86%	10.78%	27.88%	15.18%	13.69%
INTERNATIONAL STOCK MARKETS					
United Kingdom - FTSE-100	5.73%	7.75%	24.20%	11.01%	7.94%
France CAC-40	8.54%	7.32%	7.22%	6.16%	6.97%
Germany - DAX	9.75%	13.03%	32.76%	13.95%	11.36%
Japan - Nikkei-225	1.02%	2.98%	10.90%	7.33%	5.39%
Hong Kong – Hang Seng	0.60%	2.76%	40.93%	-1.20%	-3.57%
Australia - S&P/ASX 200	5.85%	3.03%	13.31%	7.13%	4.33%
CURRENCY					
USD versus CAD	1.09%	4.36%	8.23%	4.59%	1.90%

* Annual compounded total return

1. The Eterna Adapted Private Wealth Index is made up of 60% of FTSE Canada Short Term Overall Bond Index and of 40% of FTSE Canada Mid Term Overall Bond Index.

Source: Bloomberg