Lee Turner

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Review

Five years ago, a global pandemic swept across the world in a matter of weeks, overwhelming healthcare systems and nearly bringing the global economy to a halt. Financial markets plunged 35% in just one month as uncertainty skyrocketed and confidence collapsed. The COVID-19 crisis underscored just how interconnected and vulnerable the modern global economy is to sudden shocks. Today, in 2025, the world faces a virus – economic and political in nature. The trigger this time is U.S. President Donald Trump's return to power and the aggressive deployment of unilateral tariff measures, which have disrupted global supply chains, fractured trade alliances, and created sweeping economic uncertainty.

This broad-based policy tool is spreading rapidly and unpredictably. In much the same way that countries scrambled to understand and contain COVID-19 in its early stages, world leaders now find themselves reacting to hastily announced and inconsistently applied trade measures. Confusion reigns. Retaliatory tariffs have followed, further inflaming tensions and threatening to entrench a more protectionist and fragmented global economic order.

Investors, long known to dislike surprises, have been left asking the same question week after week: "Is the tax on or off?" The lack of clarity surrounding the scope, intent, and duration of these trade measures has been a key driver of heightened market volatility throughout the first quarter. The sequence of policy announcements – some rolled out abruptly, others walked back just as quickly – has made it difficult for businesses to plan, and for investors to forecast with any confidence.

Figure 1: Chart from Koyfin, 4/02/25

Equity markets reflected this unease. The S&P/TSX Composite Index reached a record high on January 30, buoyed by defensive sector strength and solid fundamentals. However, following the surprise imposition of a 25% U.S. tariff on Canadian exports the very next day, the index dropped nearly 5% by mid-March. Still, it managed to recover and ended the quarter slightly positive, up +1.1%. In contrast, U.S. benchmarks struggled. The S&P 500 fell -4.2%, while the Dow Jones Industrial Average declined -1.3%. Investors reacted to fears of a deepening trade war, rising costs for American consumers, and the prospect of a slowing economy. Gold prices, however, surged to all-time highs as investors sought safe-haven assets.

On the monetary policy front, central banks took divergent paths. The U.S. Federal Reserve held interest rates steady, maintaining a cautious tone as it continues to weigh persistent inflationary pressures against weakening global growth. Meanwhile, the Bank of Canada moved more decisively, cutting its policy rate to 2.75%—the seventh consecutive reduction. The central bank cited soft domestic demand, subdued inflation, and rising trade-related risks as rationale for its proactive stance.

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Forecast

While today's environment feels uniquely chaotic, markets have endured and eventually recovered from similarly disorienting episodes. From the 2008 financial crisis to the COVID-19 pandemic, each period of fear and uncertainty was followed by adaptation, recovery, and renewed growth. We believe the current disruption will prove no different. This is not the end of the global economy, nor the end of disciplined, long-term investing.

In the months ahead, we expect continued volatility as global markets digest new trade measures and assess their impact. A recurring pattern has emerged: abrupt policy announcements followed by periods of pause, occasional rollbacks, and sudden re-escalations. This lack of direction is sowing confusion not just among investors, but among corporate leaders and policymakers themselves. Unfortunately, such erratic behavior makes it virtually impossible to construct reliable economic forecasts or capital expenditure plans.

At its core, a tariff is a tax either absorbed by the producer, passed along to the consumer, or both. While some companies may have the scale or leverage to renegotiate with suppliers or shift production, the broader trend will likely be increased consumer prices. These pressures act as a brake on economic activity, making tariffs inherently anti-growth. At the same time, they will stoke inflationary pressures by pushing prices higher. Combined, these forces raise the risk of stagflation: a dangerous mix of slowing growth and persistent inflation that is difficult to navigate with conventional policy tools. We will be closely monitoring data to see if this comes to pass.

Given the fluid nature of current events, we view any assertions of precise foresight and strong conviction with healthy skepticism. The variables are too many, the pace of change too fast, and the policy process too unpredictable. It appears not even the policymakers themselves have clear direction. In this environment, humility, flexibility, and a focus on fundamentals are far more valuable than bold predictions.

Strategy

Our investment strategy remains rooted in long-term discipline, quality, and fundamentals. We are not attempting to react to every headline or anticipate the next tweet from a trade office. Instead, we are focusing on the things we can control: identifying opportunities to invest in businesses with durable earnings, strong balance sheets, and essential value propositions.

Our portfolios are tilted toward companies that provide needs, not wants. Whether we enter a stagflationary environment or not, they are less vulnerable to swings in discretionary spending or geopolitical volatility. These businesses tend to be more resilient in downturns and are better positioned to emerge stronger once stability returns.

Markets are forward-looking. While the short term may look cloudy, we are focused on the long term. Over that horizon, we believe our portfolio companies will not only endure but thrive. Just as during COVID-19, when investors feared the worst before markets eventually recovered, we expect this current environment to give way to renewed clarity and opportunity.

Attempting to forecast or trade around erratic policy is not a viable strategy, especially when even governments struggle to stay consistent. Our approach remains grounded in staying invested, diversified, and patient. Market timing is difficult at the best of times; it is virtually impossible in the current landscape.

Closing Thoughts

We have now fully rolled out our online platform, Ndex, for email delivery of statements and other documents. Please email trevor@lee-turner.com to activate your account if you have not already had the opportunity to.