

Review

U.S. President Trump originally had April 1st, 2025 in mind as the day to unveil his global tariffs plan, but he decided he should appear stately and serious when delivering matters of such global import (pun intended). So, he chose the day *after* April Fool's Day. As we now know, he may or may not have appeared stately in the White House Rose Garden, but he was certainly not serious about the plan's contents. It was an April Fool's joke—he pranked us all. Within a week, nearly all of the announced tariffs were paused, retracted, or adjusted.

While the prank did inflict some damage on the global economy and added volatility to capital markets, the disruption was fortunately brief and limited. With only six months completed in a four-year term, it's anyone's guess how many more rounds of this we may be subjected to. But *for now*, this is the way the trade war ends: not with a bang, but a whimper.¹



What did *not* whimper was stock performance. As of the end of June, the TSX sits confidently at all-time highs, delivering an 8.5% total return for the quarter (7% on price), bringing year-to-date performance to 10%.

Of course, it wasn't a calm period. Between "Liberation Day" and April 8th, the TSX declined by 11%, only to rally back 19% between April 8th and June 30th. South of the border, the S&P 500 and Dow Jones gained 24.5% and 17%, respectively, during the latter period after falling 12% and 11% between April 2nd and April 8th. After a rocky start, the S&P 500 delivered an 11% total return (10.5% on price) for the quarter, while the Dow Jones generated a 5.5% total return (5% for price).

The sense of relief in equity markets that followed Trump's series of climbdowns did not extend as far into bond markets, where there remains a significant level of unease about the hasty and conflicting policies coming from the new US administration as well as the new Liberal government. The broad PC Bond Index was up just 0.4% for the quarter.

Forecast

The US 10-year government bond yield began the quarter at 4.2% and closed it at 4.2%. Meanwhile, the Canadian 10-year climbed from 3% to 3.3%. As a reminder, rising yields—as seen in the Canadian 10-year—mean declining prices. While other factors are at play, bond and

¹ This was written on July 2nd, 2025. Not a week later, Trump announced a number of new tariffs. Within days, he reversed some. Stay tuned for the next episode in this ongoing soap opera.



fixed-income performance indicates that inflation remains an underlying concern, even as economic indicators (employment, GDP growth, etc.) show signs of cooling and the immediate threat of tariffs has receded. Whether due to wage growth, geopolitical instability (including a brief new war in the Middle East and an exchange of fire between two nuclear powers), or expansionary fiscal policy, the inflation genie isn't going back into the bottle just yet. The supposed safety of "risk-free" government bonds is illusory in real terms when inflation continues to simmer near the arbitrary 2% target—a benchmark that itself may prove transitory, given recent rumblings from various central banks.

This "global standard" was only introduced as a target in the early 1990s and 2000s, a period marked by the end of the Cold War (with relatively stable geopolitics), China's entry into the WTO (bringing a vast new labor supply), and the rise of shale oil and gas (adding a dependable energy source). We may somehow find ourselves returning to that goldilocks period of abundant and reliable energy, cheap global labor, and international stability, that can support such inflation targeting but it is looking less likely. And this is before accounting for governments' growing spending habits (the "Big" in the Big Beautiful Bill is not about cuts or savings).

Strategy

Given the above, we continue to view bonds as a bit of a dead end—except for those with immediate, known cash needs. For investors with longer horizons, the risks are not adequately balanced by the contractual rewards. Our focus remains on equities and preferred shares, where we see greater opportunity and potential durability over the long term.

Preferred share issuers seem to have investors on speed-dial in calling their shares. Over the front half of this year, a total of 14 issues have been called for redemption. Our expectation is for this pace to continue over the second half of the year. As we have pointed out before, while some investors may be ambivalent about getting called, we are not. We would be pleased to realize a sizable capital gain, and we will be up to the challenge, post redemption, in replacing the level of income that we have come to enjoy.

Closing Thoughts

Small announcements from us. First, you may have noticed that our email addresses have changed slightly. We are now using "leeturner.ca" format rather than "lee-turner.com". If you have received an email from the former, don't worry, it was us. Second, we are happy to hear from many of you that you are pleased with the Ndex access that you have gotten. We are still in the process of porting all the historical information from the old system to the new set up but this will all be completed in time for end-of-year statements.

Finally, as of April 1st, Trevor and Seth are now equal owners of the firm, along with Harry and Eva. The two started on their journey with Lee, Turner & Associates at the beginning of 2020 and have seen a variety of markets in a relatively short space of time. Now in its 35th year, the firm continues to plan for the future and to ensure that your wealth and investments will be looked after for many years to come. Thank you for your trust!