

June 2025 Financial Planning Email Update

When historians look back on the past month in North America it will likely be described as action packed as many events have taken place in a relatively short period of time. Let's look at a few:

May 16, 2025: Moody's Investment Rating Service downgrades the U.S. credit rating. The new report from Moody's downgrades the U.S. credit rating from the top level of Aaa (negative) to Aa1 (stable). In its announcement, Moody's stated the following primary reasons for doing so:

- **Growing debt caused by increased federal spending and reduced revenues from tax cuts.** Moody's includes the assumption that extension of the 2017 TCJA provisions will add \$4 trillion to the debt over the next decade.
- **Growing federal interest payments, driven by rising interest rates.** The cost of financing the U.S. national debt has been driven by higher Treasury yields since 2021.

May 21, 2025: Prime Minister Mark Carney issues his Mandate Letter. Priorities listed were three-fold:

1. Trade. Establishing a new relationship with the United States. Removing barriers to interprovincial trade. Expedite nation-building projects and to favour exports to Asian and European markets.
2. Fiscal and Economic Policy. Lower taxes. Strengthen Canadian Forces (aiming for defence spending at 2% of GDP). Spend less on government operations but increase government investments.
3. Social Policy. Make housing more affordable. Lower overall immigration rates and better target immigrants.

May 22, 2025: The U.S. House of Representatives passed the One, Big, Beautiful Bill Act which is requesting raising the federal debt ceiling a further 4 trillion dollars. The various aspects of this bill are estimated by the Congressional Budget Office to add 3.8 trillion dollars to the already 36.2 trillion dollar federal debt over the next 10 years. The U.S. Treasury runs out of money in late July so the goal is to have this bill passed in the Senate and made into law by July 4th.

May 27, 2025: The Canadian Government opens with the Throne Speech by King Charles III. This was only the third time a Throne speech was given by royalty. The other two were by Queen Elizabeth II in 1957 and 1977. In the speech we find out that the government will not be issuing a federal budget until the fall of 2025.

May 28, 2025: U.S. Court of International Trade ruled that the U.S. president does not enjoy "unbounded authority" to impose tariffs as he sees fit. This would have placed a curb on a tool Donald Trump has used in international relations. The ruling applies to tariffs imposed under the International Emergency Economic Powers Act (IEEPA). Levies imposed on Canadian steel, aluminum and autos were set in place under the authority of section 232 of the Trade Expansion Act of 1962 and are not covered by this ruling. The Unanimous ruling orders the U.S. to lift tariffs placed on Canada, Mexico and China on fentanyl related grounds, as well as tariffs ordered on April 2nd which Donald Trump called Liberation Day. The IEEPA does not authorize the president to

impose whatever tariff rates he deems desirable but requires that the president is acting in response to an unusual and extraordinary threat in which a national emergency has been declared. The U.S. administration immediately did seek and receive a stay of execution which will maintain the tariffs during the appeal process.

The Bank of Canada is nearing the end of its interest rate cutting cycle while the US is expected to accelerate interest rate cutting into 2026.

Donald Trump is attempting to reshape the trade environment for the U.S. by utilizing tariffs against all trading partners. This despite global trade having been the main driver of economic growth over the past 50 years and the business sector consensus is that tariffs will not bring manufacturing back to the U.S.

U.S. surveys indicate consumer confidence is declining which will lead to reduced consumer spending. The U.S. CEO confidence index is declining which will lead to reduced investment.

With all the above factors both the U.S. and Canadian economy are not expected to go into a recession.

In this environment Canadian and international equity and fixed income investments are doing well and are over weighted in our portfolios and U.S. equities, fixed income and the U.S. dollar are not and continue to be underweighted holdings.

Under the new and chaotic investment environment created by Donald Trump our balanced, professionally managed and well diversified portfolios have continued to perform at or above long term target rates.

Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning. I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling the office at 519-894-2661 or toll-free at 1-800-716-5538.

Thank you! Have a great day!

Respectfully Yours,

Gary



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