The Dream Achiever

DD HUMES

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INSIDE THIS ISSUE

"Mistakes and pressure are inevitable; the secret to getting past them is to stay calm."
~ Travis Bradberry

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The Office Just Got Brighter Danielle's Back!

We're thrilled to share that **Danielle Mills** has returned from her maternity leave and is back at the DD Humes office! Danielle has been a valued part of our team for years, known for her financial knowledge and unwavering commitment to client care.

She's excited to reconnect with you and continue supporting your financial goals with the same excellence and heart you've come to expect.

Please join us in welcoming her back!

Cooler heads

As summer brings the sizzle, there's nothing quite like the refreshing blast of a fan to keep us comfortable. The same applies to investing—staying calm and clear-headed is often the best strategy when markets start to feel the heat.

The second quarter of 2025 got off to a rocky start. On April 2, the U.S. surprised global markets with sweeping tariffs on nearly all major trading partners. Stock markets initially dropped, volatility spiked, and bond prices fell as interest rates rose. At the same time, global tensions flared with a brief but concerning conflict between Israel and Iran. Gold prices surged in response to the uncertainty, hitting a record high in mid-June, while oil saw a temporary jump before settling lower by the quarter's end.

But just like summer storms, the market clouds cleared faster than expected. Stocks rebounded strongly after April's dip. In fact, by the end of June, major indexes were not just back up—they had hit all-time highs. Behind this rally? Solid corporate earnings, improving sentiment on U.S.-China trade talks, and reassuring news that inflation in the U.S. remained steady, hovering around the Federal Reserve's 2% goal.

There's growing expectation that the U.S. Federal Reserve may begin cutting interest rates later this year. Short-term bond yields fell slightly, and longer-term rates also eased after peaking in May. That's good news for borrowers, though the U.S. government's growing budget deficit may eventually push rates higher down the line.

Strong gains in Q2 put all North American equity indexes into positive territory on both a year to date and rolling 12-month basis to June 30. For the one-year period Canada continued to lead, with gains for the S&P/TSX Composite Index remaining well ahead of those for the S&P 500 but trailing in the month of June. For the quarter, the S&P/TSX Composite Index ended up 8.53%, the S&P 500 Index rose 10.83%, the Nasdaq Index soared 17.96%, the MSCI World Index was up 9.51% and the MSCI EAFE Index rose 4.80%. In the U.K., the FTSE 100 Index rose 3.17% and Germany's DAX Index climbed 7.88%. In Asia, Japan's Nikkei 225 jumped 13.83%. The FTSE Canada Universe Bond Index ended the quarter down 0.57%.* The CAD$ increased from 69.5 to roughly 73.5 cents (~5.8%) to the USD$ over the last 3 months.

At Home in Canada: The Bank of Canada kept interest rates steady at 2.75%, staying cautious as it watches how tariffs might affect prices. Inflation held at 1.7% in May, right in line with expectations, and housing costs grew more slowly than in April. Interestingly, Ontario was the biggest contributor to rent relief across the country. Meanwhile, Canada's unemployment rate edged up slightly to 7.0%, driven largely by job losses in manufacturing—industries like aluminum, steel, and auto production felt the sting of new trade barriers. Retail sales were a mixed bag, rising in April but showing early signs of a pullback in May.

US Update: The U.S. economy took a small step back at the start of 2025, shrinking slightly after growing late last year. This slowdown was mostly due to a surge in imports (as companies rushed to buy goods before new tariffs kicked in) and reduced government spending. The job market held up reasonably well—unemployment stayed at 4.2% in May—but there were signs that hiring is slowing, especially in manufacturing. Prices haven't spiked yet from the new tariffs, though inflation ticked up slightly in May. At the same time, people in the U.S. spent less in May—especially on cars—and income also dipped a bit, which contributed to a noticeable drop in retail sales. The U.S. Federal Reserve kept interest rates steady, saying it's waiting to see how things play out before making any big moves. While consumer confidence improved in June, most Americans still feel cautious about the economy and expect prices to keep rising.

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Market Overview Continued

What We Can Expect Now

The second quarter got off to a rocky start but finished strong for investors who stayed the course despite daunting headlines. A growing sense that "cooler heads" might prevail—particularly around U.S. policy decisions—helped markets look past early volatility. That said, trade and tariff concerns remain unresolved. In Canada, sectors like autos, steel, and aluminum are feeling the impact. Growth has stalled, unemployment has ticked up, and negotiations with the U.S. continue, with an August 1 deadline looming. Even so, Canadian equities have delivered solid gains year-to-date.

Final Thoughts: Q2 brought its share of drama, from geopolitics to tariffs, but markets proved resilient. Just like a fan brings relief on a hot day, a well-diversified investment approach helped many investors stay cool—and even thrive—despite the heat. As we head into the second half of 2025, surprises are still possible, but so is greater clarity on where growth may come from next. Staying balanced and focused on your long-term goals remains the smartest path forward.

Thank you for your continued trust in the DD Humes team. If you have questions or want to revisit your strategy, we're here to help. Have a great rest of the summer!

Planning items

- **RRSP Contribution Room for 2025:** Please provide us your room for the 2025 tax year as per your 2024 Federal Notice of Assessment. The maximum limit for 2025 is $32,490. You may need to adjust your automatic savings plans for the coming year accordingly. **You can make us a tax representative** so that we can get this information from the CRA for you!
- **Registered Education Savings plan** (**RESP) contributions:** Quebec beneficiaries get the added 10% QESI grant from the provincial government increasing the overall grant to 30%! 2025 room now available.
- **Tax Free Savings Account (TFSA):** A new $7000 of room available since January 1, 2025. Total room since 2009 is $102,000.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2025 (born in 1954) will need to convert their RRSPs into RRIF accounts before the end of the year. We will be in contact to assist you on how to get that done if you haven't done so already.
- **Your Annual Review:** It is important to inform us of any changes taking place in to see the effects on your plan.
- **$2K pension deduction:** Those who turn age 65 in 2025 or older and not already receiving recognized pension income.
- **Estate planning:** A reminder that your **wills and mandates** should always be in order.

Planning corner – A Mid-Year Financial Check-In

As we pass the halfway mark of the year, it's the ideal time to pause and revisit your financial plan. Life moves fast, and small changes today can have a big impact tomorrow. This is your opportunity to ask yourself:

- Are you on track with your savings goals?
- Have there been any major life changes—got married, a new job, a new home, or a new family member—that might call for a strategy update?
- Are you contributing enough toward your children's education fund, or is it time to revisit your education savings withdrawal strategy?
- How is your retirement income holding up—especially in light of current market conditions and inflation?
- Are there any tax planning opportunities you could take advantage of before year-end?

A mid-year review is about more than checking boxes—it's a chance to step back, reflect, and ensure your financial decisions are still aligned with the life you want to live. As priorities shift and circumstances evolve, even small corrections can lead to meaningful long-term results. Whether it's rebalancing your investments, building in more flexibility, or simply gaining peace of mind, taking the time now can help prevent surprises later. The fall season often brings a flurry of activity—school routines, year-end deadlines, and the holidays—so think of this as your window to get ahead of the curve. If there's anything on your mind financially, or if you just want a fresh look at your plan, we're here to help guide the way.