2025 Outlook:

Solid fundamentals amid policy uncertainty

Investment Strategy Team
Advice and Guidance Canada

In 2024, the financial markets and economy held up remarkably well despite uncertainty around the economy, elevated interest rates and the U.S. presidential election. Canadian and U.S. economic growth remained positive, households continued to spend, inflation rates moderated, and the TSX and S&P 500 both realized double-digit returns.

As we look to 2025, we see this positive momentum continuing, although the pace of economic growth and stock market gains may cool. We expect Canadian gross domestic product (GDP) growth to increase modestly and for the U.S. GDP growth to moderate but remain positive, with both economies supported by a healthy consumer and resilient labour market. In our view, these solid fundamentals also underpin an ongoing stock market expansion, albeit perhaps with more bouts of volatility and more modest gains ahead.

While we see no signs of a recession or downturn on the horizon, woven into the 2025 narrative are new walls of worry for financial markets to climb. These include uncertainty around new U.S. policy initiatives, including immigration reform and tariffs. Investors will also be focused on central bank policy and how much more the Bank of Canada (BoC) and Federal Reserve (Fed) will reduce interest rates if the economy is solid and inflation remains rangebound.

But we continue to view market volatility as an opportunity for investors to rebalance, diversify and add quality investments to stock and bond portfolios in the year ahead. As the adage goes, bull markets don't die of old age; something tends to kill them — typically a recession, central bank rate hikes or an exogenous shock such as the pandemic.

While the latter is hard to predict, we don't see either an economic downturn or BoC or Fed rate increases anytime soon, which is good news for long-term investors.

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Below are our 10 key views for 2025

1. The “soft landing” prevails in the Canadian and U.S. economies
2. The labour market eases but remains resilient, with the unemployment rate remaining below 7.5% in Canada and 4.5% in the U.S.
3. Canada Inflation returns to 2% on a sustained basis, while in the U.S. it settles in a 2% – 3% range
4. Monetary policy easing is likely to continue, with the BoC targeting 2.5% – 3% and the Fed 3.5% – 4%
5. Bull market continues into Year 3, with moderate gains
6. Broadening market leadership strengthens the case for portfolio diversification
7. Bonds take the lead over cash
8. 10-year government bond yields likely remain range-bound, with the GoC yield in the 2.75% – 3.25% range and U.S. Treasury in the 4% – 4.5% range
9. Overseas momentum continues to lag
10. Watching for curveballs: Policy uncertainty could drive volatility

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1. The “soft landing” prevails in the Canadian and U.S. economies

Looking ahead to 2025, we believe the Canadian and U.S. economies will continue to see positive economic momentum. Consumption in these economies held up well in 2024, despite elevated inflation rates and borrowing costs.

We expect conditions for Canadian and U.S. households to improve somewhat in the year ahead as the central banks continue to cut rates (albeit perhaps just 2–4 times more) and inflation continues to moderate and remain contained. Wage growth should also remain above inflation rates, which means consumers continue to benefit from positive real wages.

While economic growth in Canada should pick up early in the year helped by lower interest rates and temporary government stimulus, growth will likely ease in the second half as immigration slows sharply and the threat of U.S. tariffs looms. The U.S. economy could cool a bit next year towards 2%, but we do not expect a downturn or a recession in either country. The services sector in both economies may moderate, as consumers — particularly lower-income households — spend less on areas like travel, dining, and housing services.

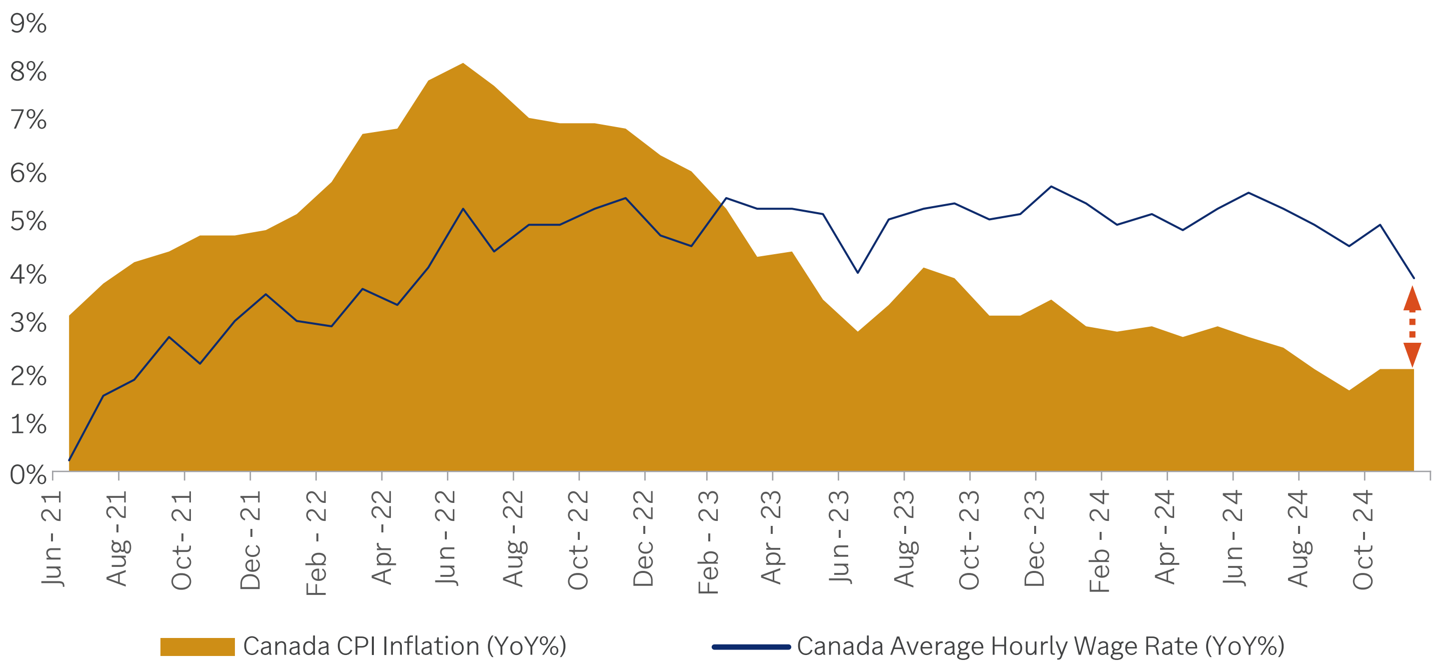
However, we expect Gross Domestic Product (GDP) growth to remain solid. Two key reasons could drive this:

1. The lower central bank policy rates, even if marginally below current levels, should flow through to the real economy by the end of 2025, supporting household and corporate consumption.

2. Proposed U.S. pro-growth policies, including deregulation and tax cuts, should start to take shape by year-end and could drive consumption as well as positive sentiment in financial markets.

These may be offset by uncertainty around tariffs and trade wars, but we see this risk contained more to specific industries and global peers. It should not outweigh the broader pro-growth impulses we may see by year-end 2025.

Canadian average wage rates outpaced inflation last year, supporting consumption; this should continue in 2025



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2. The labour market eases but remains resilient, with the unemployment rate remaining below 7.5% in Canada and 4.5% in the U.S.

Perhaps a key source of strength for the Canadian and U.S. economies has been their resilient labour markets. Generally, when consumers are secure in their employment, they feel more confident in spending — and consumer spending makes up about 55% of Canadian GDP and about 70% of U.S. GDP.

In 2024, the labour markets moderated but remained healthy versus historical levels. For example, the unemployment rate climbed to 6.8% from a low of 5.7% earlier this year but remains below the long-term average of around 8.0%. Similarly in the U.S., the unemployment rate increased from a post-pandemic low of 3.4% to around 4.1%. Nonetheless, even at 4.1%, the unemployment rate remains well below long-term U.S. averages of closer to 5.7%.

In our view, the labour markets in Canada and the U.S. appear to be normalizing after a period of outsized strength following the pandemic. The supply of labour has steadily moved higher, with more new entrants to the labour market.

Meanwhile, the demand for labour seems to be cooling, as job openings across industries have moved lower. This better balance between supply and demand of labour has helped cool potentially overheated labour markets in recent years.

We believe leading indicators of the labour market all point to further modest cooling ahead. These include fewer job openings as well as easing of broader metrics such as the Fed's Labor Market Conditions Index.

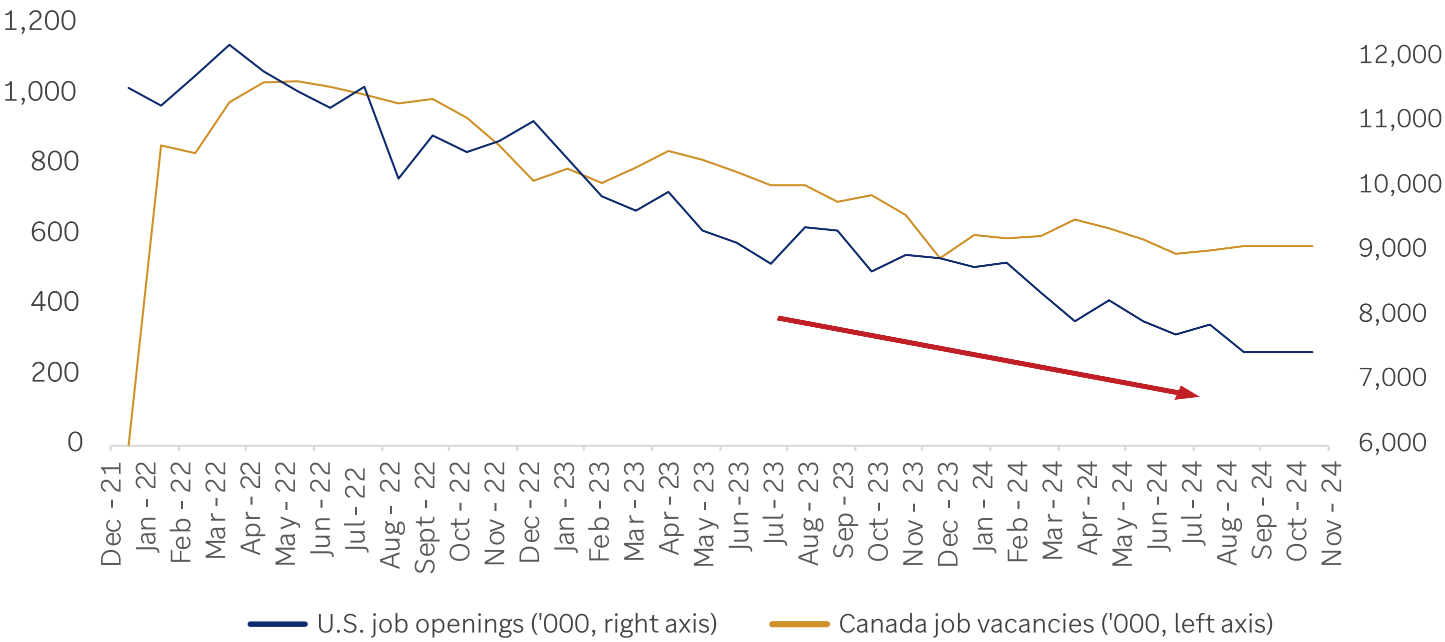
While the Canadian and U.S. unemployment rates may rise modestly, we believe they will remain contained, under 7.5% in Canada and under 4.5% in the U.S.

As with economic growth, we may see a reacceleration of the labour market toward the end of 2025. In our view, lower borrowing costs, growing use cases in artificial intelligence (AI), and potential U.S. pro-growth policies could spark incremental hiring activity.

Perhaps the wild card in the labour market outlook is proposed new immigration policies in both Canada and the U.S. If we see an outsized reduction in the labour force, this could create a supply shock. This in turn may force employers to push wages higher, especially in low-cost labour industries such as restaurants, manufacturing, and hospitality.

This could raise inflation further, particularly in the services sector. If more extreme policy proposals are avoided, however, the Canadian and U.S. labour markets should be able to absorb a modestly lower labour supply with minimal wage disruptions.

Cooling in job openings in Canada and the U.S. point to modest easing of the labour markets ahead



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3. Canada Inflation returns to 2% on a sustained basis, while in the U.S. it settles in a 2% – 3% range

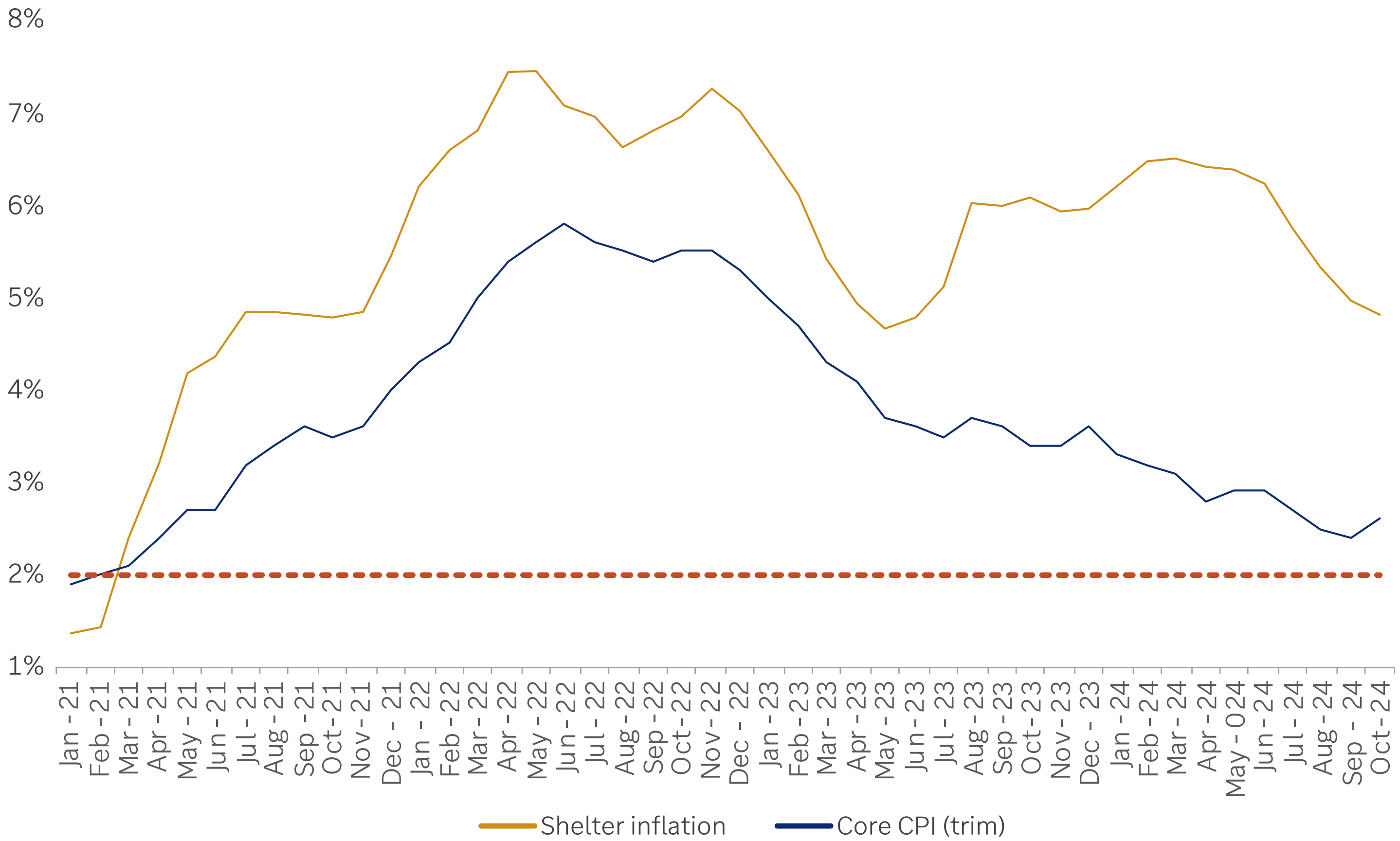
Overall, we expect the trend for Canada core inflation rates to remain downward, potentially reaching 2% in 2025. In the U.S., the path may be bumpier, and inflation could settle in the 2%–3% range rather than hitting the Fed's target and staying there.

Canada core inflation (CPI-trim) has been cut in half since it peaked at 5.8% in 2022. While further progress was made in 2024, the pace of disinflation has slowed. However, we think that lower shelter inflation, cooling wage growth, and spare capacity in the economy will help alleviate some of the remaining price pressures. Looking specifically at shelter which accounts for about one-third of the CPI basket and is comprised of rented and owned accommodation, a slowing population growth will likely weigh on rental inflation, while mortgage interest cost inflation will likely drop further as the BoC continues to cut its policy rates.

In the U.S., the potential for loose fiscal policy, higher tariffs and immigration restrictions poses upside risks to inflation. Goods inflation may see a modest one-off increase in prices if universal tariffs are implemented, but this is unlikely to be an ongoing source of inflation that would force the Fed to resume rate hikes. Ultimately, services inflation will be the key driver of inflation trends in 2025.

Perhaps the good news for investors is that we expect inflation rates to remain contained and do not see a return to the above 4% inflation figures that we saw in the post-pandemic period.

Lower shelter inflation will help core CPI reach 2% in 2025



Source: Bloomberg, Edward Jones.

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4. Monetary policy easing is likely to continue, with the BoC targeting 2.25% – 2.75% and the Fed 3.5% – 4%

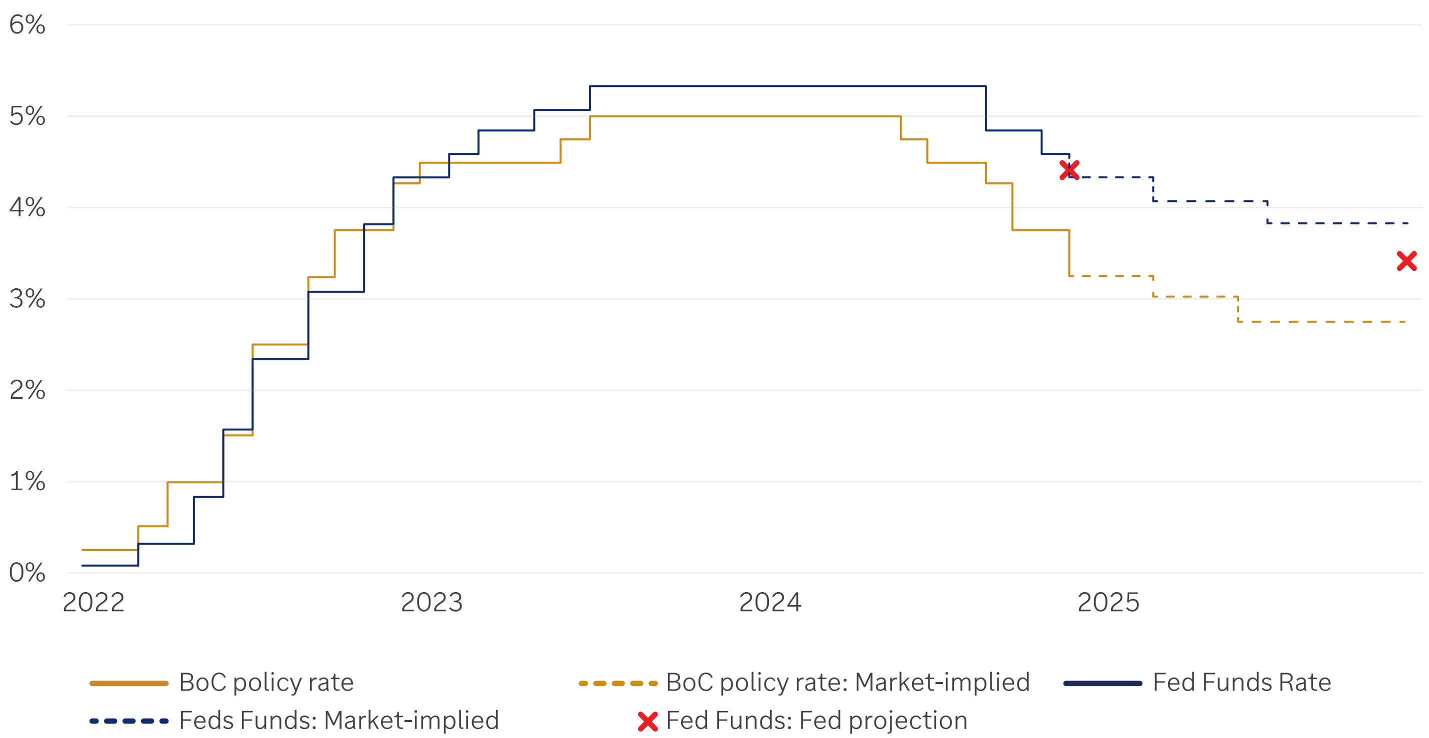
We see the BoC and Fed continuing their rate-cutting cycles in 2025 to gradually remove restrictions on the economy. With the BoC policy rate at 3.25%, and the central bank's preferred measures of core CPI around 2.5%, which is within the 1% – 3% target range, we believe there is room to bring rates down to a less restrictive stance, with the rates perhaps settling in the 2.25% – 2.75% range. The Fed funds rate is now around 4.5%, and core personal consumption expenditure (PCE) inflation at about 2.8%, which should allow the Fed to lower rates to 3.5% – 4%.

This recalibration by the BoC and Fed is backed by improvement in inflation rather than an economic downturn, which is expected to continue supporting the expansion, likely keeping both economies on track for a soft landing. In general, a neutral monetary policy rate tends to be about 1% above inflation rates, which we see settling near 2% in Canada and 2% – 3% for the U.S. This implies perhaps a relatively shallow set of rate cuts ahead.

The BoC began cutting rates in 2024 as core inflation moderated toward its target range. The Fed followed suit as its employment and price mandates returned to better balance, with the labour market normalizing and inflation gradually moderating. However, the Fed's preferred core PCE inflation gauge remains above the 2% target, and the pace of disinflation in the U.S. has slowed.

In addition, U.S. pro-growth policies could drive some resurgence in economic growth, potentially spurring more hiring, while immigration reform could reduce the number of available workers. Any tightening in U.S. labour markets or rise in inflation would reduce the need for rate cuts, while a deterioration in the growth outlook could cause the Fed to cut rates more than currently expected.

BoC and Fed rate-hiking cycles and market-implied future rate paths



Source: Bank of Canada, Bloomberg, U.S. Federal Reserve, CME FedWatch

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5. Bull market continues into Year 3, with moderate gains

In 2024, U.S. large-cap stocks delivered their second consecutive year of more than 20% gains for the first time since 1998, and the TSX posted its best calendar-year performance since 2009. This strength has been underpinned by a resilient consumer, rising corporate profits, and central bank easing, conditions that we expect to persist in 2025. Returns are likely to moderate and volatility to pick up, but we think the rise in stocks will continue into its third year.

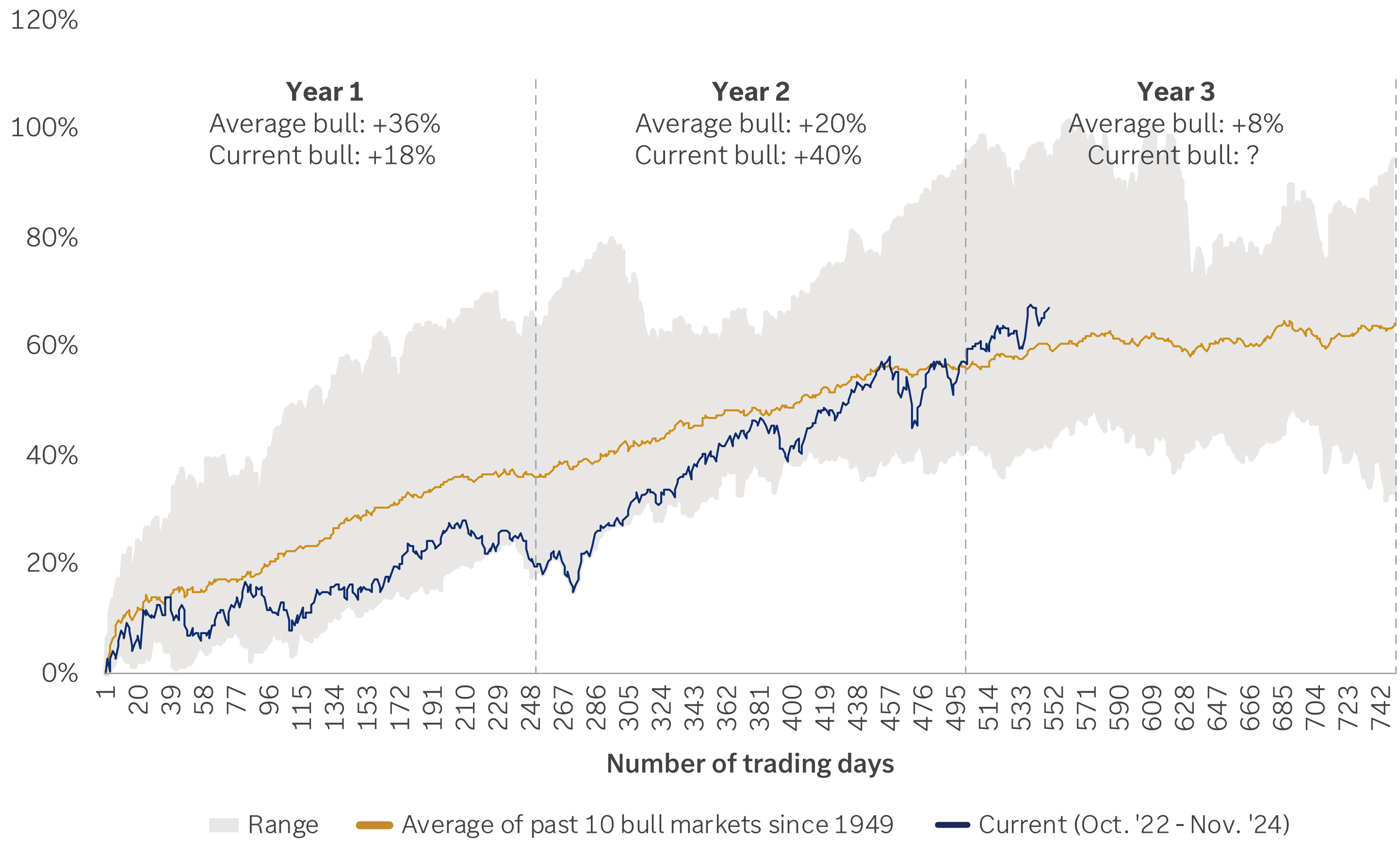
Historically, a recession, central bank interest rate hikes, or an exogenous shock ends bull markets. While the latter is tough to handicap, we don't see an economic downturn or the resumption of the BoC and Fed tightening on the horizon.

Rising incomes and newly-announced Canadian fiscal stimulus will support spending, lending standards are easing, and the manufacturing sector may stage a recovery in 2025. This is all with the backdrop of the BoC and Fed looking to remove their restriction on the economy and shift to a neutral stance.

Despite solid fundamentals, Year 3 of this bull market may not be as smooth of a ride. Policy uncertainty around trade, immigration and tariffs is high, as are expectations for pro-growth initiatives. Worries around inflation or growth may trigger pullbacks, which we would view opportunistically, as the longer-term uptrend remains intact.

Overall, earnings growth will have to do the heavy lifting for market returns, instead of further valuation expansion, implying slower gains but still positive returns. We expect TSX earnings growth to accelerate to 10% and S&P 500 profits to grow 10% – 15%, with the low end of the range as our base case expectation and the high end as a possibility if policies like corporate tax cuts are delivered.

Gains likely to slow but bull market to continue supported by solid fundamentals



Source: FactSet. Price return of the S&P 500 Index. Historical S&P 500 bull markets include 1949, 1957, 1962, 1974, 1982, 1987, 1990, 2002 and 2009.
Past performance of the market is not a guarantee of how it will perform in the future.

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6. Broadening market leadership strengthens the case for portfolio diversification

We see the scope for market leadership to continue to broaden beyond U.S. mega-cap technology stocks in 2025, as investors look to investments that have less overseas exposure and potential for earnings growth and valuation expansion. We expect balanced performance between value- and growth-style stocks, strengthening the case for portfolio diversification.

U.S. mega-cap tech stocks have seen strong performance over the past two years, driven by enthusiasm around the growth potential of AI. But optimism alone isn't the sole performance driver – these companies have experienced robust profit growth, compared with relatively lackluster earnings growth in other areas of the market.

Looking ahead to 2025, we believe opportunities are emerging in cyclical and value-style investments that could lead to broader leadership in the year ahead for a few key reasons:

1. Profit growth is expected to be strong not only in mega-cap tech, but in cyclical and value-style stocks as well.

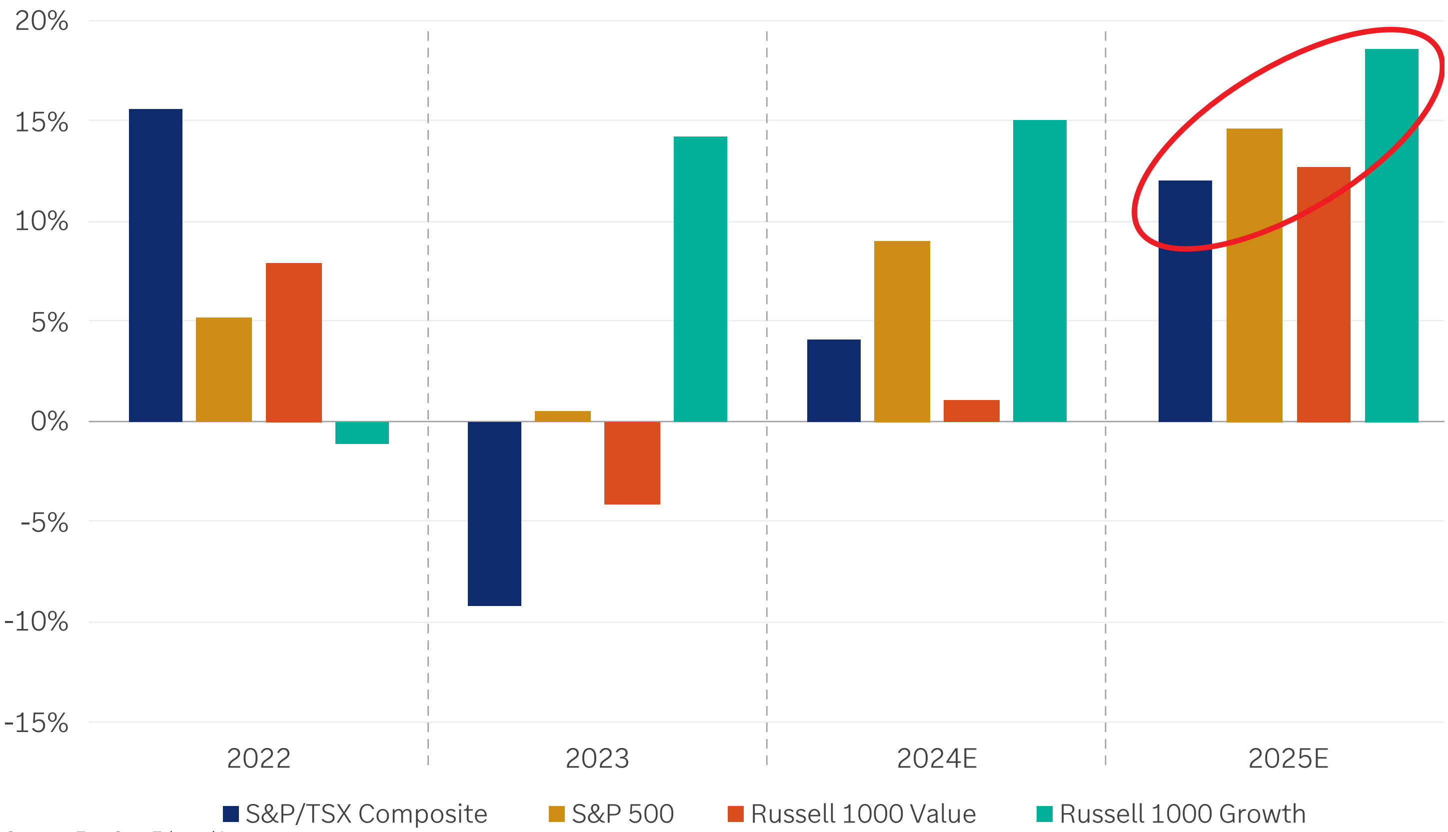
2. U.S. value-style stocks also typically generate nearly 70% of their revenue from the U.S. versus around 50% for growth-style stocks. A higher share of revenue from the U.S. could make value stocks less sensitive to trade policy uncertainty.

3. Finally, cyclical sectors such as financials and industrials — which together make up nearly 40% of the U.S. value index — could stand to benefit from deregulation and pro-growth policies from the incoming administration.

The TSX is also expected to see healthy profit growth in 2025, which could lay the foundation for another year of strong performance, albeit likely lagging U.S. stocks. In our view, this creates a favourable backdrop for broad participation in equity markets over the coming year, potentially rewarding those with well-balanced portfolios.

Diversification does not ensure a profit or protect against loss in a declining market.

Earnings growth is expected to be broad-based in 2025 (year-over-year earnings per share growth and estimates)



Source: FactSet, Edward Jones.
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7. Bonds take the lead over cash

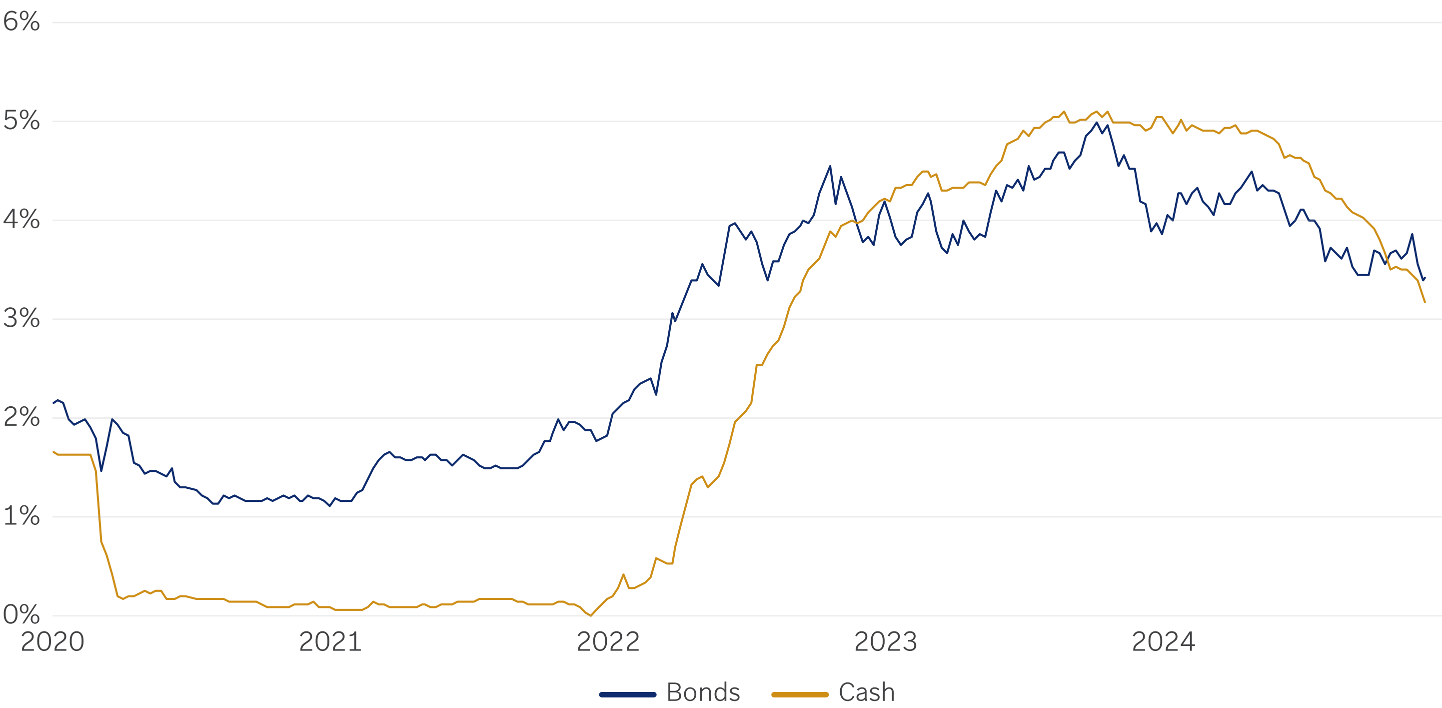
In 2024, cash outperformed Canadian investment-grade bonds for the third time in the past four years, benefiting from a yield advantage. We see this trend reversing in 2025 as BoC interest rate cuts have driven cash yields below bond yields. Since yield is a key driver of fixed-income returns, this sets the stage for bonds to outperform cash in the year ahead, as they have in 16 years since 2003. Further BoC rate cuts could cause cash yields to fall more than intermediate- and long-term bond yields, likely steepening the yield curve and widening the yield advantage of bonds over cash.

Many investors have gravitated towards cash and cash-like instruments over the past few years, such as money market funds and GICs, as these investments have offered favourable yields. However, while cash can provide important benefits, holding too much cash or cash-like investments can present risks, such as the potential for lower returns over the long term. For perspective, since 2002, cash has generated annualized returns of 1.9%, compared with 3.9% for Canadian investment-grade bonds.

Within Canadian investment-grade bonds, we see an opportunity to extend duration with intermediate- and long-term bonds and bond funds, which can potentially lock in higher yields for longer. Bond prices typically rise in value when interest rates fall, and vice versa, providing the opportunity for higher values as the BoC continues cutting rates.

On the credit side, investment-grade credit spreads — which reflect the excess yield above Government of Canada (GoC) bonds to compensate for default risk — have tightened below their historical averages. We see modest opportunity for credit spreads to narrow further, and any potential widening could drive yields higher and bond prices lower. Resilient growth could provide a stable backdrop for credit conditions, allowing credit spreads to remain relatively contained.

Bond yields retake advantage over cash



Source: Bloomberg, Factset. Bonds represented by the Bloomberg Canada Aggregate Bond Index. Cash represented by Government of Canada 3-month Treasury Bills. Past performance is not a guarantee of what may happen in the future.

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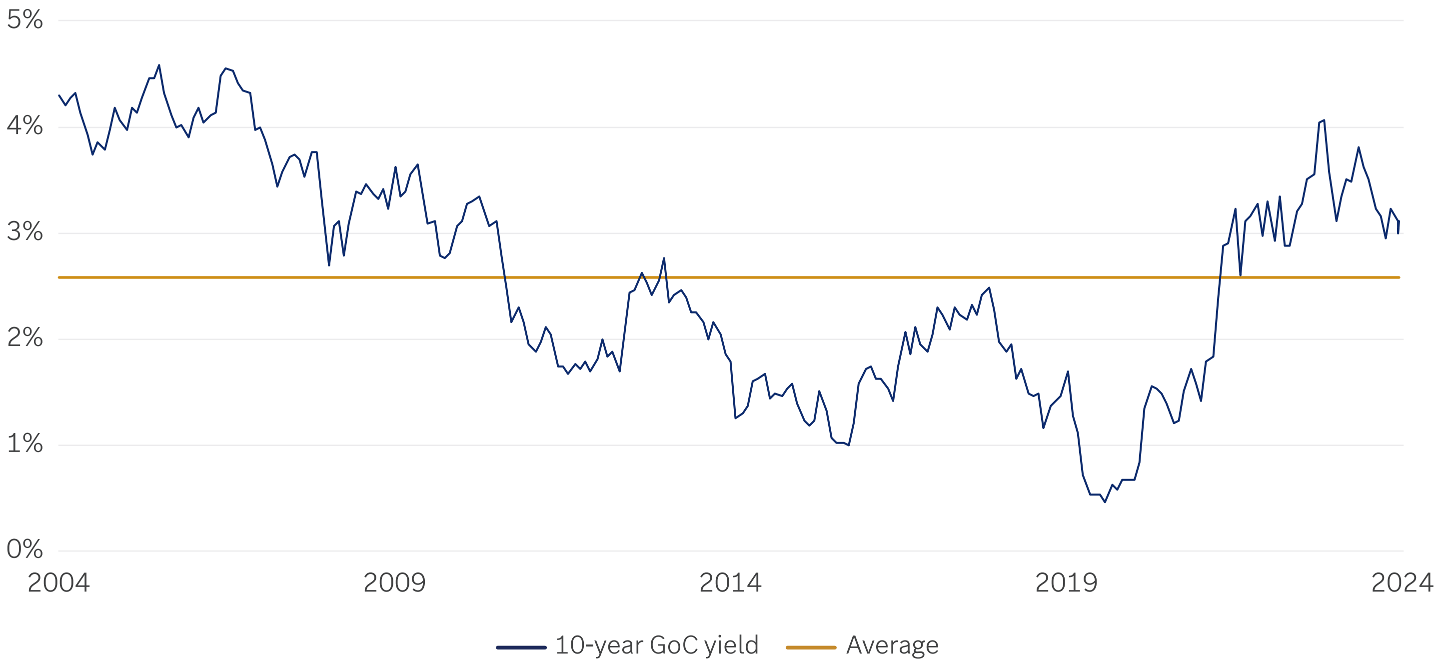
8. 10-year government bond yields likely remain range-bound, with the GoC yield in the 2.75% – 3.25% range and U.S. Treasury in the 4% – 4.5% range

With the BoC policy rate likely heading toward 2.25% to 2.75% and the Fed targeting 3.5% – 4%, a positive yield curve should keep intermediate-term government bond yields above these ranges. The BoC's and Fed's balance sheet reduction programs, known as normalization or quantitative tightening, are expected to end soon, allowing both central banks to participate more actively in GoC and Treasury auctions to replace maturing bonds. This additional demand should support bond prices, in turn helping to keep yields relatively contained to the upside.

While 10-year yields could temporarily overshoot or undershoot these ranges, we believe there are guardrails on both sides. Additional BoC and Fed rate cuts and bond purchases should help keep yields mostly contained from rising meaningfully. On the other hand, resilient growth, uncertainty around inflation and deficit concerns in the U.S. could prevent yields from sustainably falling much further, in our view.

Despite pulling back from their recent peak as the BoC cut rates and U.S. yields declined, GoC 10-year yields remain attractive, above their average over the past two decades. Since GoC bonds serve as the benchmark for most Canadian investment-grade bonds, higher yields could potentially provide the foundation for solid returns ahead, with most of the contribution coming from income rather than price appreciation.

10-year Government of Canada yield remains above its average over past two decades



Source: Factset

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9. Overseas momentum continues to lag

We expect 2025 to be another positive year for overseas economies and markets. However, momentum may continue to lag in the U.S., based on stronger U.S. trends in consumer spending, productivity and corporate profits.

While the timing and scope of potential tariffs from the new U.S. administration remain unknown, trade policy uncertainty adds another headwind that is likely to weigh on sentiment and valuations for overseas equities.

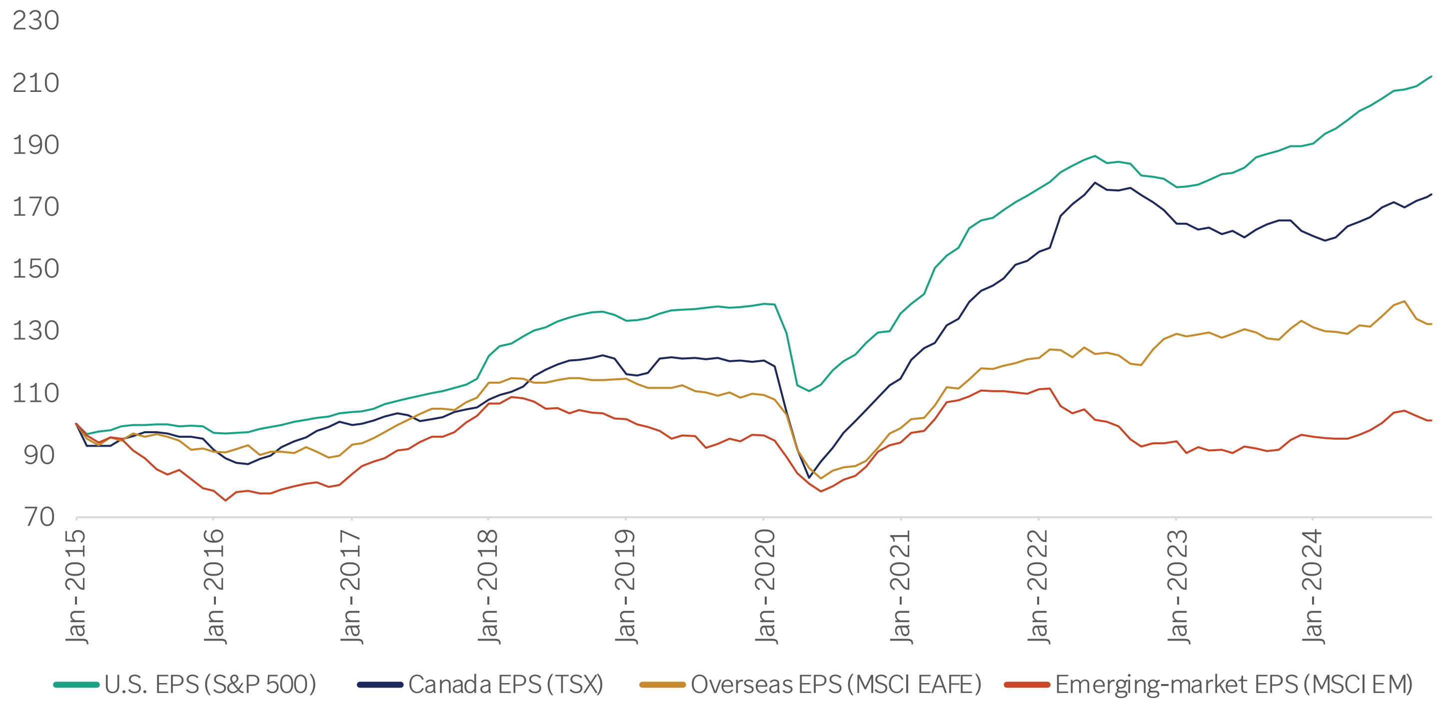
U.S. President Trump's campaign pledges focused on imposing 25% universal tariffs and 60% tariffs on imports from China. Exports of countries with a large trade deficit with the U.S., such as China, Vietnam, Mexico, Germany and Japan, might be impacted, as tariffs will make their products pricier. While currency depreciation might partially offset these costs, trade disruption could also lead foreign firms to slow investment and hiring, weighing on economic growth.

We expect the new administration to take a targeted approach to tariffs at least initially, to gain concessions from other countries. China is most at risk for full implementation of tariffs, although policymakers there may stimulate the economy in response.

The threat of slowing exports may prompt other central banks to cut interest rates more aggressively than the Fed. The possible economic growth and central bank divergence may impact interest rate differentials, supporting a stronger U.S. dollar (USD). This is the case with the loonie as well, which is likely to remain near its 5-year low relative to the USD. Historically, overseas equities tend to underperform during periods of a strengthening dollar.

We continue to believe overseas stocks play an important role in diversifying portfolios, especially when considering the heavily discounted valuations and attractive dividend yields. However, the range of outcomes is wide. Trade and currency headwinds keep us cautious in the short term, expecting relative momentum to continue to favour U.S. equity asset classes in 2025.

U.S. economic and earnings trends will likely continue to outperform in 2025
Next-12-months earnings per share (EPS) estimates, indexed to 100



Source: FactSet, Edward Jones.
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10. Watching for curveballs: Policy uncertainty could drive volatility

Just as any successful baseball pitcher keeps hitters off balance by mixing in the occasional curveball, we expect markets will also keep investors on their toes in 2025, particularly with the Canadian Federal Election due by October and the U.S. transitioning to a new presidential administration with new policy proposals in play.

We expect U.S. trade policy will likely dominate headlines and drive bouts of volatility in markets. Given the U.S. is responsible for the majority of Canadian exports, implementation of tariffs on Canadian goods could make domestic exporters less competitive and weigh on Canadian economic growth. From a U.S. standpoint, implementation of tariffs could protect U.S. manufacturing interests but pose an upside risk to inflation and could weigh on U.S. economic growth through a reduction in household real income.

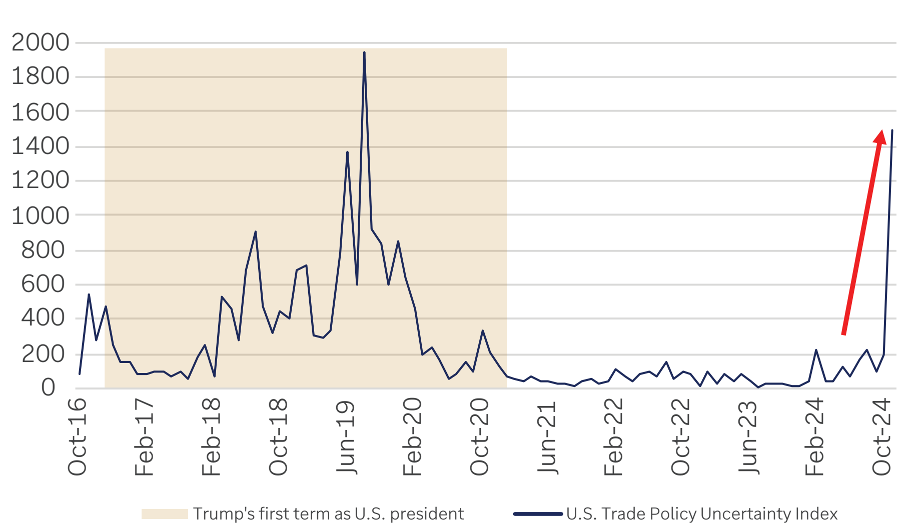
Additionally, many of the incoming U.S. administration's proposed policies are viewed as adding to the U.S. budget deficit. This could lead to concerns over the sustainability of the U.S. fiscal situation which could surface throughout 2025, perhaps in the form of bond market volatility. While we believe the U.S.' current fiscal path is a risk and potential headwind longer term, it does not pose a significant threat to our near-term outlook for an ongoing economic expansion.

Domestic politics could drive short-term bouts of volatility in markets as well. However, since 1972 the average return of the TSX during Federal Election years has been over 10%, highlighting that markets have historically been able to overcome short-term political uncertainty.

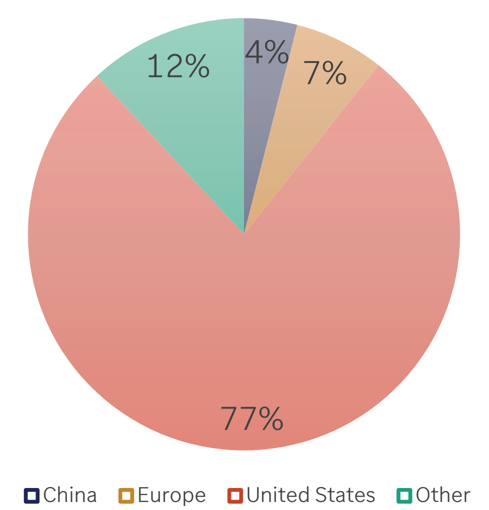
We also expect geopolitical tensions to continue to be a source of market volatility. In recent history this volatility has been short-lived, manifesting mainly in temporary spikes in oil and commodity prices, as well as some flight to safe-haven assets such as government bonds and gold. Barring any major escalation, we would expect these trends to continue in 2025, and we continue to monitor potential geopolitical unrest.

As we've outlined, we remain optimistic about the path of the economy and markets over the coming year, despite likely bumps along the way. Just as staying on balance is key for any hitter in baseball to square up a curveball, we believe maintaining a well-balanced portfolio will be key to successful investing in 2025.

Trade uncertainty was high under Trump's first term and spiked post-election



Canada exports by country (2023)



Source: FactSet. Economic policy uncertainty index reflects frequency of articles in American newspapers that discuss policy-related economic uncertainty and also contain one or more references to trade policy.

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Financial planning considerations for 2025

Let's now apply a financial planning lens to our observations and predictions about the economy and the markets. We know that every client is unique, and that the decisions you make should be driven by your personal financial strategy, established by you and your Edward Jones financial advisor. What follows are a few factors to consider when reviewing and updating your personal financial strategy for 2025.

Homeowners and homebuyers

1.2 million mortgages are coming due in 2025 with another 980,000 in 2026. It is estimated that 85% of mortgages will renew at significantly higher interest rates (CMHC, Residential Mortgage Industry Report, Fall 2024), putting pressure on Canadians who will see their monthly mortgage payments increase. In 2024, the government announced changes to the requirements for new and first-time homebuyers in an effort to alleviate some of this pressure.

- **30-year amortizations available to all first-time home buyers and to all buyers of new builds.** Effective December 15, 2024, mortgage lenders[1] are permitted to offer 30-year amortizations to all first-time homebuyers and to all buyers of new builds. While this can help reduce the monthly cost of mortgage payments, it also extends the life of the mortgage, resulting in an increase of interest paid over the life of the mortgage.

- **Insurance now available for homes valued up to $1.5 million[1].** Previously, homes valued above $1 million were not eligible for mortgage default insurance, resulting in a minimum downpayment of 20% or more. Starting on December 15, 2024, the cap has been increased to $1.5 million to keep pace with rising home prices.

- **Stress test no longer required for mortgage holders who switch lenders at renewal.** The 2024 Federal Budget[1] introduced a new measure that removed the requirement for mortgage holders to requalify at mortgage renewal if they wanted to switch lenders. This makes the mortgage lending landscape more competitive which should result in better terms for mortgage holders. Be sure to shop around in the months leading up to your mortgages renewal date so that you can secure the best deal possible.

If you have a mortgage that is renewing in the next two years, some strategies to help you manage your payments include, making lump sum payments against the principal, increasing your payment frequency and shopping around for a competitive mortgage rate leading up to your renewal. For additional guidance on mortgage renewals, speak with a mortgage specialist or your Edward Jones financial advisor.

[1]Department of Finance Canada, "Boldest mortgage reforms in decades come into force today," December 15, 2024

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Registered Plans: Homebuyers and homeowners

- **The tax-free First Home Savings Account (FHSA) was introduced in 2023 and is designed to help Canadians save for their first home purchase.** This account allows those 18 to 71 years old to contribute up to $8,000 per year ($40,000 lifetime maximum) to save for the purchase of a home. Contributions are tax-deductible, earnings within the account are not taxable, and withdrawals are tax-free when used towards the purchase of a qualifying first home purchase. Those with an opened account can carry forward a maximum of $8,000 from the previous year. This amount does not stack, meaning the maximum you can carry forward in any one year is $8,000.

- **Home Buyers Plan limit increase from $35,000 to $60,000 per individual[2].** The Home Buyers Plan is a program available to those who hold a Registered Retirement Savings Plan (RRSP). It allows individuals to make tax-free withdrawals from their RRSP to buy or build a qualifying home for themselves or someone with a specified disability.

- **Temporary repayment relief for some Home Buyers Plan participants.** The 15-year repayment period can be deferred by an additional 3 years for those who make their first withdrawal between January 1, 2022, and December 31, 2025. This means that participants who qualify would not be required to make a repayment until the 5th year after the first withdrawal was made.

Changes to the capital gain inclusion rate

One of the biggest surprise changes proposed in the 2024 Federal Budget[3] was the change to the capital gains inclusion rate, which is the portion of a realized capital gain that is subject to tax. Traditionally 50%, the capital gains inclusion rate increases to 66.67% for all capital gains realized in a corporation or trust, and on the portion of capital gains that exceed $250,000 for individuals. This proposed change is effective for capital gains realized on or after June 25, 2024.

Republicans sweep at the ballot box

President-elect Trump will be sworn into office in January 2025, but unlike his previous tenure in the oval office, Republicans will now control the House of Representatives and the Senate. This will likely allow Republicans to have the votes necessary to pass legislation, some of which could impact Canadians.While it's possible that "this time is different", it is worth noting that history has shown that markets tend to perform well regardless of which political party holds the balance of power.

- **Expect to see an increase in "America First" policies.** This may include tariffs imposed on goods sold to the U.S., potentially resulting in a decrease in Canadian exports. If this were to

[2]The 2024 Federal Budget has not yet received royal assent and therefore the final legislation regarding this change has yet to pass parliament.
[3]Department of Finance Canada, Budget 2024, 2024

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materialize, it could negatively impact Canadian businesses and economic growth in Canada, however it's difficult to predict by how much. It can be just as difficult to predict how markets on both sides of the border will react to policy changes.

- **Don't play politics with your portfolio.** It can be easy to have an emotional reaction when political agendas do not align with your personal values and beliefs. But it can be detrimental to an investment portfolio if you allow yourself to alter your long-term plan based on short-term events.

Government pension plans: Increased benefits and increased costs

- **The Canada Pension Plan (CPP)[4], Quebec Pension Plan (QPP)[5] and Old Age Security (OAS)[4] benefits are increasing in 2025.** The maximum monthly allowance for CPP/QPP is increasing by 5%, raising the maximum monthly amount to $1,433. For those aged 74 and under, the maximum monthly OAS payment for January to March 2025 will be $728. This is an increase of 2.1% from last year and no change from December 2024. As a reminder, those age 75 and older, receive a 10% increase to their OAS amount. This enhancement was introduced in July 2022 and will happen automatically in the month following your 75th birthday.
- **Enhancements to the Canada Pension Plan (CPP)[4] and Quebec Pension Plan (QPP)[5] came into effect in 2024.** Canadian workers are required to make additional contributions to the CPP/QPP if they earn more than $71,300. A second earnings ceiling was introduced in 2024, requiring those earning above $81,200, to pay an additional $396 in CPP/QPP premiums. Employers will also be required to pay an additional $396 in premiums for employee's earnings above the second ceiling, while self-employed individuals will have to pay the employee and employer portions ($792).

[4]"Maximum Benefit Amounts and Related Figures - Canada Pension Plan (2025) and Old Age Security (January to March 2025)," accessed January 2025, www.canada.ca/en/employment-social-development/programs/pensions/pension/statistics/2025-quarterly-january-march.html
[5]"Québec Pension Plan Figures," accessed January 2025, www.rrq.gouv.qc.ca/en/programmes/regime_rentes/regime_chiffres/Pages/regime_chiffres.aspx

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	2024	2025
Contribution Limits		
Registered Retirement Savings Plan (RRSP)	$31,560	$32,490
Tax-Free Savings Account (TFSA)	$7,000	$7,000
First Home Savings Account (FHSA)	$8,000	$8,000

Government Pension Plan Monthly Benefits		
	2024 Monthly Maximum	2025 Monthly Maximum
Canadian Pension Plan (CPP)	$1,364	$1,433
Quebec Pension Plan (QPP)	$1,364	$1,433
Old Age Security (OAS) – 74 and younger*	$713	$728
Old Age Security (OAS) – 75 and older*	$785	$800

*OAS amounts are updated quarterly. This annual amount is subject to change.

Benefit Payment Dates

CPP/OAS	QPP	Canada child benefit (CCB)	Canada Carbon Rebate
January 29, 2025	January 31, 2025	January 20, 2025	Basic amount and rural supplement for residents of Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan.
February 26, 2025	February 28, 2025	February 20, 2025	
March 27, 2025	March 31, 2025	March 20, 2025	
April 28, 2025	April 30, 2025	April 17, 2025	
May 28, 2025	May 30, 2025	May 20, 2025	
June 26, 2025	June 30, 2025	June 20, 2025	January 15, 2025
July 29, 2025	July 31, 2025	July 18, 2025	April 15, 2025
August 27, 2025	August 29, 2025	August 20, 2025	July 15, 2025
September 25, 2025	September 29, 2025	September 19, 2025	October 15, 2025
October 29, 2025	October 31, 2025	October 20, 2025	
November 26, 2025	November 28, 2025	November 20, 2025	
December 22, 2025	December 30, 2025	December 12, 2025	

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3 steps to help position your portfolio for 2025

1. **Think strategically about your portfolio's diversification.** We anticipate a return to more normal levels of market volatility in 2025, given the market's focus on shifting global policies and their impact on inflation and economic growth. Appropriate diversification and rebalancing strategies can help keep the focus on your goals as you navigate these periods.

   Set goal-oriented, well-diversified strategic allocation targets to serve as a neutral starting point for a portfolio. We recommend 11 asset classes, arranged according to your risk and return objectives. Keep these long-term targets in focus when considering timely investment opportunities and rebalance toward your targets when your portfolio appears to be drifting too far.

2. **Overweight equity investments, favouring U.S. stocks specifically.** U.S. stocks performed well in 2024, and we believe solid fundamentals will help them maintain momentum in 2025, even if at a slower pace. We expect U.S. stocks to be supported by the relative strength of the domestic economy and broader market leadership, particularly from segments of the market with more room for their valuations to expand.

   Higher interest rates, relative to where they were a few years ago, have increased the attractiveness of bonds. However, the potential for price appreciation may be limited if economic growth remains sound, as we expect. We recommend overweighting U.S. stocks versus international high-yield bonds, Canadian large-cap stocks and developed overseas stocks, which can help maintain a level of quality with your portfolio while benefiting from more cyclical investments, which are supported by U.S. growth.

   Consider higher allocations to the consumer discretionary, health care and financials sectors, offset with an underweight to consumer staples and materials.

3. **Revisit the purpose of cash in your portfolio, reducing reinvestment risk where appropriate.** With inflation likely contained and economic momentum moderating, we expect central banks to continue normalizing monetary policies. Yields on short-term bond and cash-like investments are likely to closely follow central-bank rate cuts, highlighting their reinvestment risk.

   Cash and cash equivalents can play an important role in your financial strategies, such as serving as your emergency funds or helping you manage short-term spending needs. But now is a good time to ensure you have enough – but not too much – in cash allocations. Yields on short-term bond and cash-like investments are likely to closely follow central bank rate cuts, reducing their appeal and highlighting their reinvestment risk.

   After considering your emergency fund and short-term spending needs, we recommend holding no more than 5% of your investment portfolio in cash for longer-term goals, such as retirement. We also recommend favouring intermediate- and long-term bond investments over short-term bonds within Canadian investment-grade bond allocations, helping portfolios benefit from today's higher rates for a longer period.

Talk with your financial advisor about our outlook, which drives our timely portfolio guidance. Consider how incorporating this guidance into your portfolio can help you prepare for the year ahead.

Past performance of the markets is not guarantee of what will happen in the future.
Investors should understand the risks involved in owning investments, including interest rate risk, credit risk and market risk.
The value of investments fluctuates, and investors can lose some or all of their principal.
This material is for general information purposes only and is not intended to predict or guarantee the future performance of individual securities, market sectors or the markets generally. Opinions expressed are as of the date of this report and are subject to change. This material should not be interpreted as specific investment advice. Investors should make investment decisions based on their unique financial situation.

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Opportunistic portfolio guidance

Opportunistic asset allocation guidance

Our opportunistic asset allocation guidance represents how we recommend positioning your portfolio across asset classes, based on current market conditions and our global outlook, while helping you stay appropriately diversified and within your comfort with risk. A neutral position indicates we recommend aligning your portfolio with your long-term strategic target allocations.

		Underweight	Neutral	Overweight
	Equity	•	•	●
	Fixed income	●	•	•
Equity	Canadian large-cap stocks	●	•	•
Equity	U.S. large-cap stocks	•	•	●
Equity	Developed overseas large-cap stocks	●	•	•
Equity	Canadian small- and mid-cap stocks	•	●	•
Equity	U.S. small- and mid-cap stocks	•	•	●
Equity	Developed overseas small- and mid-cap stocks	•	●	•
Equity	Emerging-market stocks	•	●	•
Fixed income	Canadian investment-grade bonds	●	•	•
Fixed income	International bonds	•	●	•
Fixed income	International high-yield bonds	●	•	•
Fixed income	Cash	•	●	•

Source: Edward Jones

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Opportunistic equity sector guidance

Our opportunistic equity sector guidance represents how we recommend positioning across equity sectors within your portfolio, based our global outlook over the next six to 12 months, relative to a 70/30 blend of the S&P500 and TSX sector weights.

Equity sector guidance	Underweight	Neutral	Overweight
Communication services	•	●	•
Consumer discretionary	•	•	●
Consumer staples	●	•	•
Energy	•	●	•
Financial services	•	•	●
Health care	•	•	●
Industrials	•	●	•
Materials	●	•	•
Real estate	•	●	•
Technology	•	●	•
Utilities	•	●	•

Source: Edward Jones

Opportunistic Canadian investment-grade bond guidance

Our opportunistic Canadian investment-grade bond guidance represents how we recommend positioning across maturities and sectors within your higher-quality bond allocations, relative to the Bloomberg Canada Aggregate Bond Index. Longer-term bonds generally carry more interest rate risk than shorter-term bonds. Corporate bonds generally have more credit risk than government bonds.

	Underweight	Neutral	Overweight
Interest rate risk (duration)	•	•	●
Credit risk	•	●	•

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Market performance

It's natural to compare your portfolio's performance to market performance benchmarks, but it's important to put this information in the right context and understand the mix of investments you own. Talk with your financial advisor about any next steps for your portfolio to help you stay on track toward your long-term goals.

Asset class performance

Total return	**2024***	**3-year**	**5-year**
Canadian investment-grade bonds	4.7%	0.0%	0.8%
International bonds	3.5%	-1.0%	0.2%
Interntational high-yield bonds	18.3%	7.1%	5.3%
Cash	4.7%	3.7%	2.5%
Canadian large-cap stocks	25.9%	10.5%	12.1%
Canadian small- and mid-cap stocks	28.1%	11.5%	11.0%
U.S. large-cap stocks	38.0%	14.1%	17.0%
U.S. small- and mid-cap stocks	27.2%	8.5%	11.7%
Developed overseas large-cap stocks	14.9%	7.2%	7.4%
Developed overseas small- and mid-cap stocks	13.1%	3.0%	5.1%
Emerging-market stocks	18.7%	2.5%	4.8%
Canadian equity sector performance	**2024***	**3-year**	**5-year**
Communication services	-14.3%	-6.5%	-1.1%
Consumer discretionary	15.3%	7.4%	10.6%
Consumer staples	22.0%	16.3%	12.9%
Energy	25.8%	21.0%	14.6%
Financials	32.7%	11.9%	13.7%
Health care	6.9%	-21.6%	-21.5%
Industrials	12.8%	8.0%	11.9%
Information technology	46.6%	5.0%	21.1%
Materials	32.8%	12.0%	11.8%
Real estate	9.6%	-1.5%	2.8%
Utilities	15.3%	2.8%	5.6%

Source: Morningstar Direct. Canadian large-cap stocks represented by the S&P/TSX Composite. Canadian small- and mid-cap stocks represented by the S&P/TSX Completion. U.S. large-cap stocks represented by the S&P 500. U.S small- and mid-cap stocks represented by the Russell 2500. Developed overseas large-cap stocks represented by MSCI EAFE. Developed overseas small- and mid-cap stocks represented by MSCI EAFE SMID. Emerging-market stocks represented by MSCI EM. Canadian investment-grade bonds represented by the Bloomberg Canada Aggregate Index. International bonds represented by the Bloomberg Global Aggregate CAD Hedged Index. International high-yield bonds represented by the Bloomberg Global High Yield Index. Cash represented by the S&P Canada Treasury Bill Index. Canadian equity sectors based on GICS sectors of the S&P/TSX Composite. All returns are total return in CAD. Past performance does not guarantee future results. An index is unmanaged, cannot be invested into directly and is not meant to depict an actual investment.

*As of December 11, 2024

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