



Special Market Update

Market Volatility: Current Trends and Future Outlook

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In this Special Market Update, TD Asset Management Inc. ("we", "our", "TDAM") offers insight into the current state of market volatility, potential future implications and how TDAM can help manage investors' portfolios to mitigate risk.

As market volatility has recently increased, our view for our investors has been to *stay diversified* and *stay the course*.

A key benefit of developing consistent and repeatable investment processes is the ability to distinguish between signals from noise amid the fluctuations of shifting markets. This can help stabilize decision-making frameworks in periods where market movements have the potential to trigger flight-or-fight emotions.

Current Trends

The start of 2025 has been a case study in noise, with headlines changing faster than the news cycle and more than many individuals can absorb. Investors' primary concerns are tariffs along with growing uncertainty about global defense alliances, the path of inflation and the sustainability of economic growth. Compounding the perception of heightened risk is the reversal in leadership, with artificial intelligence ("AI") related stock market leaders from the previous two years falling more than the broader market. On a behavioural basis, the exceptional returns witnessed over the prior two calendar years has made selloffs appear more intense. It feels like a distant memory, but it was only last summer that we witnessed a similar sell-off, only to achieve all-time highs shortly thereafter.

As we step back and examine market movements, we view recent volatility as a healthy recalibration of expectations. Consensus views for strong growth and low inflation have adjusted to reflect the potential for lower growth and stickier inflation. When we reflect on this against fundamental signals, we see central banks that have eased financial conditions, credit markets that remain healthy, equity earnings that are broadly strong, resilient commodity markets and stability returning to real estate markets.

Future Outlook

Our analysis of signals is by no means an "all clear" view; rather it supports leaning on diversified investment structures as opposed to exiting markets in reaction to recent events. Over the last number of years, we have seen market sentiment shift rapidly between concerns around lower growth or higher inflation, and optimism for higher growth. We believe investors can benefit from holding a more diversified portfolio across fixed income, equities, real assets and commodities, which can help to stabilize portfolios as markets price different outcomes.

We continue to monitor client portfolios against the backdrop of opportunities and risks. If market volatility causes further dislocations, our processes will seek to guide us towards value-add opportunities. If our analysis of signals changes, we will adapt accordingly, sharing our views with you. TDAM offers access to diversified portfolios to provide a smoother ride through bumpy market cycles and believes that staying invested for the long-term will help yield the best outcomes for investment portfolios.

**For more information,
please contact your **investment professional**.**



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