

# Investment UPDATE

Winter 2025 edition



28263 (01/2025)



## It's a new year for new resolutions

As we ring in the new year, it's a great time to reflect on the past and set goals for the future. In financial markets, a lot of things have changed over the past year.

- Central banks have started to cut interest rates.
- Inflation is returning to more normal levels.
- New political regimes have emerged.
- We have also seen very strong returns in equity markets.

Odds are good that we'll avoid a recession and manage a 'soft landing' instead.

Looking ahead, you might wonder how you should plan for the upcoming year to ensure you are set up to reach your investment goals. In this quarter's **Investment Update**, we will look at five financial resolutions you can make to help you stay on track.



# 5 resolutions for successful investing

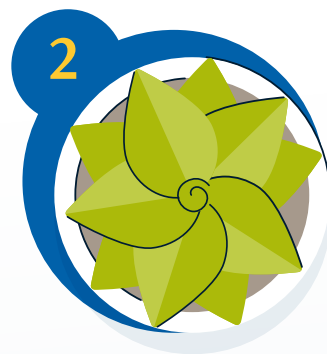


## 1 Diversify your investment portfolio

Successful investing starts with a good mix of investments: savings and cash equivalents (e.g. money market funds and shorter-term GICs), fixed income (bonds and longer-term GICs) and equities (stocks). Your advisor can help you allocate your investment dollars across different investments based on your time horizon, comfort with volatility and investment goals.

## 2 Stay consistent, even if markets aren't

When markets fluctuate, the value of your investments may change quickly. This is where consistency counts. Keep calm, avoid sudden changes and continue to invest regularly. Over time, markets have consistently rewarded those who stay the course. For example, if markets drop but you invest the same amount as always, you'll actually be able to buy more mutual fund units for the same dollars. Those extra units will help raise your overall returns when markets turn around. That's a good thing!



## 3 Review your budget

Reviewing your budget can help you keep track of your lifestyle. You might find expenses you can reduce or see areas where you're spending more than you would like. Budgeting can also help you find additional money to save or pay down debt.



## 4 Get advice

Some people love doing their own investing and financial planning. They even find it relaxing. Many of us, however, are too busy or would prefer a professional to help us do it. A financial advisor can provide valuable perspective on your financial situation as you set goals and develop your investment strategy. They can also help you navigate through the many investment choices you have as an investor.



## 5 Revisit your plan if your circumstances change

Major life events, whether positive or negative, can affect your investment planning and your cash flow needs. For example, a windfall or sale of a property may give you money that you won't need right away, so you can explore longer-term investments and tax-saving opportunities. A change in employment can increase or decrease the amount you have available for regular savings. When the dust settles from whatever change comes up, a call or email to your advisor can help you stay on course.



## Connect with us – We can help

It's easy! Book an appointment with us through RBC Online Banking or the RBC Mobile app.

Choose an advisor, a time and how you'd prefer to meet (in-person at your local branch, by phone or video).

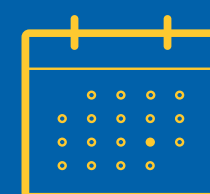
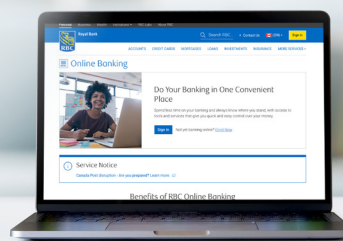
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## Key dates in 2025

**January 1, 2025**  
2025 TFSA contribution limit of \$7,000 applies

**March 3, 2025**  
RRSP contribution deadline for the 2024 tax year

**April 30, 2025**  
Filing deadline for your 2024 personal income taxes



## Economy

- The economy has stabilized in recent months as inflation concerns moderate and headwinds created by higher borrowing costs fade amid interest-rate cuts. Recession risk has declined further and we now assign a 75% probability to a soft landing for the U.S. economy.
- Risks to our base case outlook include uncertainty with respect to the new U.S. administration, interest-rate policy and geopolitical instability reflected by events in Ukraine and the Middle East, as well as China's housing challenges.
- All in all, our GDP forecasts continue to anticipate further economic growth, mostly at a moderate clip over the first half of 2025, before accelerating later in the year.

## Fixed income

- The U.S. 10-year yield fell as low as 3.60% in September and rebounded sharply to about 4.40% after the U.S. election in November.
- We think bonds are appropriately priced in most major sovereign-bond markets except Japan, with return potential ranging from low single digits to mid single digits, and the greatest return potential being in U.S. Treasuries.
- We forecast the U.S. 10-year yield toward the middle of that range, namely 4.00%, over the year ahead, which would mean bond investors would get to keep their coupon and even earn a bit of capital gain.

## Equity markets

- Global equities delivered impressive gains in the past year with the strongest returns generated by U.S. mega-cap technology stocks, but gains began to broaden in the summer as other areas posted strong returns.
- International markets underperformed, particularly after Trump's election win, given that his policy proposals favour domestic growth at the expense of international and emerging-market economies.
- Our own models show that valuation excesses are concentrated in U.S. mega-cap stocks and that, outside this group of companies, equities range from fairly to attractively priced.
- If a broad-based improvement in earnings unfolds as analysts' expect, U.S. mid- and small-cap stocks and equities outside the U.S. could finally deliver superior returns.

For the latest Global Investment Outlook please visit: [rbcgam.com/gio](https://rbcgam.com/gio)

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