

RJL PCS: MARKET PERSPECTIVES

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Market Perspectives: Liberals win 4th term - looking at market performance under various governments

Last night, the Liberal Party of Canada, reinvigorated under Mark Carney, and under the cloud of tariffs and deteriorating relationship with the U.S., won a fourth term. With a minority government, just four seats shy of a majority at the writing of this note, the Liberals will need support from another party to pass legislation, and that will likely come from the NDP, which held onto just seven seats, but will likely try to leverage these to obtain some concessions on their policy objectives. From the Liberals’ 67-page “Canada Strong” election platform, we selected what we see as the most salient points as they relate to the financial markets. Major takeaways are for increased government spending, focused on protecting against tariff threats, building infrastructure, housing, renewable energy, critical minerals, and defence, with budget deficits staying over 1.5% of GDP over the next few years.

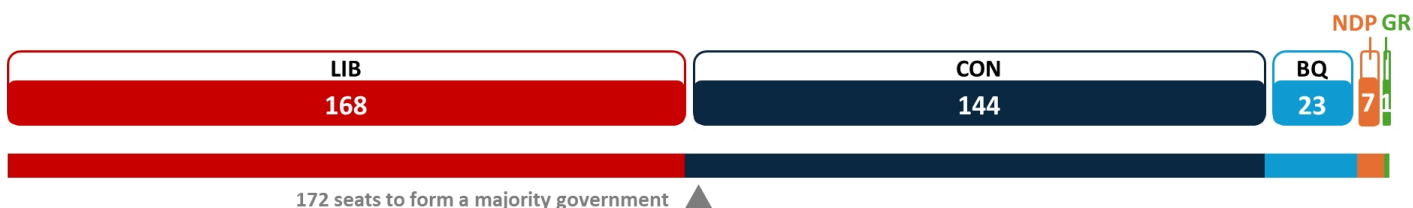
Key election platform promises/claims:

- Expansion of the economy by up to \$200 billion by building a more unified Canadian economy by reducing internal trade barriers and labour mobility restrictions, and by building trade corridors.
- Investment in nation-building infrastructure projects, such as the George Massey Tunnel connecting Richmond to Delta, Edmonton-Calgary passenger rail, Quebec City Tramway, Grays Bay Port and Road Project from the Arctic Ocean to Yellowknife and south, the twinning of the Trans-Canada Highway, high-speed rail from Windsor to Quebec City, and an east-west electricity grid.
- A “Buy Canadian” approach to give Canadian companies due consideration in federal procurement, including supporting the labeling and promotion of Canadian products.
- \$2 billion Strategic Response Fund targeted to boosting the auto sector’s competitiveness, protecting manufacturing jobs, supporting upskilling, and fortifying supply chains.
- Commitment to the clean energy supply chain and support for critical mineral development.
- \$31 billion over four years towards increasing Canada’s defence spending to 2% of GDP, primarily on new equipment.

Broad takeaways from the Liberal platform would be that Canadian companies focused on infrastructure or defence may be beneficiaries over the coming years. We haven’t seen much implied support for the Oil and Gas sector, although we may see more interest in renewable power producers and energy transmission. Also, with implications for strengthened arctic sovereignty, we could see benefits for companies serving more remote communities.

We expect the short-term to be governed more by required responses to President Trump and his tariff barrage and taunts about Canada’s sovereignty, which we hope will unite all political parties. Looking beyond these issues, we took a look back at how Canadian equities, and various sectors, have historically performed under various government configurations.

Chart 1 - Preliminary Election Results



Source: Elections Canada, Raymond James Ltd.; Results as of April 29, 12:00pm (ET).

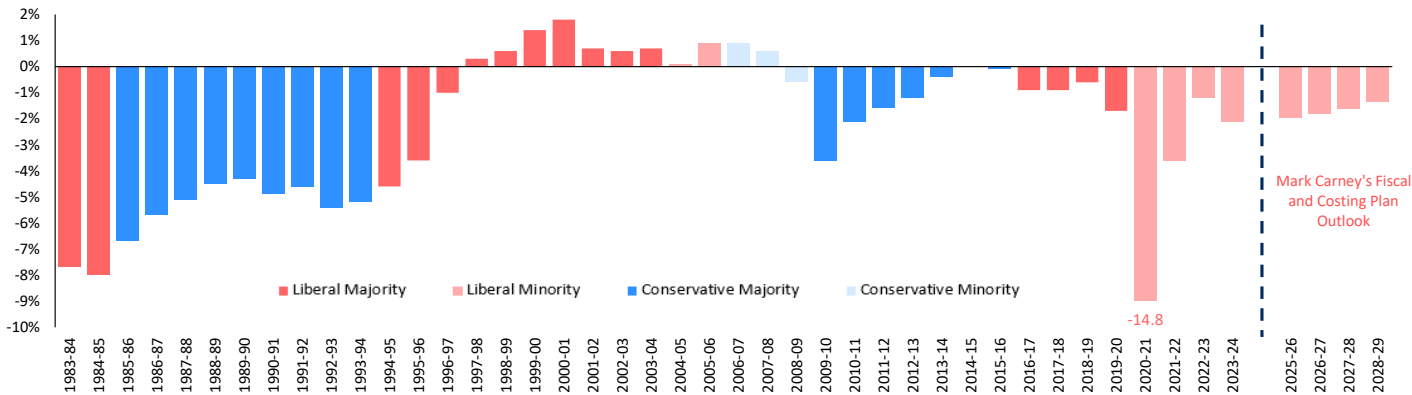
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Canadian Deficit Comparisons

Campaign pledges and economic projections from any party can be scrutinized and likely judged to overestimate revenue and underestimate costs. In Chart 2 we look at how the current budget forecasts from the Liberal platform would compare to the budgetary balances over the last four decades.

Chart 2 - Budgetary Balance (% of GDP)

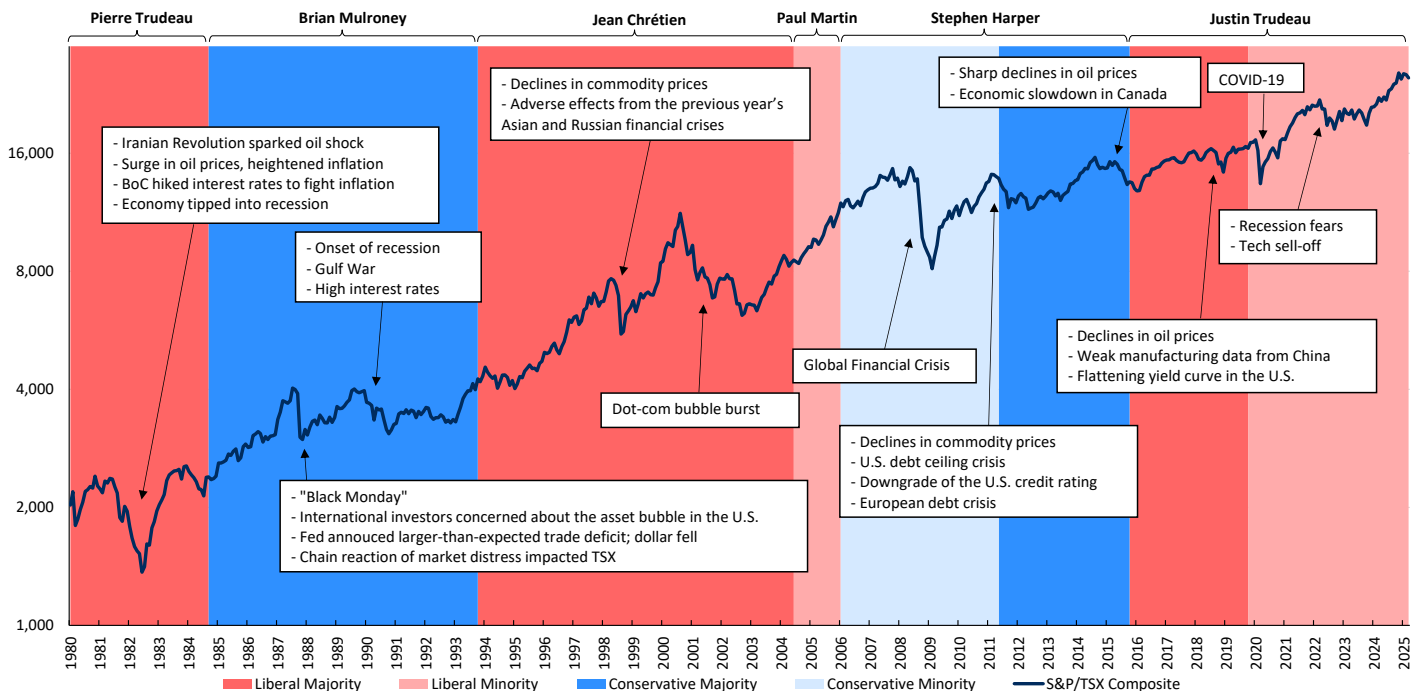


Source: 2023-24 Annual Financial Report, Government of Canada; Liberal Party of Canada; Raymond James Ltd.

Long-Term Market Impact Hinges on Policies, Not Election Results

The market remained stable in the week leading up to election day and has gone up slightly following the announcement of the election results. Nonetheless, similar to our findings when analyzing market reactions to the U.S. Presidential election results late last year, we observed that the market tends to focus on policy changes and their long-term effects rather than just the election outcomes. Some policy changes only fully materialize years after a prime minister leaves office. In Chart 3, the S&P/TSX Composite performance is overlaid with Canada's political landscape since 1980, highlighting the primary causes of major market corrections. It reveals that major market corrections are rarely tied directly to election outcomes, with index performance typically impacted by broader factors such as domestic and global economic conditions, commodity prices, and external disruptions, which build up over time and are definitely less predictable than election dates.

Chart 3 - Historical Performance of the S&P/TSX Composite Index (1980-Present)

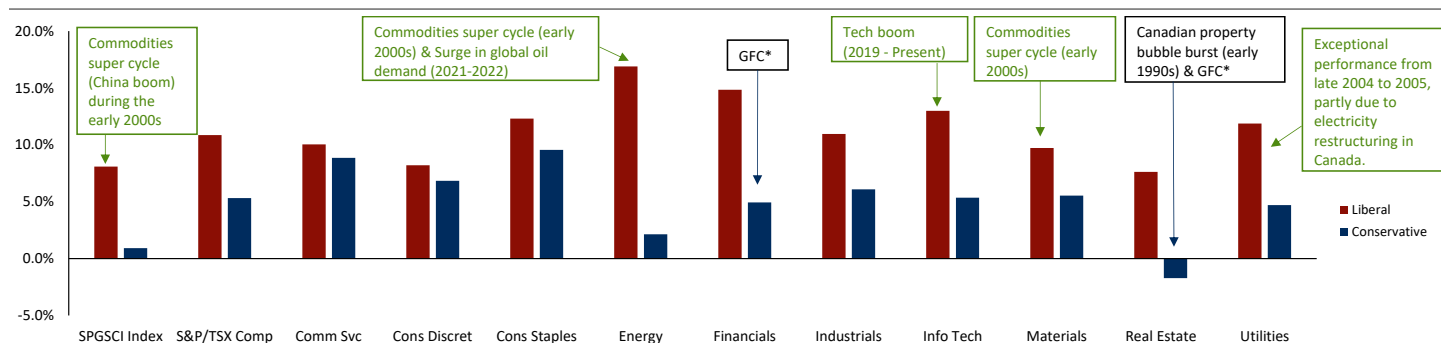


Source: FactSet, Raymond James Ltd.; Data as of March 31, 2025. Y-axis in logarithmic scale.

When comparing the average annualized total returns of the S&P/TSX Composite index during Liberal and Conservative terms, it first appears that returns are lower under Conservative leadership compared to Liberal leadership. This difference however is largely due to two major market corrections that occurred during Conservative terms, in 1990-1992 and 2008-2009. Both corrections took a long time to recover from, and were triggered by global economic downturns, with the earlier one also influenced by domestic policies such as high interest rates and tax increases. Moreover, as a resource-centric economy, the price of commodities significantly impacts both Canada's economy and its stock market. The commodities super cycle in the early 2000s, which coincided with Liberal terms, led to substantial outperformance in the Energy and Materials sectors compared to other periods. This, in turn, drove up the returns of the S&P/TSX Composite index, as these two sectors combined made up around 25% of the index back then. Other key factors contributing to differences in sector-level returns can be found in Chart 4.

The key takeaway here is that major market movements are more influenced by domestic policies and global trends rather than election results. Therefore, while it is important to consider political platforms, it is wise not to overweight election outcomes in investment decisions, as policies take time to be fully implemented.

Chart 4 - Average Annualized Total Returns of TSX Sectors During Liberal and Conservative Prime Ministerial Terms



Source: FactSet, Raymond James Ltd.; Data as of April 28, 2025. *GFC: Global Financial Crisis (2008-2009). SPGSCI Index: one of the most widely recognized benchmarks that is broad-based and production weighted to represent the global commodity market beta.

Exhibit 1 - Canada's Historical Political Landscape and Average Annual GDP Growth, with Selective Index Annualized Total Returns During Prime Ministerial Terms Since 1980

Election Date	Prime Minister (PM)	PM Party	Majority/Minority	Canada GDP (Y1*)	Canada GDP (Whole Term)	SPGSCI Index	S&P/TSX Comp	Comm Svc	Cons Discret	Cons Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Real Estate	Utilities
02/1980	Pierre Trudeau	L	Majority	2.2%	1.9%	-5.5%	3.2%	--	--	--	--	--	--	--	--	--	--	--
09/1984	Brian Mulroney	PC	Majority	5.0%	4.0%	-4.7%	7.4%	--	--	--	--	--	--	--	--	--	--	--
11/1988	Brian Mulroney	PC	Majority	2.3%	0.8%	1.7%	5.4%	5.2%	6.0%	6.7%	8.6%	4.2%	11.1%	-2.6%	23.5%	5.0%	-16.5%	2.4%
10/1993	Jean Chrétien	L	Majority	4.5%	3.1%	3.7%	15.0%	12.1%	7.6%	10.1%	10.4%	21.5%	26.6%	18.0%	20.9%	7.9%	5.7%	7.2%
06/1997	Jean Chrétien	L	Majority	4.4%	4.7%	8.9%	11.9%	41.4%	9.8%	25.1%	2.9%	11.2%	2.5%	8.9%	34.5%	-13.0%	-2.4%	3.3%
11/2000	Jean Chrétien	L	Majority	1.9%	2.2%	3.1%	-0.3%	-12.7%	0.2%	13.4%	18.5%	11.6%	-12.7%	-6.0%	-33.3%	12.3%	13.0%	10.9%
06/2004	Paul Martin	L	Minority	3.5%	3.5%	35.1%	24.3%	20.4%	12.3%	5.9%	61.5%	22.9%	-10.8%	16.2%	-18.7%	21.9%	21.5%	33.2%
01/2006	Stephen Harper	C	Minority	2.0%	1.7%	5.4%	-6.7%	4.6%	-9.0%	-6.8%	-15.9%	-6.1%	-24.1%	-4.3%	3.3%	4.4%	-12.2%	-4.5%
10/2008	Stephen Harper	C	Minority	-2.9%	0.7%	17.0%	17.7%	10.5%	13.4%	14.8%	20.9%	12.9%	59.8%	18.9%	-5.3%	28.7%	14.3%	17.0%
05/2011	Stephen Harper	C	Majority	2.9%	2.1%	-14.8%	2.8%	15.1%	16.9%	23.4%	-5.1%	8.7%	33.3%	12.3%	-0.1%	-16.0%	7.5%	3.9%
10/2015	Justin Trudeau	L	Majority	1.0%	2.2%	3.0%	7.6%	8.6%	5.1%	7.8%	0.4%	10.9%	-37.7%	13.0%	21.6%	10.4%	9.8%	11.3%
10/2019	Justin Trudeau	L	Minority	-5.0%	-0.2%	16.2%	15.8%	8.2%	16.4%	8.9%	5.2%	14.5%	-11.9%	20.3%	66.7%	13.9%	8.3%	14.3%
09/2021	Justin Trudeau	L	Minority	5.0%	2.7%**	0.4%	9.3%	-7.8%	6.2%	15.1%	19.2%	11.3%	-25.5%	6.3%	-0.6%	14.6%	-2.4%	3.0%

Source: Statistics Canada, FactSet, Raymond James Ltd.; Data as of April 28, 2025.

Note: *Canada GDP (Y1) is determined by averaging the year-over-year growth across the four quarters following the election date. Similarly, Canada GDP (Whole Term) is calculated by averaging the year-over-year GDP growth for all quarters within the term. **The whole term GDP growth for the term starting in 09/2021 includes GDP growth data up until the 4Q24. All index returns are annualized total returns, measured in local currency, and reflect performance between the election dates.

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