

# 1st Quarter 2025 Portfolio Management *Gill Wealth Group*



Wealth Management  
Dominion Securities

April 28, 2025



**RBC Dominion Securities Inc.**

**Sandeep S. Gill, MBA, CFA**  
Senior Investment Advisor & Portfolio Manager  
sandeep.g.gill@rbc.com  
780-493-7767

**Mina Ebied**  
Associate  
mina.ebied@rbc.com  
780-641-1061

Our Extended Specialist Team

**HNW Planning:**  
Coady Cormier

**Business Owner Planning:**  
Darren Bank, Faisal Jamal

**Will & Estate Planning:**  
Avideh Parent, Victoria Schneider, Bryn Bezaire

**Estate Planning (Insurance):**  
Denny Smith, Todd Sysak

**Financial Planning:**  
Monika Zarzycki, Arun Jiwa

[www.gillwealthadvisors.com](http://www.gillwealthadvisors.com)

## Executive Summary

### *Redefining the global trade order*

Financial markets (stocks, bonds & currencies) experienced extreme volatility during the past few weeks. This created market instability that is very rare in the US and global financial markets. The US stock market volatility indicator, VIX, reached levels (> 50), normally reached in market crisis, such as the 2008 financial crisis and the 2020 Covid lockdowns.

The catalyst was a rapid escalation in the tariff announcements that quickly became an all-out trade war between the US and the major trading partners, especially with China. As the markets became unstable, there was some damage control and de-escalation announcements by the US administration with a 90 day pause for tariff implementation. Although the markets are witnessing a relief rally in the short term from oversold levels, we do not see any final resolution yet.

As I have mentioned in my communication for the past few months, we may be witnessing a major reset of the global trade and financial order. The US dollar reserve currency status that existed since the 1970s was a key factor for the structural and persistent US trade deficits with the rest of the world.

The cumulative result of this is that the rest of the world owns about \$24 trillion more US assets than entities in the US that own foreign assets. The cumulative net

international investment position of the US is negative \$24 trillion (exhibits on the next page). The trade deficit also resulted in the hollowing out of the US industrial base. The rebalancing of this extremely unbalanced US trade situation will involve the relocation of the manufacturing base to the US but that will take a long time.

The accumulated imbalances over the decades had significant implications for both national security and politics and have now become a top domestic priority for the US administration. The massive disinflationary force over the past few decades that was unlocked with the rise of cheaper Chinese labor mixed with the Western capital caused a boom in US and global consumer spending. And that lower inflation trend may be over with the structural changes being implemented to rebalance the global trade.

The proposed adjustment in the macro economic change will have ramifications for the global financial markets for years to come as this will involve reallocation of investment capital away from the US.

The persistent rise in precious metals (gold) prices over the past few months validates the above thesis of the potential and significant structural shifts in the global economic order. Our proactive risk management approach to your investment portfolios resulted in staying patient with the overallocation to short term cash equivalent investments that started in October 2024. The result has been that your investment portfolios were able to withstand and prevent the deep correction that happened in the financial markets in YTD 2025.

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## Exhibit 1 (Capital Economics) & 2 (BCA Research)

US Balance of Trade - USD Billion



Source: tradingeconomics.com | Bureau of Economic Analysis (BEA)



Source: U.S. Bureau of Economic Analysis

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