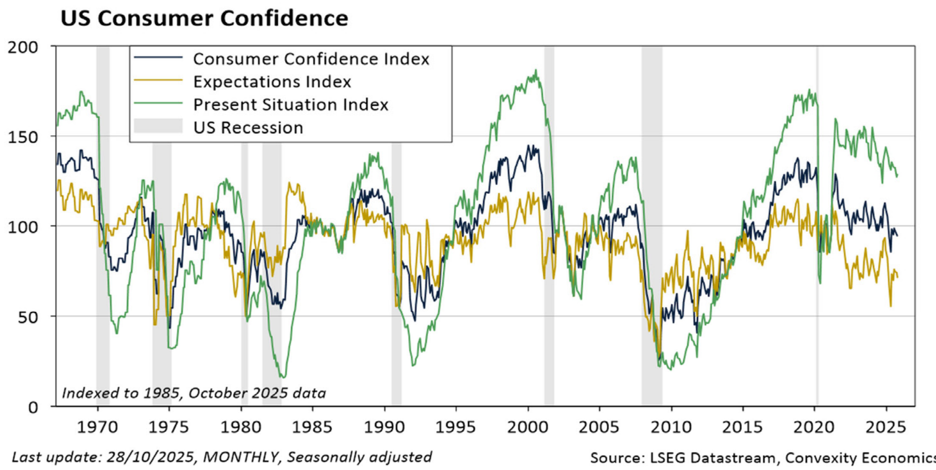
Financial Monitor

For the week ending October 31st, 2025

Chart of the Week: US Consumer Confidence Index

The US Consumer Confidence Index fell to 94.6 in October, down 1.0 point from September. The Present Situation Index improved 1.8 points to 129.3 and the Expectations Index continued to trend downward, falling another 2.9 points to 71.5.

Continued on page 5...



Headlines

- All three US indices finished higher last week despite a Thursday sell-off.
- The S&P/TSX Composite Index lagged American indices this week, down 0.30%, despite a strong week from Canadian technology companies (+2.20%).
- The Bank of Canada reduced the target for overnight interest rate by another 25-basis points on Wednesday to 2.25%.
- The Federal Open Market Committee (FOMC) met this week and announced a 25-basis point reduction to the Federal Funds Rate, reducing the target range to 3.75% - 4.00%.
- Canadian GDP contracted 0.25% month-over-month in August, lower than the expectations for no growth.

Equity Indexes	**Last**	**1W%**	**YTD %**
S&P 500	6,840.20	+ 0.71	+ 16.30
S&P/TSX Composite	30,260.74	- 0.30	+ 22.37
Dow Jones	47,562.87	+ 0.75	+ 11.80
NASDAQ	23,757.53	+ 2.38	**+ 23.03**
FTSE 1000 (UK)	9,717.25	+ 0.74	+ 18.89
CSI 300 (China)	4,640.67	- 0.43	+ 17.94
Sensex Index (India)	83,938.71	- 0.32	+ 7.42
Bonds Yields	**Last**	**1W**	**YTD**
Canada 10 Year Bond	3.132%	+ 0.045	- 0.103
Canada 30 Year Bond	3.582%	+ 0.001	+ 0.243
US 10 Year Bond	4.093%	+ 0.098	- 0.480
US 30 Year Bond	4.648%	+ 0.063	- 0.138

Currency	**Last**	**1W**	**YTD**
US Dollar Index	99.81	0.87%	**-8.00%**
Currencies to the Loonie			
US Dollar	$0.713	- $0.001	+ $0.018
Euro	$0.619	$0.004	- $0.053
British Pound	$0.543	+ $0.006	- $0.013
Chinese Yuan	$5.077	- $0.011	+ $0.002
Bitcoin	$107,530	- 3.02%	+ 14.78%
Commodities	**Last**	**1W %**	**YTD%**
Gold *(USD/Troy Ounce)*	$3,998.19	- 2.76	+ 52.38
ICE Brent Crude*(USD/bbl)*	$65.07	- 0.94	- 13.04
WTI Light *(USD/bbl)*	$60.88	- 0.91	- 15.29

Data as of: October 31, 2025 1:10 PM PT

Source: LSEG Datastream, Convexity Economics

North American Equity Markets

	Daily Changes						
Equity Indexes	**Monday**	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**1 Week %**	**YTD%**
S&P 500	1.23%	0.23%	-0.00%	-0.99%	0.26%	▲ 0.71%	▲ 16.30%
S&P/TSX Composite	-0.25%	0.48%	-0.90%	0.11%	0.27%	▼ 0.30%	▲ 22.37%
Dow Jones	0.71%	0.34%	-0.16%	-0.23%	0.09%	▲ 0.75%	▲ 11.80%
NASDAQ	1.86%	0.80%	0.55%	-1.57%	0.75%	▲ 2.38%	▲ 23.03%
Russell 3000	1.15%	0.11%	-0.10%	-1.01%	0.49%	▲ 0.62%	▲ 15.80%
S&P 600 Small Cap Index	-0.05%	-0.54%	-1.30%	-1.09%	0.12%	▼ 2.84%	▲ 1.94%

Data as of: October 31, 2025 1:10 PM PT *Source: LSEG Datastream, Convexity Economics*

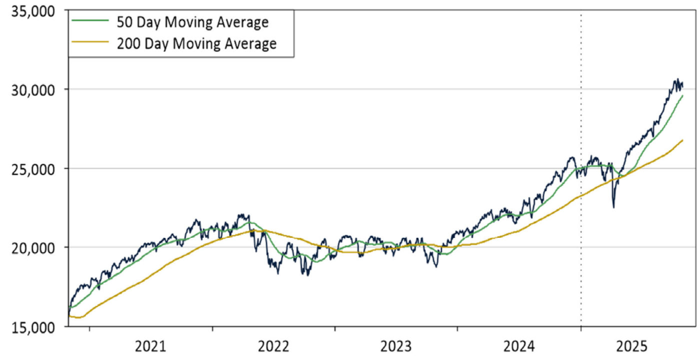
All three US indices finished higher last week despite a Thursday sell-off. The NASDAQ Composite Index led the way, up 2.38%, bolstered by a strong week of earnings from technology names. The strength left the index up 23.03% YTD, now surpassing the S&P/TSX Composite Index as the top performing North American index. The Dow Jones Industrial Average rose 0.75% on the week while the S&P 500 Composite index finished the week up 0.71%.

The S&P/TSX Composite Index lagged American indices this week, down 0.30%, despite a strong week from Canadian technology companies (+2.20%). The real estate sector was down 3.47% the week after one of Canada's largest real estate trusts announced they are considering reducing their distribution. A pullback in gold and commodity prices has also hurt the Materials sector, a driver of strength this year on the Canadian market.

Alphabet, Apple, Microsoft, and Amazon all announced earnings this week and beat earnings and revenue estimates. Amazon and Alphabet were the standouts, beating earnings estimates by 24% and 33% respectively on cloud computing growth.

S&P/TSX Composite Index

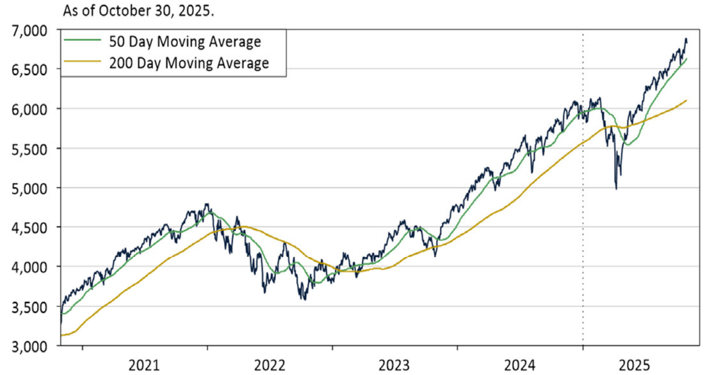
As of October 30, 2025.



Source: LSEG Datastream, Convexity Economics

S&P 500 Index

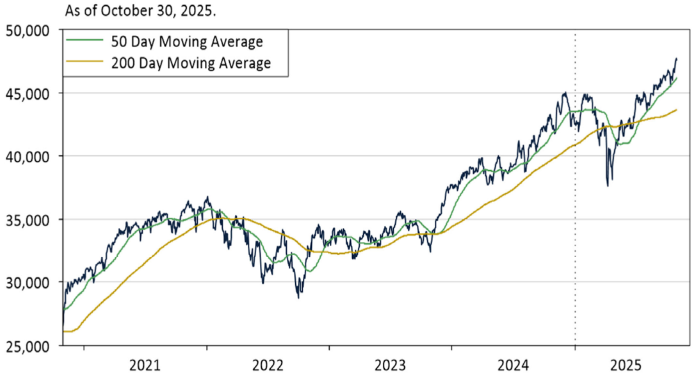
As of October 30, 2025.



Source: LSEG Datastream, Convexity Economics

Dow Jones Industrial Average

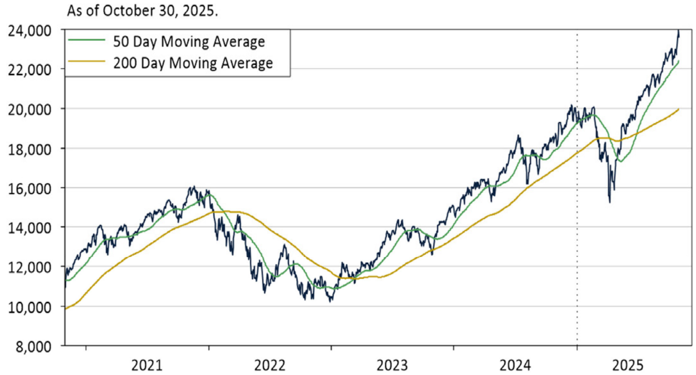
As of October 30, 2025.



Source: LSEG Datastream, Convexity Economics

NASDAQ Composite Index

As of October 30, 2025.



Source: LSEG Datastream, Convexity Economics

Central Bank Rates

Current Key Interest Rates			Next Meeting	Last Decision	Last Meeting
Canada		2.25%	Dec 10, 2025	▼ 0.25	Oct 29, 2025
United States*		4.00%	Dec 10, 2025	▼ 0.25	Oct 29, 2025
Mexico		7.50%	**Nov 6, 2025**	▼ 0.25	Sep 25, 2025
European Union		2.15%	Dec 18, 2025	—	Oct 30, 2025
India		5.50%	Dec 5, 2025	—	Sep 30, 2025
China		3.00%	Nov 19, 2025	—	Oct 19, 2025
Japan		0.50%	Dec 18, 2025	—	Oct 30, 2025

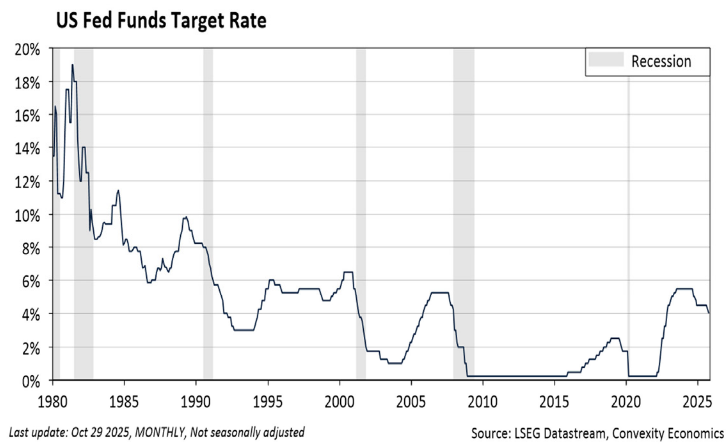
**Upper Limit*

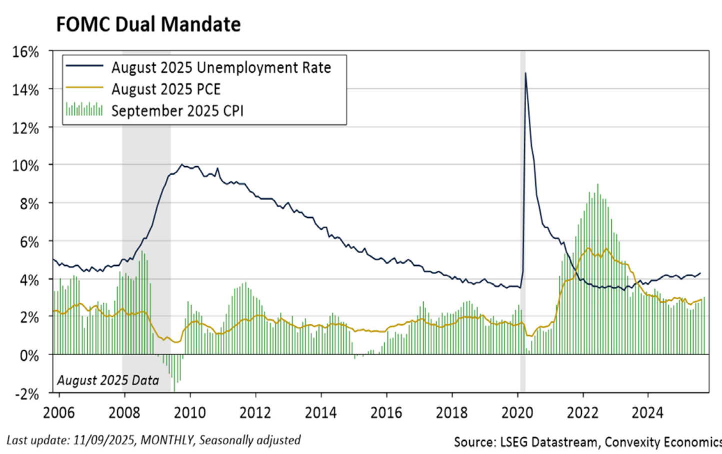
Data as of: October 31, 2025

Source: LSEG Datastream, Convexity Economics

FOMC Meeting October 29th, 2025

The Federal Open Market Committee (FOMC) met this week and announced a 25-basis point reduction to the Federal Funds Rate, reducing the target range to 3.75% - 4.00%. The decision did not come as a surprise to the market which was already pricing in a 25-basis point cut ahead of the meeting.





The decision was not unanimous with two (out of twelve) members dissenting (somewhat unusual). One of those members was Stephen Miran who advocated for a 50-basis point reduction and has been very vocal that he believes the FOMC needs to be more aggressive in lowering interest rates. The other dissenting member was Kansas City Fed President Jeffrey Schmid who voted to leave rates unchanged. The two dissenting opinions, in opposite directions, shows a more divided FOMC than we have seen in recent history.

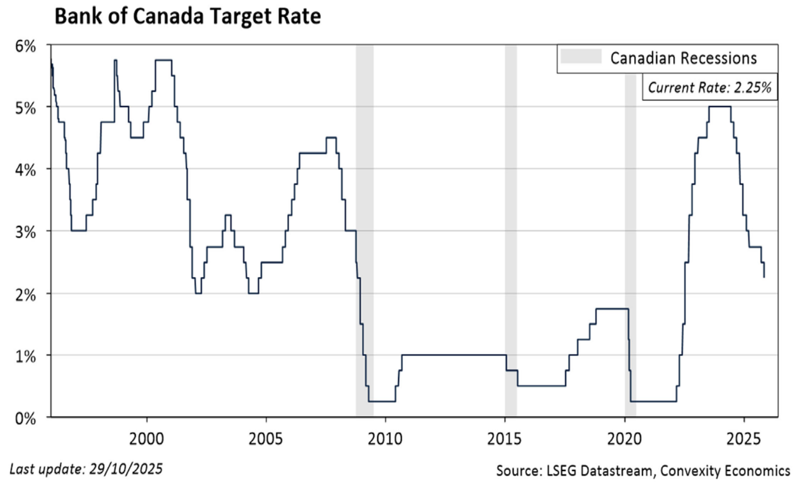
The market is currently pricing in a near 65% chance of another 25-basis point rate cut in December according to CME Group's Fed Watch. This is after Chair Jerome Powell explicitly warned that a December rate cut is "not a foregone conclusion".

Following the two dissenting opinions at this meeting, it will remain to be seen what data is released in the meantime and the influence it will have on the other members of the committee. Chair Powell repeatedly referenced the lack of government data available to them for this meeting, and that they were relying on private market data to piece together an idea of unemployment. Without data to confirm the need for another rate reduction in December, the FOMC may have a hard time justifying another 25-basis point given the current inflation rate is near the top of the target band.

Bank of Canada Meeting October 29th, 2025

The Bank of Canada reduced the target for overnight interest rate by another 25-basis points on Wednesday to 2.25%. This is the second consecutive meeting where rates have been cut, and this is the fourth rate cut this calendar year, now totalling 100 basis points of rate reductions in 2025.

Going back to the beginning of this easing cycle which started with a 25-basis point reduction in the overnight rate on June 5, 2024, we have now seen total reductions of 275 basis points (2.75%) in the target for the overnight rate.



The US trade conflict remained at the forefront of Governor Tiff Makclem's remarks following the interest rate announcement where he emphasized the negative impacts tariffs are having on the Canadian economy. Indeed, GDP contracted in Q2 due to a large decline in exports and Macklem stated the Bank of Canada believes that this downturn in the economy is more than a cyclical downturn.

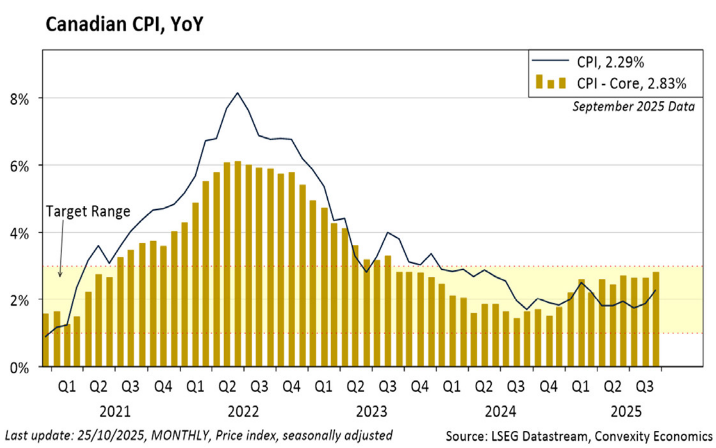
(A cyclical downtown is one that would be expected to reverse once the next cycle of expansion takes hold whereas a structural decline, or downturn, represents a long-term or permanent decline in the economy to a lower level of potential output for the foreseeable future).

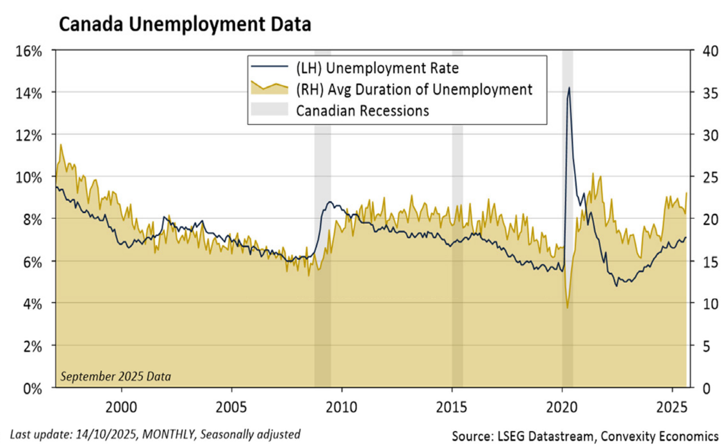
Accordingly, Governor Macklem's comments suggest trade conflict with the US has structurally weakened the Canadian economy through reduced productive capacity and increased input costs – ultimately, less growth, lower global competitiveness, and lower national income compared to before US protectionism.

He went on to suggest the structural change will limit the effectiveness of monetary policy, as this represents a structural, as opposed to, cyclical shock.

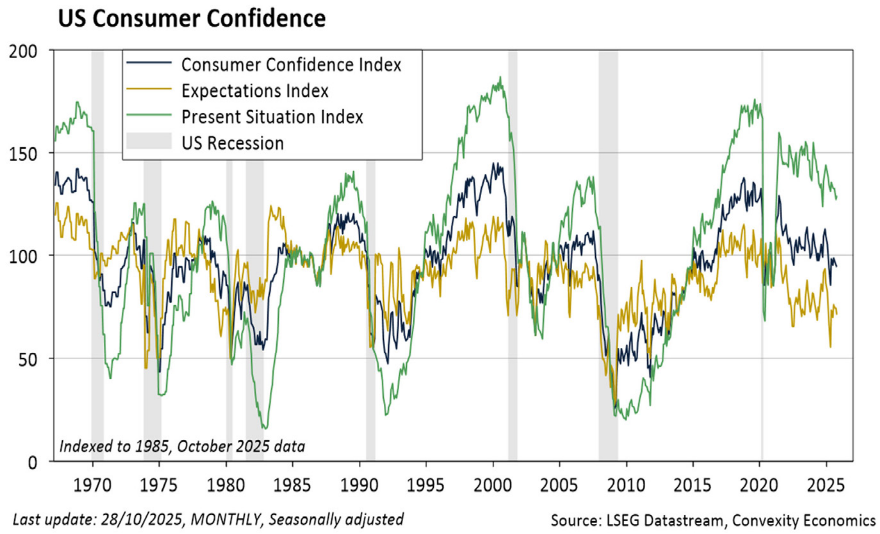
The Bank of Canada has projected average GDP growth of 0.75% for the remainder of 2025, and only modest growth of 1.4% in 2026 and 2027. By the end of 2026, the Bank of Canada projects GDP will be 1.5% lower than previously forecasted in January because of the United States' trade policy. They attribute approximately half of this decrease in their forecast to lost capacity, and the other half is due to weaker demand.

Until the Canadian can replace lost US demand for its exports, the outlook for the Canadian economy will remain weak as domestic economic conditions remain challenged.





US Consumer Confidence Index

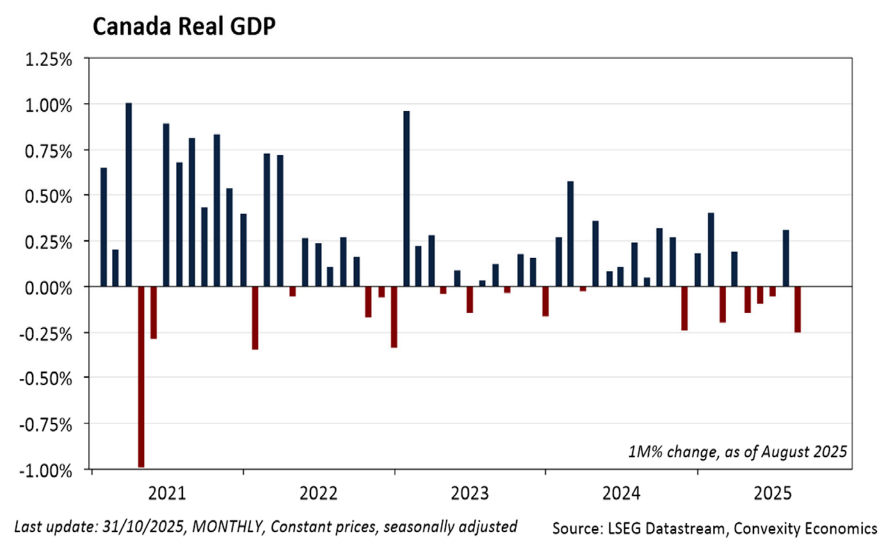


The US Consumer Confidence Index fell to 94.6 in October, down 1.0 point from September. The Present Situation Index improved 1.8 points to 129.3 and the Expectations Index continued to trend downward, falling another 2.9 points to 71.5. Consumer pessimism around future job availability and business conditions were the primary reasons for the October decline.

Confidence among consumers aged 35-54 improved, while confidence among those outside that age range declined. Not surprisingly, confidence rose the most for those making more than $200k a year, while also increasing for most earning above $75k, but declined for consumers making under $75k. This is in line with recent consumer spending data suggesting that the top end of income earners have not seen the same decline in spending as lower income earners.

18.4% of consumers said jobs were hard to get, up from 18.2%, and 27.8% anticipated fewer jobs, up from 25.7%. However, 27.8% of consumers said jobs were "plentiful," up from 26.9% in September. Without any firm data on jobs, this presents a mixed view of the labour market as both the "hard to get" and the "plentiful" responses rose from September.

Canadian Monthly GDP



Canadian GDP contracted 0.25% month-over-month in August, lower than the expectations for no growth. Growth for July was upwardly revised to 0.31% which could help the Canadian economy avoid a recession as we wait for September's GDP data. The Bank of Canada has estimated that Q3 GDP of 0.5% annualized.

With many workers across Canada on strike, or outright losing their jobs, the outlook for consumer demand is weakening; declining real estate markets are apt to worsen the outlook further. These factors, combined with the continued trade issues with the US, give us reason to expect continued weak growth in the Canadian economy, potentially forcing the Bank of Canada interest rates sooner than currently anticipated, despite inflation remaining in the upper end of the Bank of Canada's target range.

Equity Indexes	Last	1W%	YTD %
S&P 500	6,840.20	+ 0.71	+ 16.30
S&P/TSX Composite	30,260.74	- 0.30	+ 22.37
Dow Jones	47,562.87	+ 0.75	+ 11.80
NASDAQ	23,757.53	+ 2.38	+ 23.03
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CSI 300 (China)	4,640.67	- 0.43	+ 17.94
Sensex Index (India)	83,938.71	- 0.32	+ 7.42
Bovespa Index (Brazil)	149,469	+ 2.26	+ 24.26
Merval Index (Argentina)	2,999,756	+ 44.44	+ 18.40
Russell 3000	3,887.31	+ 0.62	+ 15.80
S&P 600 Small Cap Index	1,435.53	- 2.84	+ 1.94
VIX Volatility Index	17.37	+ 6.11	+ 0.12
Bonds Yields	**Last**	**1W**	**YTD**
Govt of Canada 5 Year	2.720%	+ 0.060	- 0.248
Govt of Canada 10 Year	3.132%	+ 0.045	- 0.103
Govt of Canada 30 Year	3.582%	+ 0.001	+ 0.243
US Treasury 5 Year	3.720%	+ 0.120	- 0.658
US Treasury 10 Year	4.093%	+ 0.098	- 0.480
US Treasury 30 Year	4.648%	+ 0.063	- 0.138
Currency	**Last**	**1W**	**YTD**
US Dolar Index	99.81	+ 0.87%	-8.00%
Bitcoin (USD)	$107,530	- 3.02%	+ 14.78%
Currencies to the Loonie			
US Dollar	$0.713	- 0.001	+ 0.018
Euro	$0.619	+ 0.004	- 0.053
British Pound	$0.543	+ 0.006	- 0.013
Japanese Yen	$109.960	+ 0.880	+ 0.350
Chinese Yuan	$5.077	+ 4.880	+ 4.880
Aussie Dollar	$1.090	+ 0.178	+ 0.200
GDP	**YoY %**	**Change**	**Quarter**
Canada	+ 1.21	- 1.05	*Q2*
United States	+ 2.08	+ 0.06	*Q2*
Mexico	+ 1.18	+ 0.52	*Q2*
Euro Zone**	+ 1.32	- 0.08	*Q2*
China**	+ 4.83	- 0.41	*Q3*
Japan	+ 1.70	+ 0.06	*Q2*
India	+ 7.81	+ 0.43	*Q2*
Inflation	**YoY %**	**Change**	**Month**
Canada	+ 2.29	+ 0.43	*Sep*
United States	+ 3.02	+ 0.08	*Sep*
Mexico	+ 3.76	+ 0.19	*Sep*
Euro Zone**	+ 2.11	- 0.14	*Oct*
China**	- 0.70	+ 0.30	*Sep*
Japan**	+ 2.85	+ 0.10	*Sep*
India	+ 1.55	- 0.53	*Sep*

Canadian Sectors	Last	1W%	YTD %
Energy	286.43	+ 0.54	+ 7.22
Industrials	472.09	- 2.18	+ 2.98
Consumer Staples	1,144.31	- 2.89	+ 7.71
Financials	579.11	+ 0.15	+ 20.69
Communication Services	157.56	- 1.76	+ 14.47
Real Estate	324.75	- 3.47	+ 3.24
Materials	638.16	- 1.13	+ 68.73
Consumer Discretionary	353.84	- 1.60	+ 18.56
Health Care	22.67	+ 1.34	- 11.89
Information Tech	363.46	+ 2.20	+ 28.97
Utilities	363.08	- 1.20	+ 18.39
S&P/TSX Composite	30,260.74	- 0.30	+ 22.37
US Sectors	**Last**	**1W%**	**YTD %**
Energy	674.74	- 0.00	+ 3.04
Industrials	1,311.71	+ 0.08	+ 17.57
Consumer Staples	848.70	- 3.66	- 0.58
Financials	870.44	- 1.48	+ 8.20
Communication Services	429.97	+ 0.57	+ 25.85
Real Estate	257.60	- 3.91	+ 0.65
Materials	541.60	- 3.71	+ 2.23
Consumer Discretionary	1,963.14	+ 2.77	+ 7.21
Health Care	1,680.03	- 1.24	+ 4.69
Information Tech	5,960.13	+ 2.98	+ 29.30
Utilities	452.13	- 2.56	+ 17.45
S&P 500	6,840.20	+ 0.71	+ 16.30
Commodities	**Last**	**1W %**	**YTD %**
Baltic Dry index	1,983.00	- 0.40	+ 98.90
Bloomberg Industrial Metals Index	153.78	- 0.02	+ 9.59
Gold	$3,998.19	- 2.76	+ 52.38
Silver	$48.48	- 0.22	+ 67.92
Copper	$5.13	+ 0.31	+ 27.42
Oil (ICE Brent Crude)	$65.07	- 0.88	- 13.04
Oil (WTI Light)	$60.88	- 0.88	- 15.27
Natural Gas	$4.11	+ 24.14	+ 13.29
Corn	$431.00	+ 1.71	- 5.95
Wheat	$533.75	+ 4.10	- 3.09
Cocoa	$6,244.00	- 2.54	- 42.46
Coffee	$372.20	- 2.01	+ 17.82

Data as of: October 31, 2025 1:10 PM PT

Source: LSEG Datastream, Convexity Economics

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