Monthly Market Perspectives

'What You Need to Know'

October.4.2025

The month of September and the third quarter ended on a high note, with financial markets enthusiastically welcoming the Fed's decision to cut interest rates for the first time since last December. But does this mean that the proverbial "soft landing" has been achieved?

While this seems to be the case in Europe, in Canada, the slowdown in inflation has been accompanied by much greater turbulence in the job market. As for the United States, the situation is a little more difficult to define.

At first glance, several aspects of the U.S. economy appear to be on the right track with monetary policy perhaps already neutral, a job market that has not passed the point of no return and encouraging signs for the manufacturing sector.

However, a return to target for inflation remains improbable, with service inflation no longer slowing just as goods and food prices begin to rise again, likely driven in part by tariffs.

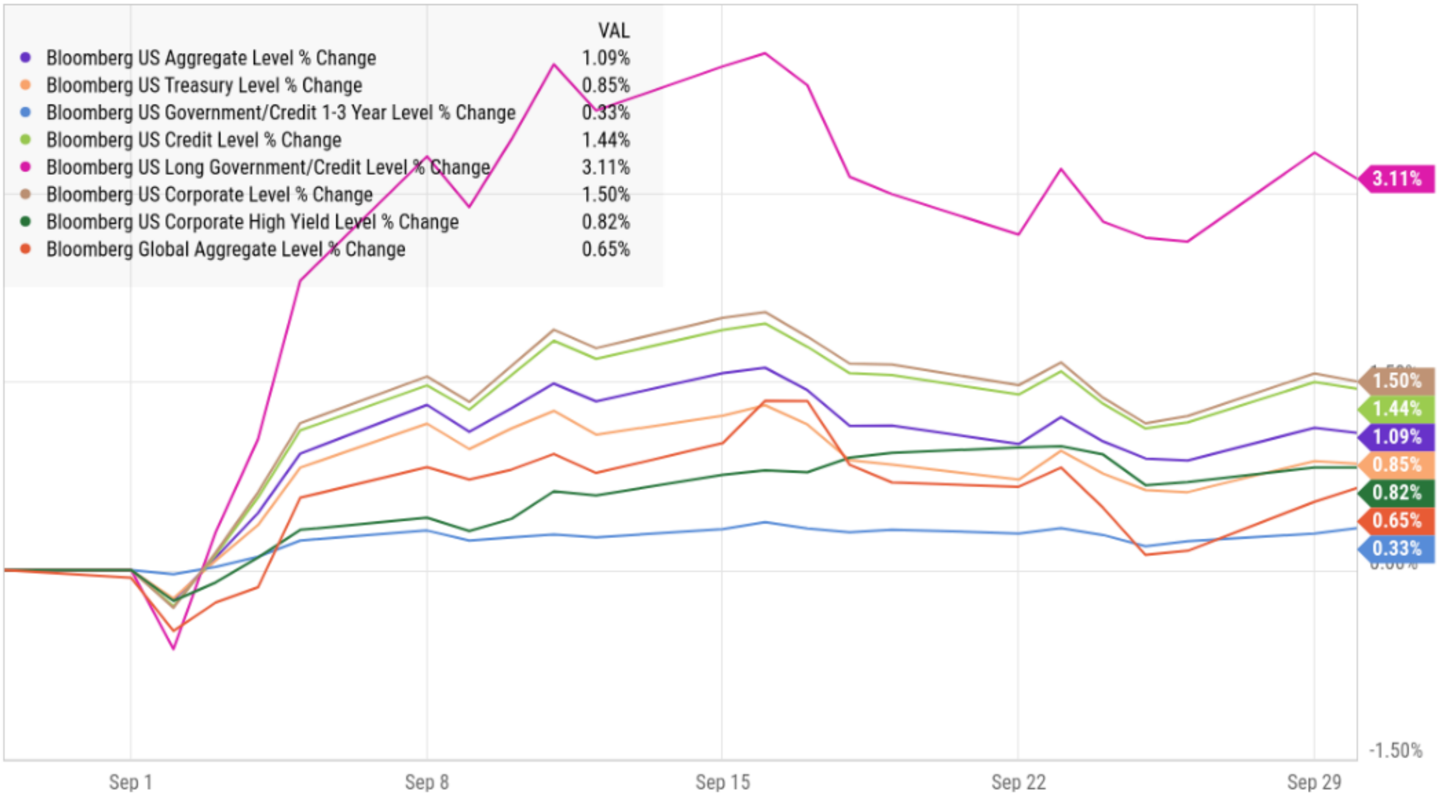
In short, although volatility is likely to return at some point in Q4, I continue to believe that the uptrend will remain dominant, driven by continued economic expansion against a backdrop of more accommodative monetary and fiscal policies.

Bottom Line

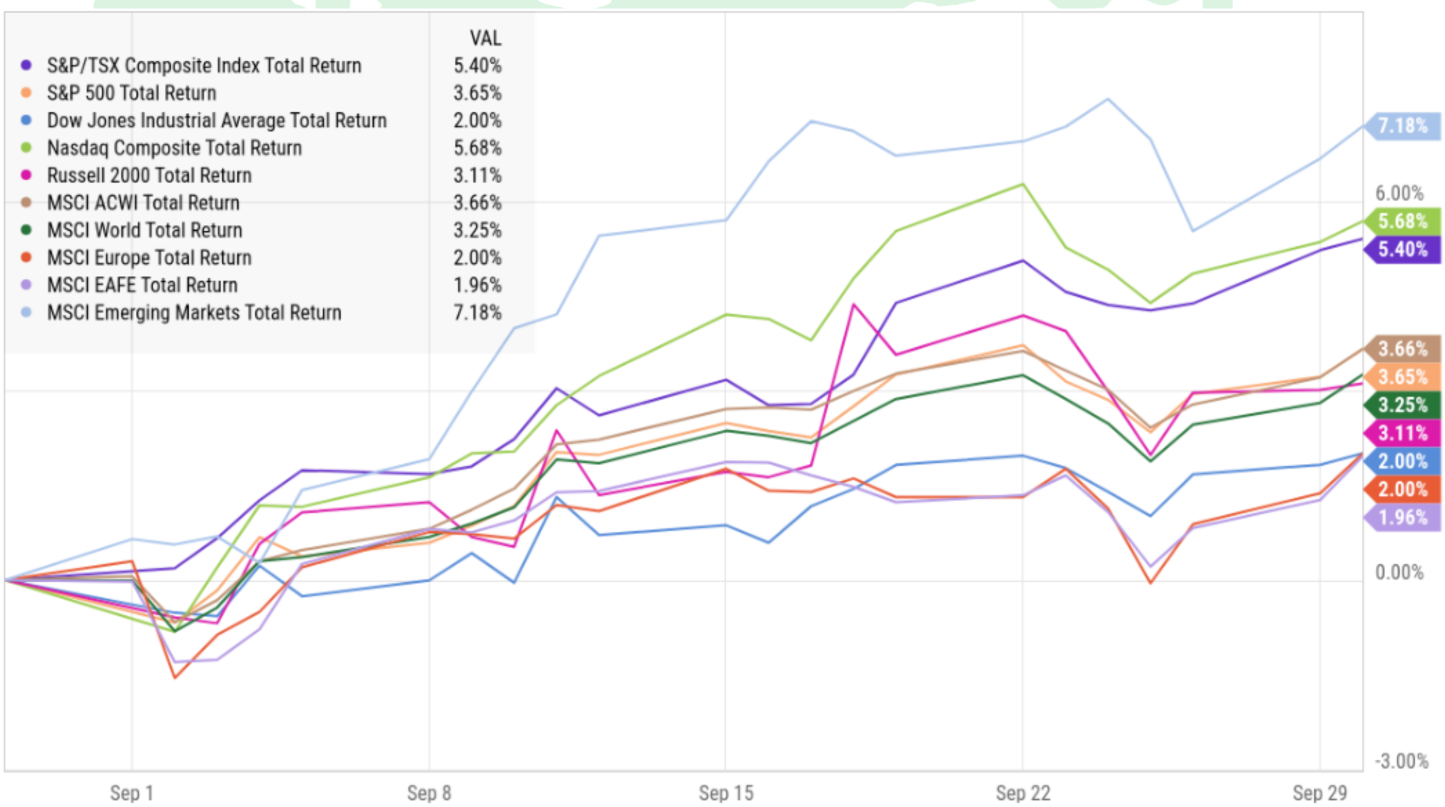
Overall, while a complete landing of U.S. inflation will have to wait, the outlook for growth remains positive. This environment continues to justify a pro-risk asset allocation tilt, while preserving room to maneuver should better buying conditions present themselves.

"Bull markets ignore bad news, and any good news is reason for a further rally"
- Michael Platt

Fixed Income Indices – September 2025



Equity Indices – September 2025



September Market Review

Fixed Income

- The fixed income universe posted positive returns in September, with the asset class benefitting from the Bank of Canada and the Federal Reserve shifting to a more dovish stance. On a quarterly basis, Canadian bonds ended the period with gains of 1.4%.

Equities

- Global equities continued to climb in September, with Emerging Markets and Canada leading the way. The S&P/TSX benefitted from its sector composition, which is more focussed on cyclical sectors such as Materials, Energy, and Finance. Moreover, the TSX ended the quarter at the top of the four equity regions with gains of 12.5%.
- Within the S&P 500, monthly gains were concentrated in the three sectors dominated by the tech giants: Communication Services, Information Technology, and Consumer Discretionary. Outside of these sectors, the Equity Index ended the month virtually unchanged.

FX & Commodities

- Oil prices pulled back in September and in the third quarter as a whole. Meanwhile, the spectacular rise in gold prices showed no signs of slowing down.
- The U.S. dollar rebounded slightly in Q3 after depreciating sharply in the half of the year, supported in part by the ever-surprising resilience of the U.S. economy.

Market Total Returns

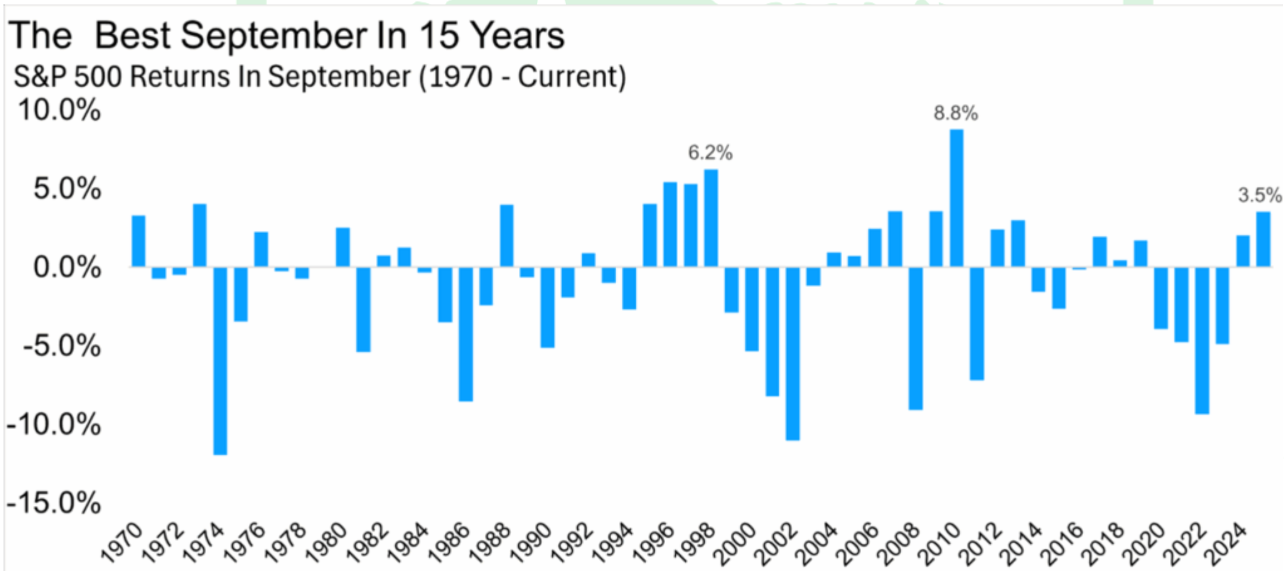
Asset Classes	Sep	Q3	YTD
Cash (S&P Canada T-bill)	**0.3%**	**0.7%**	**2.2%**
Bonds (ICE Canada Universe)	**1.8%**	**1.4%**	**2.8%**
Short Term	0.8%	1.3%	3.4%
Mid Term	1.7%	1.9%	4.2%
Long Term	3.5%	1.0%	0.3%
Federal Government	1.5%	1.2%	2.5%
Corporate	1.6%	1.8%	4.0%
U.S. Treasuries (US$)	0.9%	1.6%	5.4%
U.S. Corporate (US$)	1.4%	2.6%	7.0%
U.S. High Yield (US$)	0.8%	2.4%	7.1%
Canadian Equities (S&P/TSX)	**5.4%**	**12.5%**	**23.9%**
Communication Services	-1.8%	7.7%	12.9%
Consumer Discretionary	0.9%	3.7%	18.0%
Consumer Staples	0.3%	1.6%	5.7%
Energy	5.6%	12.6%	17.1%
Financials	4.5%	10.6%	22.5%
Health Care	3.0%	5.5%	-1.0%
Industrials	-0.8%	-1.4%	4.6%
Information Technology	2.1%	13.2%	19.7%
Materials	18.9%	37.8%	79.3%
Real Estate	-1.0%	7.6%	11.1%
Utilities	3.9%	6.9%	17.5%
S&P/TSX Small Caps	8.9%	20.9%	36.3%
U.S. Equities (S&P 500 US$)	**3.6%**	**8.1%**	**14.8%**
Communication Services	5.6%	12.0%	24.5%
Consumer Discretionary	3.2%	9.5%	5.3%
Consumer Staples	-1.6%	-2.4%	3.9%
Energy	-0.4%	6.2%	7.0%
Financials	0.1%	3.2%	12.8%
Health Care	1.8%	3.8%	2.6%
Industrials	1.9%	5.0%	18.4%
Information Technology	7.2%	13.2%	22.3%
Materials	-2.1%	3.1%	9.3%
Real Estate	0.5%	2.6%	6.2%
Utilities	4.2%	7.6%	17.7%
Russell 2000 (US$)	3.1%	12.4%	10.4%
World Equities (MSCI ACWI US$)	**3.7%**	**7.7%**	**18.9%**
MSCI EAFE (US$)	2.0%	4.8%	25.7%
MSCI Emerging Markets (US$)	7.2%	10.9%	28.2%
Commodities (GSCI US$)	**0.6%**	**4.1%**	**6.1%**
WTI Oil (US$/barrel)	-1.8%	-4.7%	-12.8%
Gold (US$/oz)	11.4%	16.7%	46.0%
Copper (US$/tonne)	4.1%	1.7%	18.2%
Forex (US$ Index DXY)	**0.0%**	**0.9%**	**-9.9%**
USD per EUR	0.4%	0.1%	13.5%
CAD per USD	1.3%	2.3%	-3.2%

CIO Office (data via Refinitiv, as of 2025-09-30)

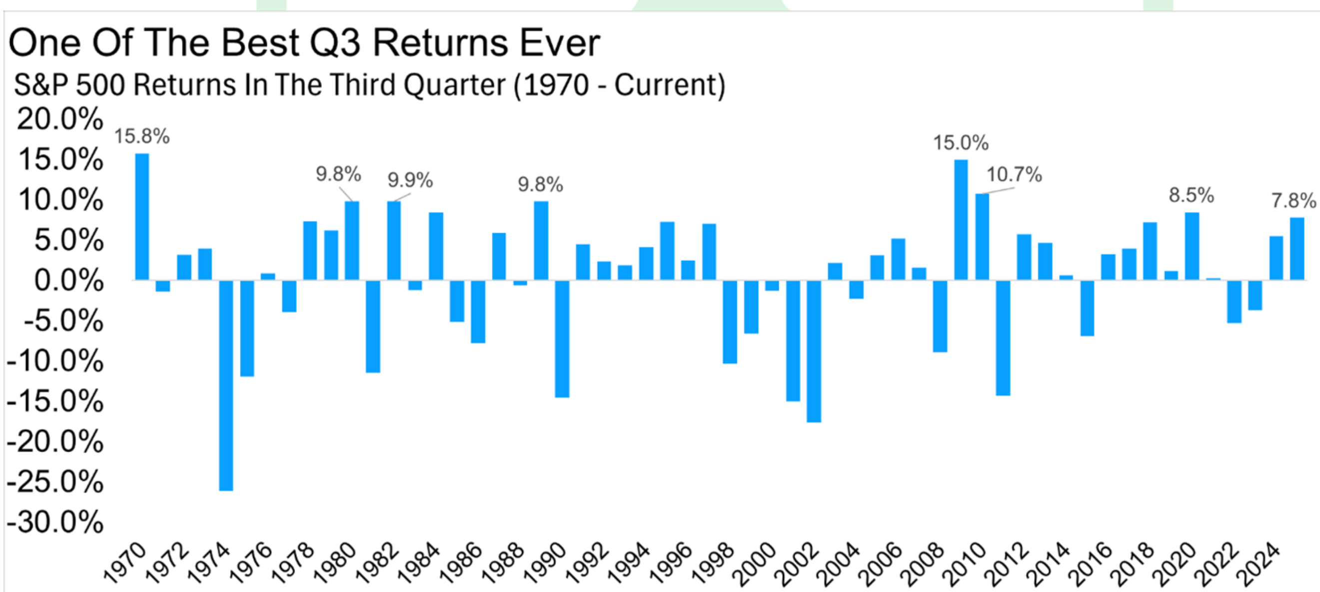
A Quarter for the History Books

While the market history books may look back one day at 2025 and remember it for the headline risk of tariffs, I will remember it as the year of the 'Summer Melt-Up'. While the weather itself was some of the warmest on record, that heatwave was felt and appeared alive and well in equity markets throughout the quarter.

While historically speaking, August and September tend to be weak and the third quarter is the worst quarter on average, 2025 did not follow the script at all. In the end, it was the best September since 2010 and second best going back 27 years, as the S&P 500 added 3.5%. Also, worth noting - not a single trading day closed up or down more than 1%, making it a historically calm month to boot.



Taking things a step further, stocks gained all three months in the third quarter and are now up five months in a row. The S&P added 7.8% in the quarter, for the best third quarter since 2020 and before that the best all the way back to 2010.



And on virtually no one's bingo card, the S&P 500 made 23 new all-time highs in the third quarter, tying the most for any quarter since 1998.

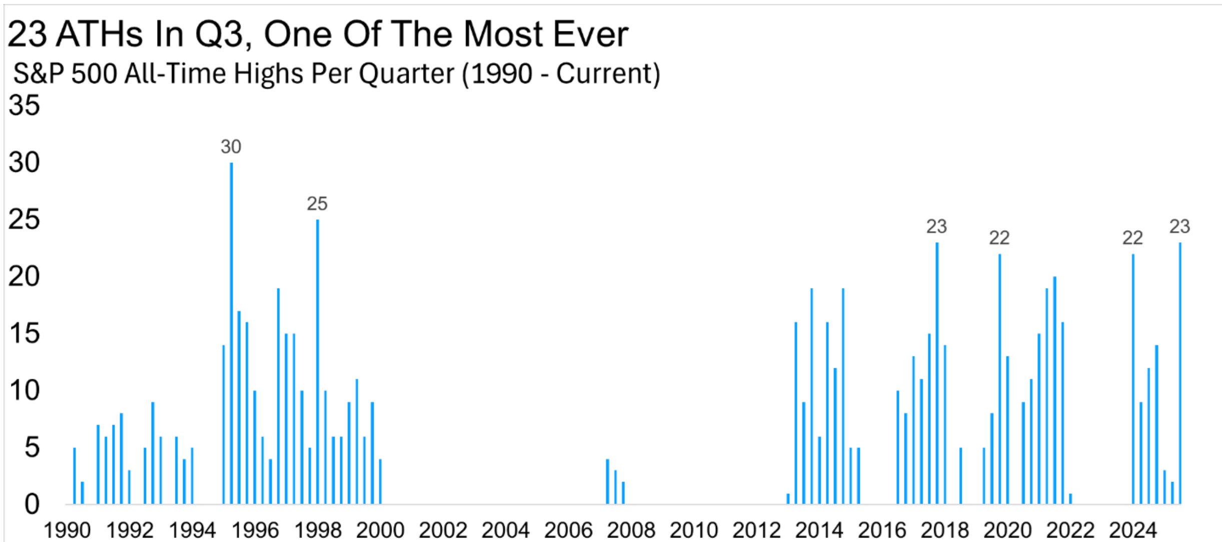
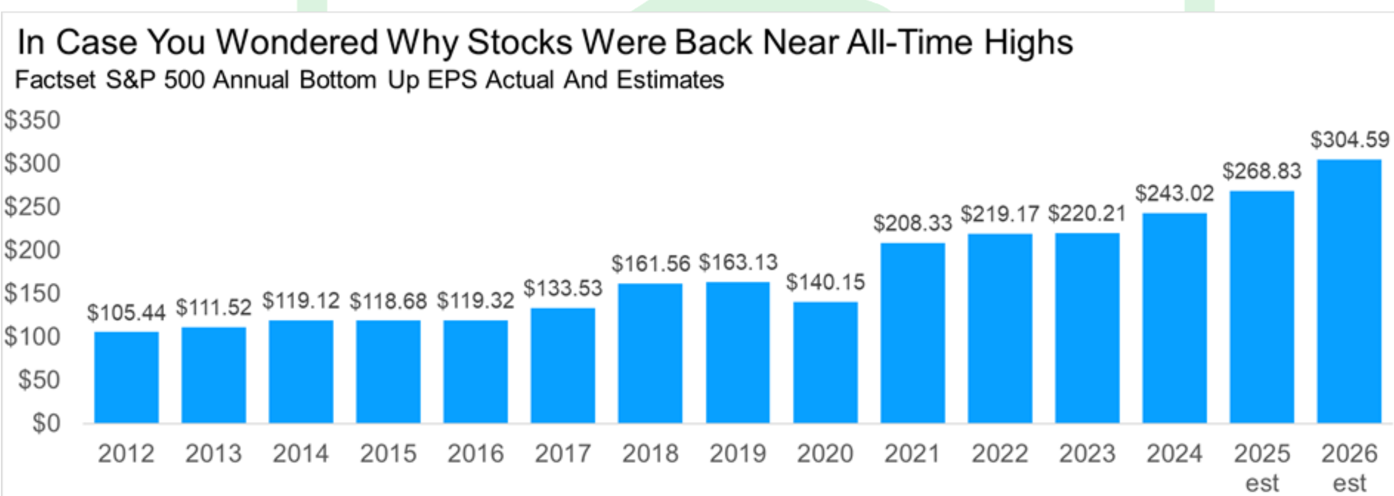


Chart of the Month – Why I Argue that Stocks are not in a Bubble

Earnings growth has been the key driver behind today's market strength, even as some valuations appear stretched by historical standards. While traditional measures suggest stocks may look expensive, valuations alone rarely predict short-term performance. Markets can remain elevated for extended periods, and the more important factor is whether corporate profits are rising to support those higher prices.

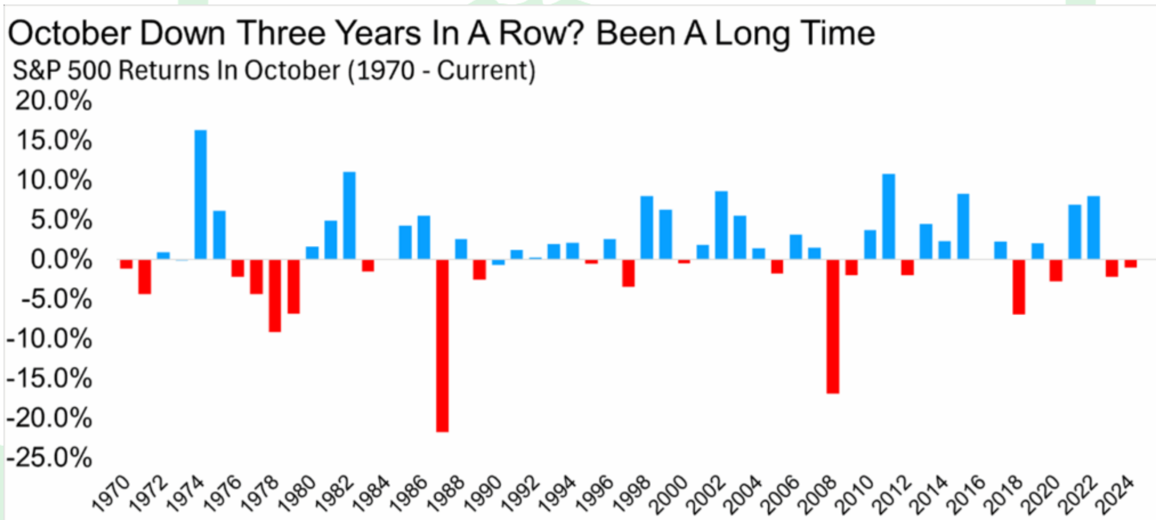
That's exactly what we've seen in this bull market. Earnings estimates have been revised higher quarter after quarter, providing the foundation for continued gains. Rather than being fueled by speculation alone, the rally has been reinforced by real growth in corporate profitability. This alignment of fundamentals and price action helps explain why markets have advanced so strongly—and why the gains remain justified.



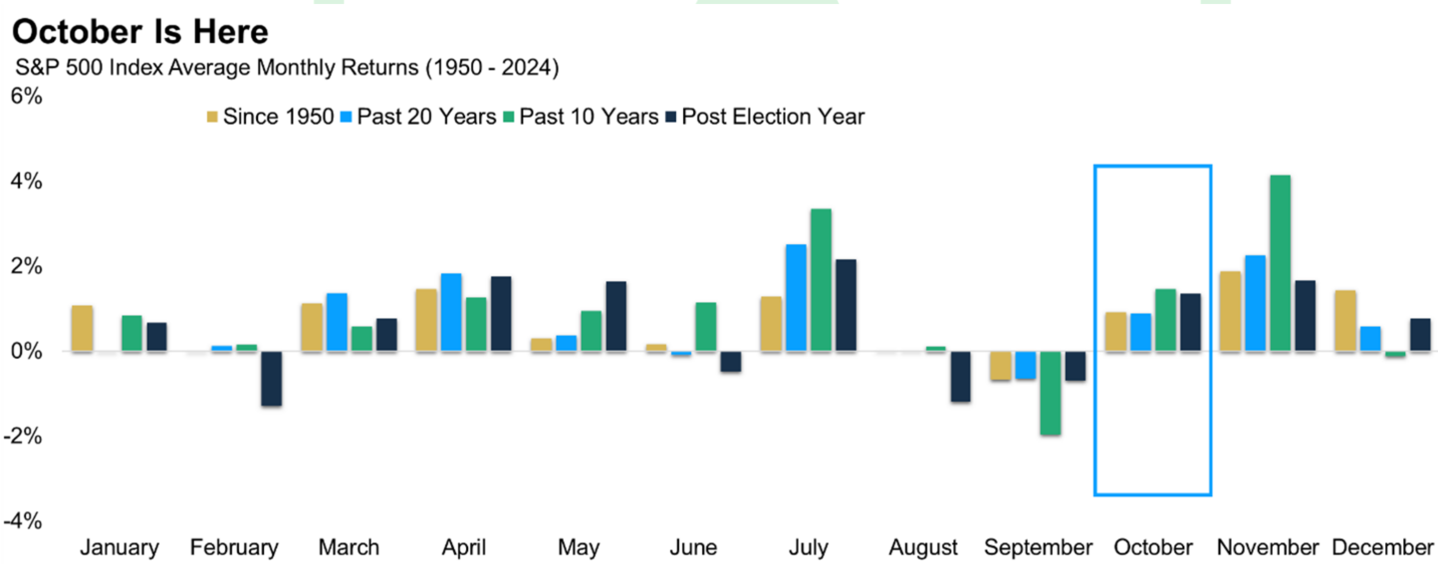
Now What? Let's Start with October

Before we get too deep into this please recall I warned investors of the potential looming turbulence that August and September may present and well, with hindsight on our side, that didn't happen. Instead, stocks surged higher in both months.

So, as we enter October, I want to start by reminding you that it this month has been down the past two years, even though the S&P 500 gained more than 20% each of those years. With that being said, you have to go back to the late 1970s for the last time October was down three years in a row.



October is historically the most volatile month, including some of the largest drops in history in 1929 (Great Depression), 1987 (Black Monday), and 2008 (Start of GFC). But all in all, October isn't all that bad, even considering some historic crashes. Over the past 10 years it is the third best month on average and since 1950, over the past 20 years, and in post-election years it tends to be right in the middle of the pack. So not all bad!



As I mentioned before, the S&P 500 is up five months in a row, and we know it can't go up forever. Also be aware that years up 10% or more heading into the fourth quarter have tended to see weakness in October, including a negative average return with gains only a coin flip of the time. But the good news is the fourth quarter has been higher 14 out of the past 15 times after a good first three quarters despite October weakness.

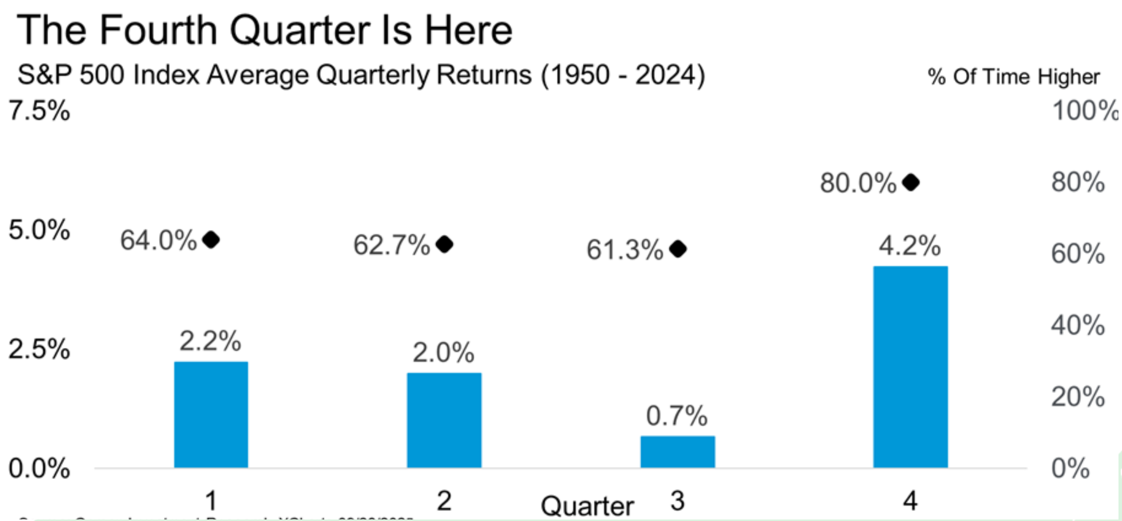
A Strong First Nine Months = Solid Q4

S&P 500 Returns When >10% The First Nine Months Of Year (1950 - Current)

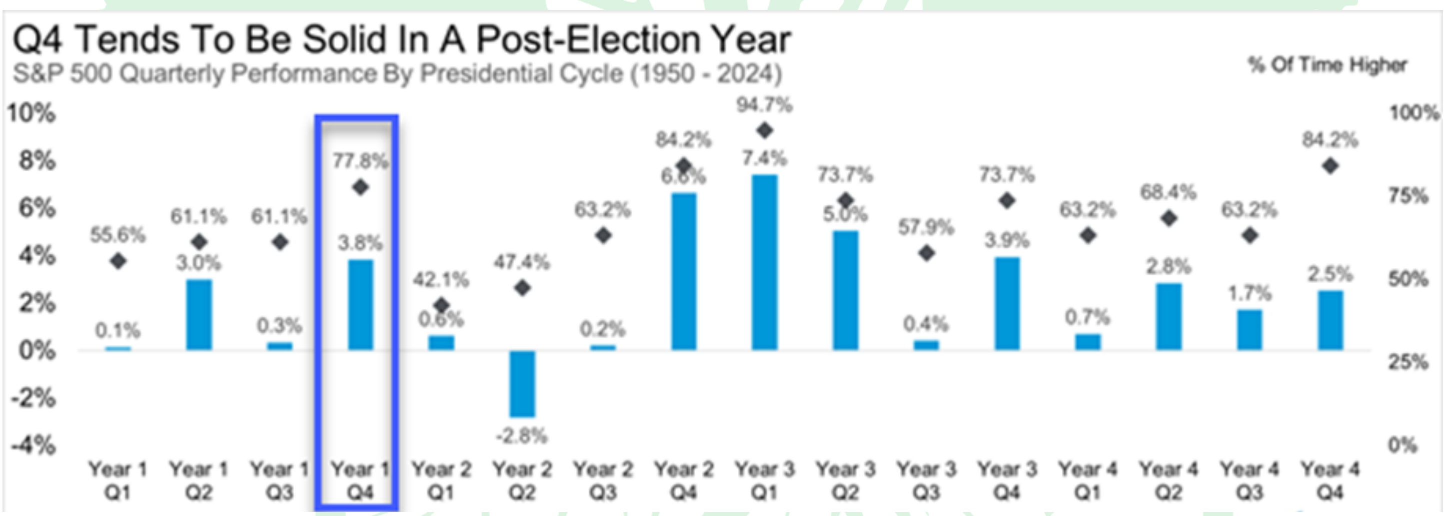
Year	YTD Return End Of September	S&P 500 Index Returns October Return	Q4 Return
1950	15.8%	0.4%	5.0%
1951	13.9%	-1.4%	2.2%
1954	30.2%	-2.0%	11.4%
1955	21.4%	-3.1%	4.1%
1958	25.2%	2.5%	10.3%
1961	14.8%	2.8%	7.2%
1963	13.6%	3.2%	4.6%
1964	12.2%	0.8%	0.7%
1967	20.4%	-2.9%	-0.2%
1975	22.3%	6.2%	7.5%
1976	16.7%	-2.2%	2.1%
1979	13.7%	-6.9%	-1.3%
1980	16.2%	1.6%	8.2%
1983	18.1%	-1.5%	-0.7%
1987	32.9%	-21.8%	-23.2%
1988	10.0%	2.6%	2.1%
1989	25.7%	-2.5%	1.2%
1991	17.5%	1.2%	7.5%
1995	27.2%	-0.5%	5.4%
1996	11.6%	2.6%	7.8%
1997	27.9%	-3.5%	2.4%
2003	13.2%	5.5%	11.6%
2009	17.0%	-2.0%	5.5%
2012	14.6%	-2.0%	-1.0%
2013	17.9%	4.5%	9.9%
2017	12.5%	2.2%	6.1%
2019	18.7%	2.0%	8.5%
2021	14.7%	6.9%	10.6%
2023	11.7%	-2.2%	11.2%
2024	20.8%	-1.0%	2.1%
2025	13.7%	?	?
	Average	-0.3%	4.3%
	Median	0.0%	5.2%
	% Higher	50.0%	83.3%
Average Year (1950 - 2024)			
	Average	0.9%	4.2%
	Median	0.9%	5.3%
	% Higher	58.7%	80.0%

More About the Fourth Quarter

Another positive is that the fourth quarter historically has been the best quarter of the year, higher 80% of the time and up 4.2% on average. It hasn't even really been close.



Breaking things down by the four-year Presidential cycle shows once again this quarter tends to be quite solid in Year 1 of the cycle.



Finally, the S&P 500 made eight new all-time highs in September, the most since 2017. We found the fourth quarter has been higher more than 90% of the time (20 out of 22) when stocks hit a new high in the historically weak month of September.

New Highs In September Are A Good Sign

S&P 500 Returns When New Highs Are Made In September (1950 - Current)

Year	Number Of All-Time Highs In September	S&P 500 Index Returns: October Return	S&P 500 Index Returns: Q4 Return
1954	5	-1.9%	11.4%
1955	11	-3.0%	4.1%
1958	3	2.5%	10.3%
1961	1	2.8%	7.2%
1963	6	3.2%	4.6%
1964	2	0.8%	0.7%
1965	1	2.7%	2.7%
1967	7	-2.9%	-0.2%
1968	3	0.7%	1.2%
1980	5	1.6%	8.2%
1986	1	5.5%	4.7%
1989	1	-2.5%	1.2%
1992	1	0.2%	4.3%
1995	10	-0.5%	5.4%
1996	4	2.6%	7.8%
2013	1	4.5%	9.9%
2014	2	2.3%	4.4%
2017	9	2.2%	6.1%
2018	1	-6.9%	-14.0%
2020	2	-2.8%	11.7%
2021	1	6.9%	10.6%
2024	5	-1.0%	2.1%
2025	8	?	?
	Average	0.8%	4.7%
	Median	1.2%	4.7%
	% Higher	63.6%	90.9%
Average Year (1950 - 2024)			
	Average	0.9%	4.2%
	Median	0.9%	5.3%
	% Higher	58.7%	80.0%

The bottom line is while I have remained bullish throughout the seasonally weak period, even I have been surprised by the market strength seen the past few months. Then again, surprises happen to the upside in a bull market and as I have been saying for a long time now, this is a bull market.

I expect to see more gains in the fourth quarter of 2025, but after being up five months in a row, the chances for a little pause in October are rather high. I'd expect any weakness to be fairly contained, and possibly even an opportunity before a potential end-of-year push higher.

At the end of the day, markets will rise and fall, but my focus remains on what matters most– helping you stay grounded, confident, and on track toward your long-term goals. Regardless of the path forward, I remain committed to guide you through uncertainty with perspective, discipline, and strategies designed around your unique needs.

Thank you for the trust you place in me – it's truly a privilege to be part of your journey.

Warmly,

Aaron Pedlar, HBA, CHS, PFA