

## Market review

Stock market indices continue to rise despite the many uncertainties that loom. The main indexes are posting returns that are considerably higher than the expectations of most analysts. But beneath the surface, we can see a lot of movement and surprising and unexpected events. The star of 2025 so far is undoubtedly gold. Its 43.75%<sup>1</sup> increase in the first nine months has aroused the enthusiasm of many. The craze is not without reason: the increase has been impressive. While the yellow metal had been somewhat forgotten by the average investor in recent years, its popularity is reaching new heights, and it is not difficult to find a host of new products promising to make a fortune off of the recent trend. Whether we like it or not, it is much easier to gain investor interest with what has already risen a lot recently.

The other surprise of 2025 is the underperformance of the US stock market. Its return of nearly 15%<sup>2</sup> is very acceptable but lags the Canadian and international stock markets. Recall that at the end of June, the S&P500 was unchanged for the first six months of the year, somewhat battered by concerns about the release of Chinese AI app Deepseek and Donald Trump's tariff announcement in April. Following a 15% decline, the index has continued to climb in recent months. However, it has not outperformed other indices during this rally, which is worth noting.

The unpredictability of Donald Trump's moods continues to cloud the economic outlook, although the markets seem to have developed a certain immunity to his outbursts. They seem to want to comfort themselves in the thought that unpredictable is the new predictable. But concerns remain. The markets are tired of seeing Mr. Trump act like a furious tornado and sow chaos, especially since to date there is no concrete result to show despite all his bluster; the price of groceries is still higher, uncertainty is dragging down the economy to an undetermined degree, and the overall incompetence of the Trump administration is unerring markets. The stock markets were nevertheless supported by earnings growth, considered excellent by analysts. Tech stocks and anything that mentions AI still have the

<sup>1 2</sup> Thompson One FBN 2025

same outsized impact on the US index. The question on everyone's lips is whether these stocks are in a bubble situation that could presage a painful deflation at the manifestation of the slightest trigger.

In this regard, it is important to refer to the bursting of the tech bubble of 2001-2002 to remember that even if such a scenario were to be repeated, it is not synonymous with a collapse of a properly diversified portfolio, because several asset classes have the potential to take over, asset classes that many investors and managers may have forgotten these days. From the beginning of 2000 to the end of 2002 for example, the S&P500 fell by 31%<sup>1</sup>, and the NASDAQ eventually lost 78%<sup>2</sup> of its value. Over the same period, dividend stocks increased by 39%<sup>3</sup> in Canada and by the same amount in the United States, real estate investment trusts by 58%<sup>4</sup> and gold by 33%<sup>5</sup>. Chances are, it's been a while since you've heard about all these markets in the last few years! Yet remaining diversified among many asset classes is the best defense in the event of a bubble bursting. Z SC

On our side of the border, the Liberal party successfully passed its budget in Parliament winning three confidence votes. This avoids a December election, to pretty much everyone's relief. US tariffs are creating a major drag on the Canadian economy, pummeling the auto, steel, and aluminum industries especially. The Federal budget makes a major change in priorities intended to address the repercussion, with sustainability and budget concerns set aside, at least for the time being. Government representatives, including Mr Carney have been racking up their frequent flyer points zigzagging the globe, signing trade agreements with several nations in an attempt to blunt the impact of tariffs on our economy.

<sup>1 2 3 4 5</sup> Croesus FBN Reports 2000-2002

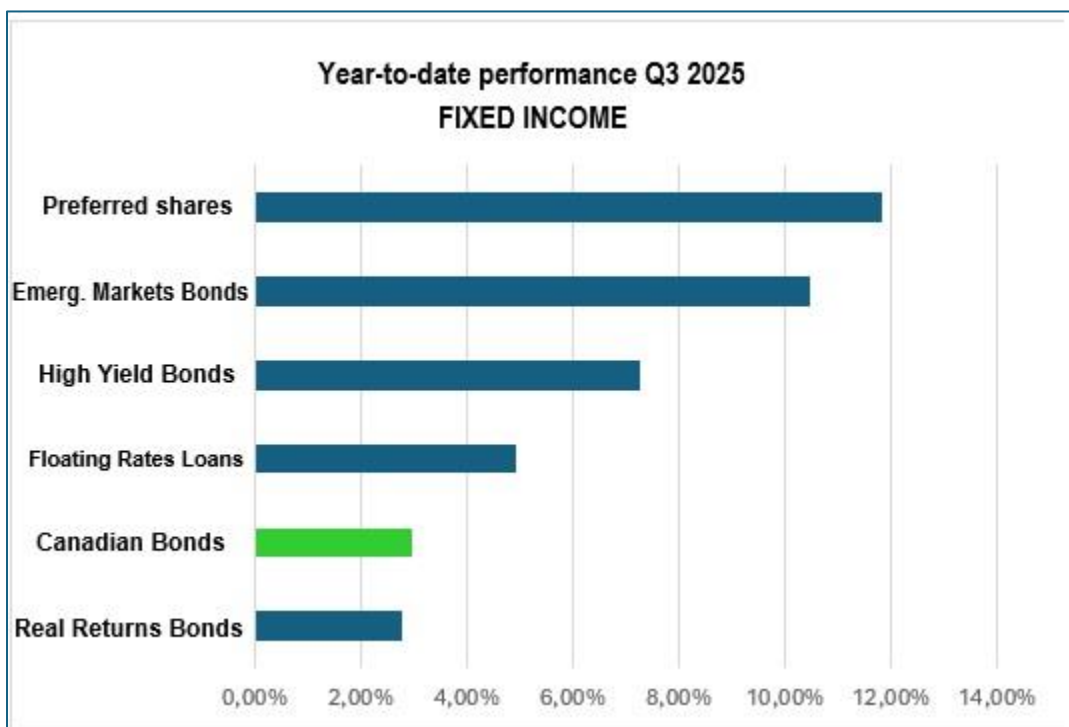


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I have written this report to the best of my judgement and professional experience to provide you with my views on various investment solutions and considerations. The views expressed herein, which represent my informed opinion and not a research analysis, do not necessarily reflect those of NBF.



Source : Ishare/Blackrock 2025



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## Rebalancing

With the rise in the price of gold, it is no surprise that the position has been rebalanced a few times, taking profits on the uptrend. The emerging market index, large-cap growth stocks and the TSX were also subject to downward rebalancing. The fixed income indexes have been rebalanced upwards to maintain their target weights.

## Rotations

On the rotation side, the international equity index was added to the portfolio. The TSX Index was sold in late August but returned to the portfolio at the end of September, replacing the Canadian Preferred Share Index that had been held since May. As of the beginning of October, there are no fixed income positions among the five asset classes in the rotation portfolio. The robust uptrend in equity markets have relegated fixed income to the background.



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