Financial HARTbeat

Quiet September
Sept 30th 2025

Good Morning,

Historically Septembers have come in like a lion…this year a different kind….

What will October have in store for us?

Rates cuts into year end? More liquidity, less liquidity….been a extremely uncertain year and market are climbing the wall of worry, which can be seen by fear greed index…hovering around 60 all month while markets hit new highs..

Catch the playback of our Weekly Roundup ***Click here***

Chart of the Day: Flows play a major role in market direction these days..

Table 1: ETF Flows by Category

	AUM ($B)	Mkt Shr	Aug 2025 Flow ($B)	Aug 2025 Flow/ AUM	YTD Aug 2025 Flow ($B)	YTD Aug 2025 Flow/ AUM
Equity	$9,299		$57.2	0.6%	$404.8	5.1%
U.S. Broad/Large-Cap	$3,471	28%	$15.0	0.4%	$159.2	5.3%
U.S. Other	$3,840	31%	$25.2	0.7%	$107.6	3.1%
Int'l / Global	$1,590	13%	$16.9	1.1%	$120.6	10.0%
Emerging Markets	$398	3%	$0.1	0.0%	$17.4	5.3%
Fixed Income	$2,081	17%	$49.7	2.5%	$262.4	14.7%
Commodity	$233	2%	$4.9	2.2%	$28.1	17.8%
Multi-Asset	$287	2%	$8.8	3.2%	$73.3	34.6%
Levered Long	$130	1%	-$3.7	-2.8%	-$11.4	-9.6%
Inverse	$14	0%	-$0.1	-1.0%	$6.8	56.6%
Crypto-Asset	$173	1%	$3.7	2.1%	$31.5	26.2%
Total	**$12,216**	**100%**	**$120.3**	**1.0%**	**$795.6**	**7.8%**

Source: NBF ETF Research, Bloomberg. Data as of August 31, 2025.

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Top News

Futures point to lower open on Tuesday, as investors awaited a crucial labor market report, while worrying over likely delays of key economic data due to a potential government shutdown. After a meeting between President Donald Trump and top Democrats and Republicans, Vice President JD Vance said Monday evening: “I think we’re headed to a shutdown because the Democrats won’t do the right thing.” Investors are already wary about a slowing labor market, the risk of stagflation and elevated stock valuations. The Labor Department also announced Monday that the September nonfarm payrolls report scheduled to release Friday will not come out if the U.S. government suspends operations.

With the possibility of delayed data looming over markets, the economic reports due on Tuesday, including the Labor Department's Job Openings and Labor Turnover Survey for August and the Conference Board's consumer confidence index, could carry added significance and attract heightened scrutiny. Oil prices fell on Tuesday ahead of another anticipated production increase by OPEC+ and as the resumption of oil exports from Iraq's Kurdistan region via Turkey reinforced market expectations of a supply surplus. London stocks were steady on Tuesday and were on track to end the third quarter higher, while ASOS slid after the fashion retailer issued a revenue warning.

Britain's economy slowed in the second quarter of 2025 after a strong start to the year, official figures showed on Tuesday, highlighting the challenges facing finance minister Rachel Reeves as she prepares for November's annual budget. British gross domestic product growth slowed to 0.3% in April to June, from 0.7% in the first three months of the year, unrevised from initial ONS estimates and in line with economists' expectations in a Reuters poll. European shares eased on Tuesday with heavyweight energy stocks leading losses due to a drop in oil, while investors weighed the potential impact of a U.S. government shutdown that could delay the release of the closely watched monthly jobs data. German inflation accelerated more than expected in September, rising for a second consecutive month and bringing an end to the disinflationary process of the previous months.

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China and Hong Kong stocks closed higher on Tuesday, extending their winning streak to a fifth consecutive month, buoyed by optimism over policy support ahead of key holidays. China's manufacturing activity shrank for a sixth month in September, an official survey showed on Tuesday, suggesting producers are waiting for further stimulus to boost domestic demand, as well as clarity on a U.S. trade deal.

Japan's Nikkei share average fell for a third session on Tuesday as investors adjusted their portfolios and corporates avoided buybacks as the first half of the nation's fiscal year drew to a close. Japan's factory output fell more than expected while retail sales declined for the first time in over three years in August, government data showed, heightening uncertainties about the economic outlook

Market Calm Heading into 4Q (Argus)

After a period of intense market volatility in the spring -- including one point at which the S&P 500 had fallen 19% from its all-time high -- the closely-watched VIX Volatility Index declined back below its historical average of 20 during the summer and seems to be calm as the autumn leaves start to fall. Meantime, stock prices have recovered all of that lost ground and then some: the S&P 500 has been flirting with all-time highs. We can't say that the March-April downdraft wasn't unexpected. Indeed, in our 2025 Market Outlook, we noted that investor complacency was high, that tariffs and trade wars could slow the economy, and that stock valuations were susceptible in the event of a sell-off in the IT sector. That was our Bearish Case. Our Base Case called for another year of growth in the U.S. economy (and no recession), declining interest rates and double-digit EPS growth. Since the planks in the Base Case platform are currently in place, there's reason to expect that equity prices can continue to climb through year-end. Back to the market, the current fear index reading is south of 17.0, which is well below historical average and consistent with a bull market.

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Indeed, during the long bull market in the 2010s, the VIX averaged 18 and even touched lows below 10 in 2017. We continue to think that the S&P 500 is in the early-to-mid stages of a bull market that dates to October 2022. And while the path for equities won't be straight up, we suggest investors favor growth stocks in their portfolios at the current market and economic juncture.

Bond Yields (bps (basis points) negative means prices up and positive means prices down)

Figure 1: **Key Interest Rates (Canada & U.S.)**

Canadian Key Rate	Last	Change bps	Canadian Key Rate	Last	Change bps
CDA o/n	2.50%	0.0	CDA 5 year	2.75%	-3.9
CDA Prime	4.70%	0.0	CDA 10 year	3.19%	-4.3
CDA 3 month T-Bill	2.45%	0.5	CDA 20 year	3.52%	-5.0
CDA 6 month T-Bill	2.43%	0.0	CDA 30 year	3.63%	-3.8
CDA 1 Year	2.43%	-2.0			
CDA 2 year	2.47%	-3.0			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4-4.25%	0.0	US 5 year	3.72%	-1.9
US Prime	7.25%	0.0	US 10 year	4.13%	-1.0
US 3 month T-Bill	3.86%	-1.0	US 30 year	4.71%	0.2
US 6 month T-Bill	3.85%	0.0	5YR Sovereign CDS	40.98	
US 1 Year	3.65%	-0.8	10YR Sovereign CDS	47.85	
US 2 year	3.61%	-2.1			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			678.36	-0.04%	6.76%
BMO Laddered Preferred Shares (ETF)			11.89	-0.34%	8.58%

Source: LSEG

Things are looking up! Have a great day!
Ben

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