

Market Update

October 2025

Canada's Opportunity in a Resilient Global Landscape

As we turn the page on September—a month that's often considered a softer period for markets—we have been reflecting on what has been anything but a quiet time in the financial world. Despite familiar headwinds like the contentious government shutdown in the US, and ongoing global trade and geopolitical tensions, markets across the globe have shown remarkable resilience, pushing to new highs and defying expectations.

Here at home, Canada stands out even amongst this global strength. Our markets have performed exceptionally well throughout 2025, and we're seeing record levels of interest from non-resident investors. This is certainly a positive sign, but it's important not to let this influx of institutional and central bank flows distract us from what really makes an economy sustainable: long-term, foreign direct investment in critical sectors. These are areas where, frankly, we've lost significant ground over the years.

The outlook in Canada, as it currently stands, is not very positive – unless we make long overdue changes immediately. Unemployment is up across the country, productivity, GDP and GDI are down, while the standard of living and affordability is in decline. Despite the urgent need for sensible policy changes and significant deregulation of industry, we need meaningful action, and we needed it yesterday.

Despite the disappointing state of our country, Canada remains uniquely positioned—we have the resources, the talent, and the infrastructure the world wants and needs. Yet, despite these natural advantages, we're facing some real challenges. Uncertainty around policy and a thicket of regulations have made it difficult for our industries to thrive, especially manufacturing, which is currently imploding in this country. The ongoing uncertainty around tariffs only adds to these pressures. Years ago, we made a collective decision to offshore much of our manufacturing capacity, partly to claim faster reductions in greenhouse gas emissions compared to our peers. Meanwhile, we now find ourselves exporting raw materials to countries that use dirtier sources of energy to process them, all while Canada claiming to maintain one of the cleanest energy infrastructures globally. To

put things in perspective, Canada accounts for just 1.4% of global carbon emissions—a fact worth remembering as we map out our path forward.

Since 2015, business investment in Canada has been stagnant. I believe this won't truly change without a meaningful reduction in unnecessary regulations, Ottawa currently overseas more than 330,000 federal regulations across multiple sectors. It's not simply about slashing costs; it's about being smart and strategic. We have untapped wealth beneath our feet, and we should be adding value here at home and across supply chains, both as responsible energy producers and trade partners. With electricity prices up 11% worldwide over the past year and Canada boasting abundant, clean power, there's a real opportunity for us to lead, where frankly we have failed. The upcoming federal budget, expected this November, may well be the most significant in a generation when it comes to re-industrializing our economy and ensuring our continued economic sovereignty. Canada needs to reindustrialize and start making things, adding value once more.

This year Gold has been the winning story in Canada. The backdrop for this has been a weakening US dollar and the long standing, inverse relationship between the price of Gold to US dollar, as some central bankers opted to buy gold and other currencies over US dollar uncertainty. The US dollar still looks like it could pullback as much as another 20%, conversely, we think gold may have as much as 20% more potential upside. Gold often falls fast though, and it has not been seen at these valuations since the 80s.

Looking ahead, Canada has a rare window to re-establish itself as a principled and responsible global leader. If we're smart and decisive, we can reindustrialize to create a better standard of living for future generations—working alongside both global and our American neighbours. We have what the world wants and needs. Now it's time to show that we know what to do with it, and that we're ready to act in our own best interests.

Canada: The industrial implosion

Investment in industrial machinery and equipment (volumes)



Globally, we're seeing that markets and economies have become more adept at navigating policy shockwaves and shorter political cycles. Private sector resilience is on full display, with consumers driving strong spending, healthy profit margins, and increased productivity—even as headlines predict doom. Remember the three years we spent bracing for the most well anticipated recession in history, that never came? The lesson is clear: the private sector has learned to persevere, and so should we.

Of course, market corrections and shocks are part of the journey, and prices in certain sectors will be reevaluated at times, however we do not expect these corrections to be long-lasting. Instead, we'll be watching for opportunities to invest in great businesses at reasonable prices—because, as the saying goes, you should never waste a good crisis.

Recently, we had dinner with a respected Wall Street strategist and former member of the Federal Reserve Board of Governors. When we asked him if Canadians should worry about what sometimes looks like chaos and infighting south of the border, he just smiled and said, “We’ve always been fighting—first the British, then ourselves, then everyone else, then the civil rights era... and then everyone again. Is it really all that different? Life and business go on.” It was a timely reminder that resilience isn’t new; it’s just part of the fabric of markets and societies in times of drastic and seemingly chaotic change.

As always, thank you for your trust and partnership. We'll be watching developments closely and are here to help you navigate the opportunities and challenges ahead.

We have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. This commentary reflects our opinions alone and may not reflect the views of National Bank Financial Group. In expressing these opinions, we bring our best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of our informed opinions rather than analyses produced by the Research Department of National Bank Financial.

Sincerely,

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Wealth Advisor

Sources: NBF Economics, Yardeni Research

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We have prepared this report to the best of my judgment and professional experience to give you my thoughts on various financial aspects and considerations. The opinions expressed represent solely my informed opinions and may not reflect the views of NBF.

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