



Market Commentary

Q3 2025



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September 2025	3 months (%)	1 Year (%)
Canadian Equities		
S&P/TSX Composite Index	12.50	28.60
S&P/TSX 60 Index	11.52	26.71
S&P/TSX Small Cap Index	20.86	37.20
Canadian Fixed Income		
S&P Canada Agg Bond Index	1.33	2.82
U.S. Equities		
S&P 500 Index	8.12	17.60
Nasdaq Composite Index	11.41	25.42
US Fixed Income		
BBg US Aggregate Bond Index	2.03	2.88
Global Equities		
MSCI World Index	9.48	21.27
MSCI EAFE Index	6.90	19.04
MSCI Emerging Markets Index	13.13	21.71
Global Fixed Income		
FTSE WGBI Index	2.13	4.63

September 2025	S&P/TSX GIC Sectors (CDN)		S&P 500 GIC Sectors (USD)	
Equity Sectors	3 months (%)	1 Year (%)	3 months (%)	1 Year (%)
Information Technology	13.21	46.24	13.19	28.22
Communication Services	7.70	-8.77	12.04	35.55
Consumer Discretionary	3.68	18.99	9.54	20.31
Utilities	6.88	15.70	7.57	11.20
Energy	12.60	24.80	6.21	4.43
Industrials	-1.36	4.11	5.02	15.69
Health Care	5.50	-4.60	3.76	-7.95
Financials	10.60	30.60	3.22	20.75
Materials	37.80	70.76	3.10	-4.27
Real Estate	7.57	-0.60	2.59	-2.24
Consumer Staples	1.57	9.57	-2.36	0.51

Global Markets: Resilience Amid Transition

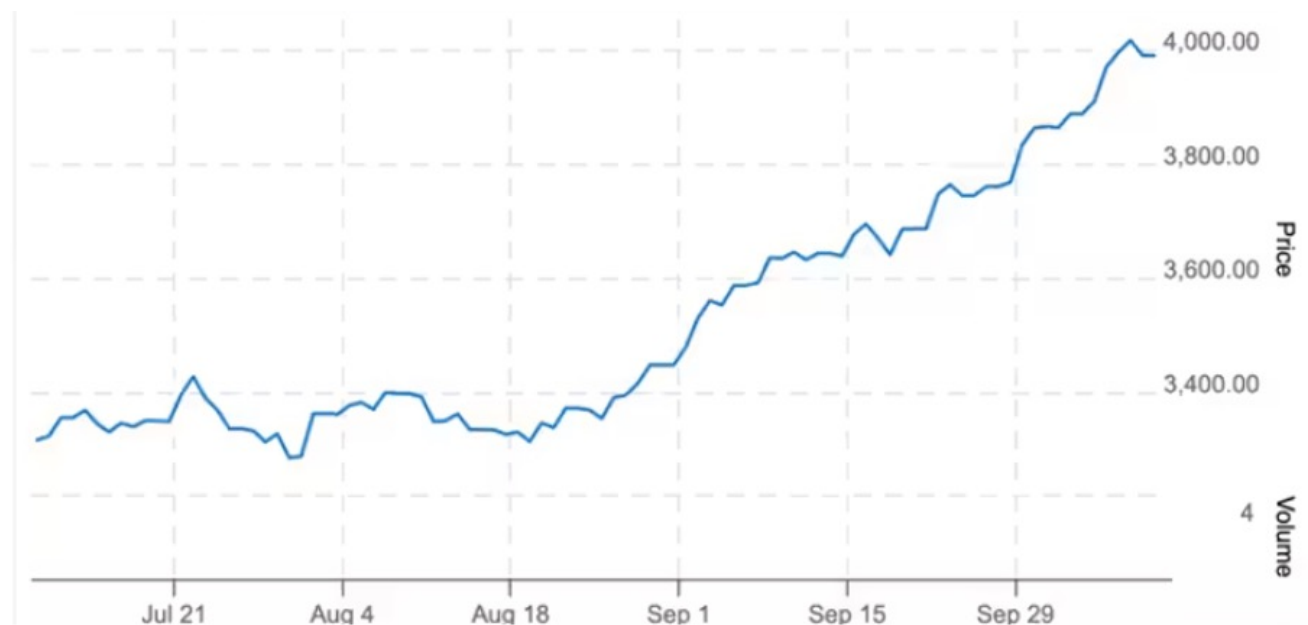
Global markets extended their rally in Q3 2025, supported by central bank rate cuts, resilient corporate earnings, and continued enthusiasm around artificial intelligence (AI). The S&P/TSX Composite, S&P 500, Nasdaq, and Russell 2000 all reached new highs, with small-cap stocks outperforming for the first time since early 2021.

The U.S. Federal Reserve and the Bank of Canada each resumed their easing cycles with 0.25% rate cuts in September, signaling a coordinated shift toward more accommodative monetary policy. This move reflects a response to mixed economic signals: while inflation remains above target, both economies are experiencing slowing job growth and steady consumer spending. These dynamics have prompted policymakers to pivot toward supporting growth, balancing inflation concerns with the need to sustain economic momentum.

AI continues to dominate headlines and drive market performance. Investment in AI infrastructure—spanning chips, cloud architecture, and data centers—grew at its fastest pace since the late 1990s. Companies across the AI supply chain report multi-year backlogs and capital plans in the hundreds of billions.

Gold had a standout performance in Q3 2025, reaching an all-time high of \$3,534 USD per ounce in August, driven by persistent inflation concerns, geopolitical tensions, and strong central bank demand. The rally was further supported by falling interest rates and a weaker U.S. dollar, though volatility remained elevated due to shifting monetary policy expectations and tariff-related headlines.

Gold Price (USD) – Q3 2025



Equity Markets: Broad-Based Gains and Sector Rotation

Equities posted strong gains across the board:

- U.S. equities rose over 8%, with technology leading but cyclical sectors and small caps also rallying.
- Canadian equities joined the global rally, with the S&P/TSX briefly surpassing the 30,000 mark. Strength in materials, gold, and financials helped Canadian stocks outperform their U.S. counterparts for the first time in a rising market since 2016.
- Emerging markets outperformed developed peers, buoyed by stimulus in China and AI-related growth in Asia.

Fixed Income: Rate Cuts and Tight Spreads

Bond markets responded positively to falling interest rates:

- The U.S. 10-year Treasury yield declined from 4.25% to 4.15%.
- Longer-duration bonds outperformed, and corporate credit spreads tightened to levels not seen since the late 1990s.
- In Canada, fixed income markets echoed global trends. Recession fears faded, and corporate bonds traded near historic spread lows. While yields remain attractive, tight spreads warrant caution.

Private Equity: Strategic Deployment Amid Stability

Private equity continued to build momentum in Q3, albeit quietly. Institutional investors selectively deployed capital into high-conviction sectors such as:

- AI and foundational technologies
- Digital health
- Clean energy and infrastructure

With borrowing costs easing and capital waiting on the sidelines, many funds are poised for an active second half of the year. Late-stage valuations held firm, and buyout activity picked up post-volatility, particularly in sectors less sensitive to macro shocks.



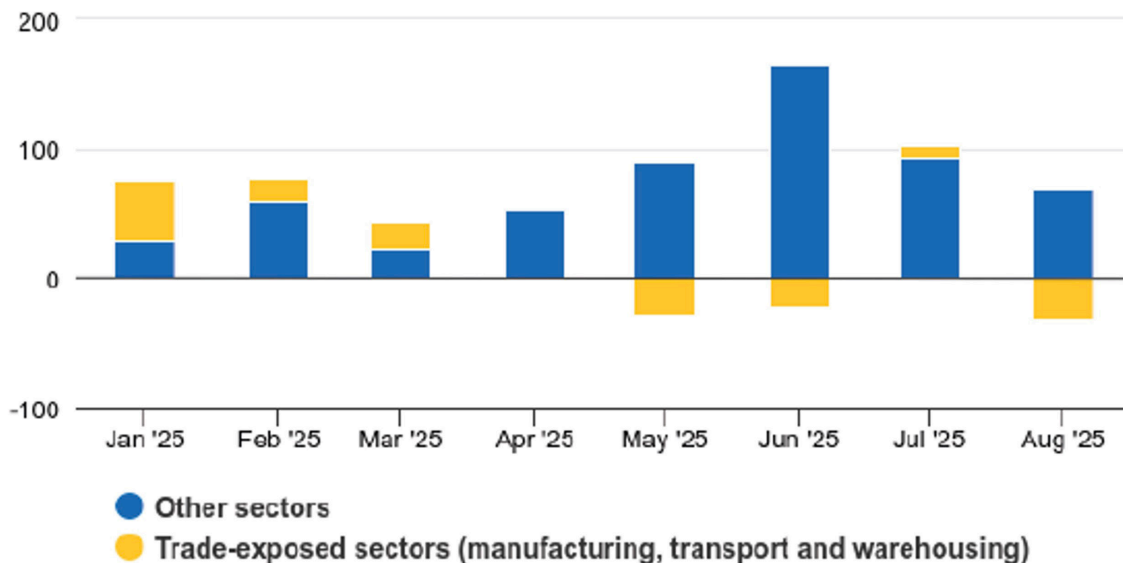
Focus on Canada: Regional Divergence and Trade Headwinds

Canada's economy showed resilience despite ongoing trade tensions:

- Q2 GDP was hit hard by tariffs, especially in manufacturing and exports, but early Q3 indicators point to recovery.
- Export volumes and manufacturing sales rose in July, and consumer spending remained strong.
- The unemployment rate reached 7.1% in August, but job openings and business confidence suggest stabilization.

Job losses in Canada concentrated in trade exposed sectors

Thous., change in employment since December 2024, seasonally adjusted



Source: Statistics Canada, RBC Economics

Regional Highlights:

- Ontario and Quebec faced pressure from U.S. tariffs on metals and manufacturing. Ontario's growth forecast was downgraded to 0.9%, with localized recessions possible.
- British Columbia saw increased lumber duties, prompting a downward revision of its growth forecast to 1%.
- Atlantic provinces and Prince Edward Island outperformed, supported by tourism and construction investment.
- The Prairies remained stable, though Chinese tariffs on canola could pose risks next year.

Looking Ahead: Strategy Over Sentiment

As Q4 begins, investors should remain focused on fundamentals:

- **Monetary Policy:** Central banks are expected to continue gradual rate cuts, but the pace will depend on inflation and labor data.
- **Corporate Earnings:** Q3 earnings season will be closely watched for signs of margin pressure and tariff impact.
- **AI Investment:** While enthusiasm remains high, valuations are stretched. Any disappointment could trigger volatility.
- **Trade Policy:** U.S. and Chinese tariffs remain a wildcard, with CUSMA exemptions critical to Canada's export stability.
- **Private Equity Outlook:** Deal activity is expected to rise, especially in sectors resilient to macro shocks.



Final Thoughts: Stay Disciplined and Invested

Markets are navigating a delicate balance between optimism and caution. Rate cuts have provided support, but valuations and geopolitical risks warrant vigilance. Diversification, resilience, and a long-term strategy remain essential. Work with your Mandeville Advisor to tailor your strategy, adapt portfolios, and seize opportunity.

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