



Weekly Market Commentary



Friday, October 31, 2025

"Every wave, regardless of how high and forceful it crests, must eventually collapse within itself."

Stefan Zweig

Next week's earnings releases of note:

Palantir Technologies (PLTR); Advanced Micro Devices Inc. (AMD); Shopify Inc. (SHOP); UBER Technologies (UBER); Toyota Motor Corp. (TM); McDonald's Corporation (MCD); Qualcomm Inc. (QCOM); ARM Holdings PLC (ARM); Enbridge Inc. (ENB); Brookfield Asset Management (BAM).

Ideas List:

AtkinsRealis (ATRL)
Brookfield Renewable Corporation (BEPC)
Suncor (SU)
Invesco Oil & Gas Services ETF (PXJ)

Ideas List:

I've added AtkinsRealis (ATRL) and Brookfield Renewable Corporation (BEPC) to the Ideas List this week. It is becoming clearer that energy demand to power A.I. semiconductors, data centers, smart phones, electrification of the global vehicle fleet (trucks and cars) and even stable coins & cryptocurrencies will place the current global electric grid under pressure for years to come. Formerly known as SNC Lavalin, ATRL specializes in engineering services and the development of nuclear capacity. Its shares trade at a low valuation and with limited debt and net cash over \$250MM, the company has a very solid financial foundation to pursue acquisitions and internal growth. TD Securities analyst, Michael Tupholme, has a 12-month target of C\$124 per share. Shares closed at \$100.05 at market close Thursday (Source: TD Securities, "AtkinsRealis - Canada Best Ideas: Favourable growth & margin outlook; attractive valuations", Michael Tupholme, September 10, 2025).

Brookfield Asset Management (BAM) announced a partnership with the U.S. Treasury department this week that looks to build US\$80BN of nuclear capacity in America with Westinghouse. Westinghouse is 51% owned by BAM. Given BAM's broader diversification, BEPC appears to be the best way to invest directly in this initiative. Shares closed at \$59.05 at market close Thursday.

Housekeeping items:

I will be reviewing your capital gain/loss reports starting next week. Keep in mind that tax-loss selling season is getting underway. We tend to see the year's poorer performing stocks continue to do so into November. So, no great need to bottom fish just yet, but there may be some nice bargains later in that month.

General:

Both the Bank of Canada (BoC) and Federal Open Market Committee (FOMC or the Fed) cuts of 0.25% to their respective overnight interest rates on Wednesday. This is likely the BoC's last cut for the cycle. It is expected that the Fed could cut as much as 4 more times (1%) into the end of 2026. Expectations for the cuts were high. As such, markets did not overreact to the announcements. Fed Chair, Jerome Powell, made two important points. One, a December rate cut is not a foregone conclusion. Two, that because of the increasing lack of reliable economic data due to the continued government shutdown the Federal Reserve is "driving in a fog". As the Fed Chair so cogently noted, "What do you do if you're driving in a fog? You slow down." The BOC's policy rate is now 2.25%. This is down from its cycle high of 5% in May 2024. The Fed's overnight rate is now 3.75%-4.00%. Down from its cycle high of 5.50% in September 2024.

The Q3, 2025 U.S. earnings season is shaping up to be quite good. As at last Friday's market close, 29% of the companies in the S&P 500 had reported their Q3 2025 earnings. Year-over-year earnings growth is at a respectable +9.2%. Investors are rewarding share prices of companies with positive earnings surprises by an average of +1.6% - a higher rate than the past 5-year average. They are also punishing the share of companies that miss by a higher rate (-3.5%) than the 5-year average. The data looks a lot more reasonable than the data we got last week (Source: FactSet, "Earnings Insight", October 24, 2025).

I am reading and seeing a lot of comparisons of the current rally in technology themes to those leading up to the technology bubble of 2000/2001. I will acknowledge that the current rally bears hallmarks of a market bubble in the making. The number of non-profitable tech companies is increasing. The Special Purpose Acquisition Corporation (SPAC), also known as the "blank cheque" corporation is making a comeback. Investors are shrugging off valuations because growth rates are high. And the Top-10 companies of the S&P 500 account for 40.4% of the index's total market capitalization. The million-dollar question is "are we in 1997 or 2000". If the current technology rally is at a 1997 level, there's still a good deal on runway left. Not to be too glib, but I suspect midway between the 1997 and 2000 moments because the psychology in the market is not yet at a fever pitch but appears to be heading there.

What I will advise is that you review the technology sector's total allocation in your portfolio and consider taking profits. The indelible aspect of the technology bubble in 2000/2001 that I recall so well was the absolute aversion to paying capital gains taxes. I recall many investors who wouldn't take profits because it meant paying tax. At this stage in the market cycle, most clients have sizable capital gains taxes. It is certainly prudent to try to manage your tax exposure, but don't let your aversion to paying taxes get in the way of making sound strategic investment decisions. One very meaningful way of putting your capital gains to work is to donate securities to your charity(ies) of choice. Many charitable institutions have a simple process to do so. I encourage you to investigate them prior to the end of the year. As noted above in the Housekeeping Items section, I will be reviewing capital gain/loss reports over the next few weeks and will reach out with advice.

Economic Data – U.S.

Due to the U.S. government shutdown, there will be continued delays to expected economic data releases.

Next week we hope to see S&P final services & manufacturing PMIs, ISM manufacturing & services numbers, construction spending, auto sales, the trade deficit, factory orders, ADP employment, initial jobless claims, productivity, wholesale inventories, the employment report, employment rate, hourly wages, consumer sentiment and consumer credit.

While I am not holding my breath for much of this data, even if the government shutdown ends, the ADP employment datapoint is a private payroll number that should be unaffected by the shutdown. I suspect that this number will be weaker than expected.

Inflation Indicators

None reported due to U.S. government shut down.

Productivity Indicators

None reported due to U.S. government shut down.

Treasury/Trade Indicators

None reported due to U.S. government shut down.

Sentiment Indicators

S&P Case-Shiller home price index (20 cities) for August: Actual: 1.60%; Expected: 1.40%; Previous: 1.80%.

Consumer Confidence for October: Actual: 94.6; Expected: 93.2; Previous: 95.6.

Pending home sales for September: Actual: 0.0% Expected: 1.00%; Previous: 4.20%.

Markets

Bullish sentiment is taking the lead again. The major North American stock market indices I monitor are closing in on some historic round numbers. The DOW is closing in on 50,000 points, the S&P 500 on 7,000 and the Nasdaq on 25,000. One thing I have seen on numerous occasions over my 30 years is how often those large round numbers have

acted as magnets, drawing investors in to mark the levels. With the Q3 2025 earning season doing well and the Fed cutting interest rates we may hit those before year-end. Once we do achieve them, we may see more consolidation. Time will tell. In the background, I am monitoring two important patterns that suggest that we are indeed nearing the end of this cyclical bull market that started in 2009.

Commodities and Currencies

The price of gold rallied back above US\$4000/oz this week. There is still very strong support for the trade due to broader concerns about debt management.

The price of oil managed to hang in above US\$60/bbl this week.

The faltered this week. This could be attributable to the frosty reception of Prime Minister Carney from President Trump in South Korea this week.

The S&P/TSX Composite Index closed at 30260.74, down 92.33 points, or 0.30% over the past week.

The Dow Jones Industrial Average closed at 47562.87, up 355.75 points, or 0.75% over the past week.

The S&P 500 Index closed at 6840.20, up 48.47 points, or 0.71% over the past week.

The NASDAQ closed at 23724.96, up 520.09 points, or 2.24% over the past week.

The Russell 2000 Index closed at 246.20, down 3.25 points, or 1.20% over the past week.

The U.S. Corporate High-Yield spread closed at 610.71, up 1.20 points, or 0.20% over the past week. (Note: A decrease is a positive for this measure, vice versa)

The price of GOLD closed at U.S. \$4010.80, down \$107.90 or 2.62% over the past week.

The price of OIL closed at U.S. \$60.87/barrel, down \$0.65 or 1.06% over the past week.

Source: Marketwatch.com October 31, 2025 for Economic Data

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