



ETERNA
FINANCIAL GROUP

MONTHLY

FINANCIAL LETTER

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Despite the U.S. government shutdown and trade tensions that marked October, financial markets have shown remarkable resilience. This monthly letter discusses how investors dealt with the political deadlock in Washington and the U.S.-China trade deal, while also analyzing cautionary signals from central banks.

STOCK MARKETS HIT NEW HIGHS AMID POLITICAL DEADLOCK IN WASHINGTON

The U.S. government suspended nonessential activities on October 1, resulting in an estimated 750,000 federal employees being furloughed. The shutdown was triggered by lawmakers' failure to agree on a bill to fund government services beyond October 1, the date on which the previous federal budget expired. A key sticking point in the negotiations is the funding of healthcare spending. A government shutdown can result in approximately three million federal workers not being paid; they receive their salaries retroactively when government operations resume.

The last government shutdown occurred in 2018–2019, when activities were suspended for a record 35 days. The present paralysis is getting close to that, and the damage to the economy is likely to be greater this time around, as all activities are currently at a standstill, not just five of the twelve sectors as was the case last time. In addition, the shutdown is causing headaches for financial markets, as it delays the release of several economic data points.

As a result, we are sailing in foggy conditions, making it more difficult to stay on course when dealing with the turbulence already caused by U.S. trade policies.

However, October ended on a positive note, with the United States and China announcing that they had reached an understanding to resolve their trade disputes.

Record peaks despite an uncertain environment

Despite such political and trade uncertainties, stock markets continued to rise, even reaching historic highs. In the United States, the technology sector continued to rally, enabling the NASDAQ to post a 4.7% return and reach a record peak. For its part, the flagship S&P 500 Index rose 2.3%.

In Canada, the S&P TSX rose 1.0% over the month. The technology sector was by far the best performer, rising 13.8%; the materials sector was the weakest, with the gold mining subsector falling 6.1%.

In Europe, stock markets continued to perform well, with the FTSE 100 (UK) up 3.9%, the CAC 40 (France) up 2.9%, and the DAX 30 (Germany) up 0.3%. In China, the Shanghai SE index rose 1.9%.

In the fixed income market, the FTSE Canada Universe Bond Index rose 0.63%, while yields declined across all maturities.

Monetary Policies: Rate cuts, but signs of caution

Both the Bank of Canada and the United States Federal Reserve announced a second consecutive cut to their key interest rates.

In Canada, the key interest rate now stands at 2.25%. In the statement accompanying its decision, the Bank of Canada said that the current policy rate is "at about the right level to keep inflation close to 2% while helping the economy through this period of structural adjustment." This means that further rate cuts are not anticipated unless the Canadian economy deteriorates.

The Canadian labour market rebounded in September with the creation of 60,000 jobs, but this increase was not enough to offset the 106,000 jobs lost in the previous two months. Lastly, inflation rose in September, with the consumer price index climbing from 1.9% to 2.4%. However, this increase is hardly cause for concern, given the economic slowdown. For that matter, GDP by industry posted a monthly decline of 0.3% in August, mainly due to weakness in goods-producing industries.

In the United States, the benchmark interest rate now stands at 4%. As in Canada, the statement accompanying the decision was deemed less accommodative by financial markets. While polls predicted another rate cut in December, this now seems less likely. Due to the U.S. government shutdown, only inflation data, which is essential for indexing social

benefit payments, has been released by government statistical agencies.

Total inflation also increased compared to the previous month, reaching 3% annualized. The passthrough of tariffs to prices remains slow but is increasingly being felt, mainly on the goods component.



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KEY TAKEAWAYS

- The U.S. government shutdown, which began on October 1, is approaching the record 35 days set in 2018–2019. The stalemate is delaying the release of crucial economic data, starving markets of information in an already uncertain environment.
- The U.S. and China reached common ground to resolve their trade disputes, marking a positive note after months of tariff tensions.
- Despite political and trade uncertainty, stock markets reached new all-time highs, with the NASDAQ advancing 4.7%, the S&P 500, 2.3%, and the S&P TSX, 1.0%.
- The Bank of Canada and the Fed cut their key interest rates for the second consecutive time, but the more cautious tone of their statements suggests the possibility of a pause in easing unless the economy deteriorates.

ECONOMIC DATA AND CURRENCIES

STATISTICS AS OF OCTOBER 31, 2025									
CANADA			UNITED STATES			CURRENCIES			
Unemployment (Sept.)	7.1 %	-	Unemployment (August.)	4.3%	↓	USD / CAD	0.71	↑	
IPC (Sept.)	2.4 %	↑	IPC (Sept.)	3.0 %	↑	USD / EUR	1.15	↑	
3-month T-Bills	2.25 %	↓	3-month T-Bills	3.80 %	↓	JPY / USD	153.99	↓	
5-year bonds	2.70 %	↓	5-year bonds	3.69 %	↓	The arrow indicates the trend since the publication of the last monthly data or end of the month.			
10-year bonds	3.12 %	↓	10-year bonds	4.08 %	↓				
S&P/TSX	30,261	↑	Dow Jones - Industrial	47,563	↑				
			S&P 500	6,840	↑				

SOURCE: Bloomberg.

MARKET RETURNS

TOTAL RETURNS IN CANADIAN DOLLARS AS OF OCTOBER 31, 2025

	YTD	3 months	1 year	3 years	5 years
FTSE Canada 91 Day TBill Index	2.46%	0.74%	3.09%	4.26%	2.80%
BONDS					
FTSE Canada Universe Bond Index	3.69%	2.98%	4.70%	5.25%	0.13%
FTSE Canada Short Term Overall Bond Index	3.96%	1.81%	4.94%	5.14%	1.96%
Eterna Adapted Private Wealth Index ¹	4.37%	2.40%	5.40%	5.31%	1.43%
FTSE Canada Mid Term Overall Bond Index	4.99%	3.29%	6.08%	5.52%	0.57%
FTSE Canada Long Term Overall Bond Index	1.91%	4.48%	2.73%	4.84%	-2.79%
NORTH AMERICAN STOCK MARKETS					
Canada - S&P/TSX Composite	25.13%	11.70%	28.75%	19.52%	17.64%
United States - Standard & Poor's 500	14.50%	9.57%	22.30%	23.81%	18.82%
United States - Dow Jones Industrial Average	10.42%	9.57%	16.65%	16.54%	15.76%
INTERNATIONAL STOCK MARKETS					
United Kingdom - FTSE-100	25.26%	7.89%	27.65%	21.69%	17.43%
France - CAC-40	19.37%	6.73%	18.04%	15.80%	12.95%
Germany - DAX	30.27%	1.68%	34.17%	29.38%	16.61%
Japan - Nikkei-225	30.81%	26.34%	33.35%	23.50%	10.24%
Hong Kong - Hang Seng	25.75%	6.93%	28.45%	22.34%	2.42%
Australia - S&P/ASX 200	12.11%	4.55%	9.12%	10.79%	7.97%
CURRENCIES					
USD versus CAD	-2.60%	1.11%	0.55%	0.94%	1.01%

SOURCE: Bloomberg. NOTES: Returns over 3-year and 5-year periods are annualized.

¹The Eterna Adapted Private Wealth Index is made up of 60% of FTSE Canada Short Term Overall Bond Index and of 40% of FTSE Canada Mid Term Overall Bond Index.

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