

# Keys to the market

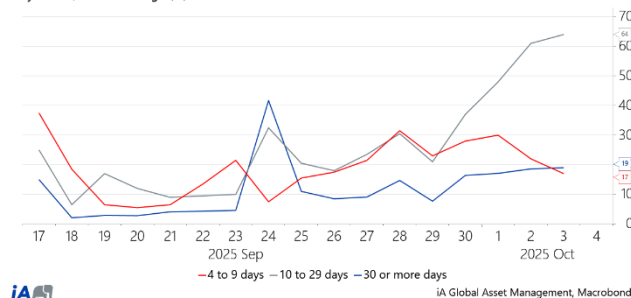
## What happened this week

October 3, 2025

In Canada, manufacturing activity continued to contract in September, with the S&P Global Canada Manufacturing PMI slipping to 47.7 from 48.3 in August. This eighth straight month below the 50-threshold underscored persistent weakness in the sector amid ongoing tariff pressures from the United States, once Canada's top trading partner. In response, Canada is shifting its negotiation strategy to focus on key sectors, such as steel, aluminium, autos, and softwood lumber, with Mark Carney set to travel to Washington early next week to push for tariff relief.

In the U.S., economic signals were mixed. Job openings rose modestly to 7.227 million in August, driven by gains in leisure, health care, and retail, while construction and federal government payrolls declined. The ISM Manufacturing PMI edged up to 49.1 in September, its highest reading during the current seven-month downturn, although still in contraction territory. Production rebounded, but new orders and employment remained weak. The ISM Services PMI fell sharply to 50, indicating that service-sector growth has stalled. The government shutdown that began on Wednesday had limited market impact but threatens coming data releases, including the key inflation report due in mid-October.

**Polymarket: Odds of U.S. Government Shutdown, by length**  
Polymarket, via Bloomberg10/3/2025



## Bond market

Bond yields were a little lower on the week amid a modest flight to quality ahead of the U.S. government shutdown. An important factor for the markets is the amount of key data that won't be published owing to the shutdown, which has left investors parsing the numbers that are being released in an attempt to determine narrative and direction. As a result, bond market movements shouldn't be too pronounced in either direction, pending the resumption of government functioning, which will entail a clearer assessment of underlying economic conditions. Also of interest is how the recent dearth of key data will influence the Fed's coming policy rate decisions, should the U.S. government shutdown become protracted. Nonetheless, the shutdown should be just a blip on the way to

## Highlights

- In Canada, manufacturing contracted for the eighth month as tariff pressures weighed on key sectors.
- In the U.S., mixed data showed rising job openings but stalled services and persistent cost pressures amid a muted impact on markets from government shutdown.

## On our radar

- Canada: Balance of trade for August, Ivey PMI, and unemployment rate for September
- United States: Balance of trade for August and Michigan Consumer Sentiment for October

at least one more 25-basis-point cut this year by the Fed, with two almost fully priced in, and an associated three-handle on 10-year Treasuries. As has been the case with most other events this year, credit spreads don't really seem to care and remain near the low end of the range. We have another earnings season upon us in a week, so it will be interesting to see whether any tariff-related deterioration of corporate profitability affects investor sentiment.

## Stock market

The S&P 500 Index edged higher this week, despite entering the third day of the U.S. government shutdown. Investors are starting to bet on a protracted battle. In the absence of the official jobs report, nongovernment sources indicate a slowdown in hiring.

Pharmaceutical stocks are on track for their best week in 16 years owing to a drug-pricing and tariff deal with the U.S. government. The rally was driven mainly by Pfizer, which announced it would reduce some drug prices for Medicaid recipients and invest in local manufacturing in exchange for a three-year tariff exemption. In addition, the President launched a new direct-to-consumer initiative, called TrumpRx, to provide the public with direct access to certain medications. It's worth noting, however, that the deal is specific to Pfizer, and readthroughs to other companies may be limited.

Nike reported better-than-expected sales for the first quarter, driven by strong performance in North America and the successful relaunch of its store on Amazon. Although overall sales increased during the quarter, management warned that some regions, particularly China, remain weak and may take longer to recover. This situation complicates the company's efforts to achieve a turnaround.

# Markets

(Total return, in CAD)

As of October 2, 2025	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %		CA	U.S.
<b>Equities</b>							<b>Bond Yields</b>		
S&P 500	1.31	0.84	12.03	23.33	25.81	17.59	2Y	2.45	3.54
S&P/TSX	1.44	0.46	24.51	29.01	21.50	16.69	5Y	2.72	3.67
NASDAQ	1.81	1.29	15.10	30.27	32.14	17.69	10Y	3.18	4.08
MSCI ACWI	1.47	0.92	14.66	22.90	24.61	15.53	30Y	3.66	4.69
MSCI EAFE	2.09	1.20	22.52	20.57	22.70	12.37	<b>Credit Spreads</b>		
MSCI EM	3.44	2.05	26.59	24.07	20.12	8.86	IG corporate bonds	93	75
<b>Commodities (USD)</b>							HY bonds	284	281
Gold	2.57	-0.06	46.95	44.81	32.43	15.14			
CRB	-0.01	0.04	1.79	1.35	-0.80	6.21			
WTI	-7.97	-3.03	-15.67	-13.39	-8.71	9.33			
<b>Fixed income</b>									
FTSE TMX Canada Universe	0.34	-0.07	2.91	2.81	4.63	-0.21			
FTSE TMX Canada Long	0.41	-0.42	0.20	-0.76	3.26	-3.55			
FTSE TMX Canada Corporate Overall	0.30	-0.03	4.10	5.11	6.82	1.77			
<b>Currencies</b>									
DXY	-0.31	0.07	-9.81	-3.31	-4.44	0.87			
USDCAD	0.24	0.34	-2.89	3.54	0.33	1.00			
USDEUR	-0.11	0.15	-11.63	-5.52	-5.77	0.05			
USDJPY	-1.49	-0.43	-6.32	2.57	0.58	6.89			
USDGBP	-0.28	0.04	-6.88	-1.16	-5.98	-0.83			

Source: iA Global Asset Management. Bloomberg

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