The Dream Achiever

DD HUMES

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INSIDE THIS ISSUE

"Step with care and great tact, and remember that life's a great balancing act."

~ Dr. Seuss

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Investia Financial Services Inc.

Balancing act

Just as a tightrope walker keeps eyes forward rather than down, successful investors focus on the long view. The third quarter has seen markets settle after their record highs in June. Equities have paused for breath, bond yields have softened, and commodities have levelled out following an earlier surge. The overall picture is neither euphoric nor alarming—it's one of cautious optimism, where staying steady may again prove the winning move.

Investment markets delivered another strong performance through the summer, with major equity indices across the globe extending their advances during the three months ending September 30th. Canadian and U.S. bonds also rose, and gold reached a record high on the final day of the quarter. Yet beneath the surface, economic data from both sides of the border underscored diverging trends—U.S. resilience contrasted with Canadian softness.

Measured in Canadian dollars, equity and fixed income markets advanced broadly in the third quarter. The S&P/TSX Composite Index surged 12.5% in Q3 (18.2% YTD), powered by strength in the materials, energy, and gold sectors. South of the border, the S&P 500 Index gained 8.0% in Q3 (15.4% YTD), while the MSCI World Index rose 7.5% for the quarter (14.1% YTD). Bonds also contributed positively, as the FTSE Canada Universe Bond Index returned 1.5% in Q3 (4.2% YTD), reflecting lower yields and growing expectations for further central-bank easing.

Gold delivered standout results, climbing 16.3% for the quarter in CAD terms and setting a new all-time high in September. Oil prices softened late in the period, with Brent crude down about 4% for the quarter. The Canadian dollar strengthened modestly against the U.S. dollar, closing September near US$0.718, down 1.75% for the quarter but still up amount 3.31% for the year. This mixed performance reflected a balance between rising commodity prices and weaker domestic economic data.

In Canada, growth remained sluggish. GDP rose a modest 0.2% in July, following a 0.4% contraction in the second quarter, while preliminary estimates for August showed little change. Exports weakened under the weight of tariff impacts and slower business investment, though consumer spending and inventory accumulation provided some offset. The labour market softened further, with the economy shedding 66,000 jobs in August and the unemployment rate rising to 7.1%. Inflation, at 1.9% annualized in August, stayed within the Bank of Canada's 1%–3% target range—helped by lower gas prices but held up by higher food and shelter costs.

Reflecting this cooling backdrop, the Bank of Canada trimmed its overnight rate by 25 basis points to 2.50% in September. Governor Tiff Macklem reiterated a cautious, data-dependent stance, emphasizing that labour market softness and subdued core inflation remain central to policy direction. Fiscal considerations also loomed in the background, with the Parliamentary Budget Officer projecting a wider federal deficit in the year ahead.

The U.S. economy maintained stronger momentum through Q3. A final estimate of second-quarter GDP showed 3.8% annualized growth, up from a prior 3.3% estimate, driven largely by robust consumer spending, which accounts for roughly 70% of the economy. Inflation edged up to 2.9% in August, while retail sales rose 0.6% month-over-month, exceeding expectations and underscoring the resilience of household demand. However, the strength was tempered by emerging signs of slowdown. A comprehensive revision by the U.S. Department of Labor revealed that employers created 911,000 fewer jobs between April 2024 and March 2025 than originally reported. August's nonfarm payrolls added only 22,000 positions—well below forecasts—while unemployment ticked up to 4.3%, the highest since late 2021. Manufacturing remained in contraction for a sixth consecutive month, with the ISM manufacturing index at 48.7 in August.

Acknowledging the shift, the Federal Reserve reduced its benchmark rate by 25 basis points to 4.00%–4.25%, with Chair Jerome Powell describing the move as a "risk management cut" aimed at cushioning the economy against rising downside risks in employment and output.

Continued on Page 2

Market Overview Continued

What we can expect now?

The recent markets have been great but the path forward remains uncertain. Trade negotiations between Canada and the U.S. continue to evolve, and ongoing talks between the U.S. and China seek to prevent further escalation in global trade tensions. Job creation is slowing across both economies, and a U.S. government shutdown as Q4 begins could inject fresh volatility into markets. The overall environment remains one of cautious confidence—an economy that continues to walk the line between expansion and restraint, with markets pricing in a soft landing rather than a stumble.

For investors, the message is clear: balance matters more than boldness. After a year defined by volatility and recovery, this is a time to ensure portfolios remain aligned with long-term objectives—well-diversified across regions and asset classes, and positioned to participate in growth **without leaning too far toward risk**. As always, we welcome the opportunity to review your portfolio positioning and asset allocations in light of recent market strength and your personal financial goals. We're here to help you stay balanced on that high wire—eyes forward, steady pace, and confidence in the long view.

Planning items

- **RRSP Contribution Room for 2025:** Please provide us your room for the 2025 tax year as per your 2024 Federal Notice of Assessment. The maximum limit for 2025 is $32,490. You may need to adjust your automatic savings plans for the coming year accordingly. **You can make us a tax representative** and we'll be able to get this information from the CRA for you.
- **Registered Education Savings plan (RESP) contributions:** Quebec beneficiaries get the added 10% QESI grant from the provincial government increasing the overall grant to 30%!
- **Tax Free Savings Account (TFSA):** A new $7000 of room available since January 1, 2025. Total room since 2009 is $102,000.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2025 (born in 1954) will need to convert their RRSPs (LIRA) into RRIF (LIF) accounts before the end of the year. We will be in contact to assist you on how to get that done if you haven't done so already.
- **Your Annual Review:** It is important to inform us of any changes taking place in to see the effects on your plan.
- **$2K pension deduction:** Those who turn age 65 in 2025 or older and not already receiving recognized pension income.
- **Estate planning:** A reminder that your **wills and mandates** should always be in order.

Planning corner – TFSA reminders and new 2026 contribution room

Looking ahead to 2026, the Tax-Free Savings Account (TFSA) annual contribution limit is to remain at $7,000, the same as in 2024 and 2025. That would bring the total cumulative contribution room to approximately $109,000 for someone who has been eligible and contributing since the TFSA's introduction in 2009.

While the TFSA remains one of the most flexible and tax-efficient investment tools available to Canadians, it also requires careful monitoring—especially as accounts grow and contributions are made across multiple institutions.

The Canada Revenue Agency (CRA) has noted a steady increase in TFSA over-contributions, which can happen when transfers, automatic deposits, or multiple accounts unintentionally push investors above their available limit. These excess amounts are subject to a 1% per month penalty until they're corrected—something easily avoided with a bit of oversight and coordination. We keep spreadsheets our clients for the TFSA contributions made with us to help manage the confusion but we are not the official book of record.

To help reduce that risk of overcontribution, clients can authorize DD Humes to be a CRA tax representative. This allows us to monitor your TFSA contribution room directly with the CRA, verify accuracy, and ensure your savings strategy stays optimized and compliant. It's a simple step that provides added peace of mind and helps keep one of your most powerful tax shelters working exactly as intended. If you have access to the CRA "My Account" portal, we can give you the information to add us in just minutes.