FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

FINANCIAL RISK MANAGEMENT

NOVEMBER 2025

GOOD DAY

INTRODUCTION

October confirmed how fragile the global recovery remains. In Canada, a rate cut accompanied easing inflation, yet trade frictions linger. The United States continues to grow despite record debt and another budget standoff. Across Europe, monetary stability is sustained through rising fiscal efforts, while the United Kingdom struggles to revive growth without reigniting inflation. In China, industrial output keeps growth afloat despite deflation and a deepening property crisis. Meanwhile, a sharp decline in oil prices reflects both global oversupply and geopolitical strains that continue to reshape the world's economic balance.

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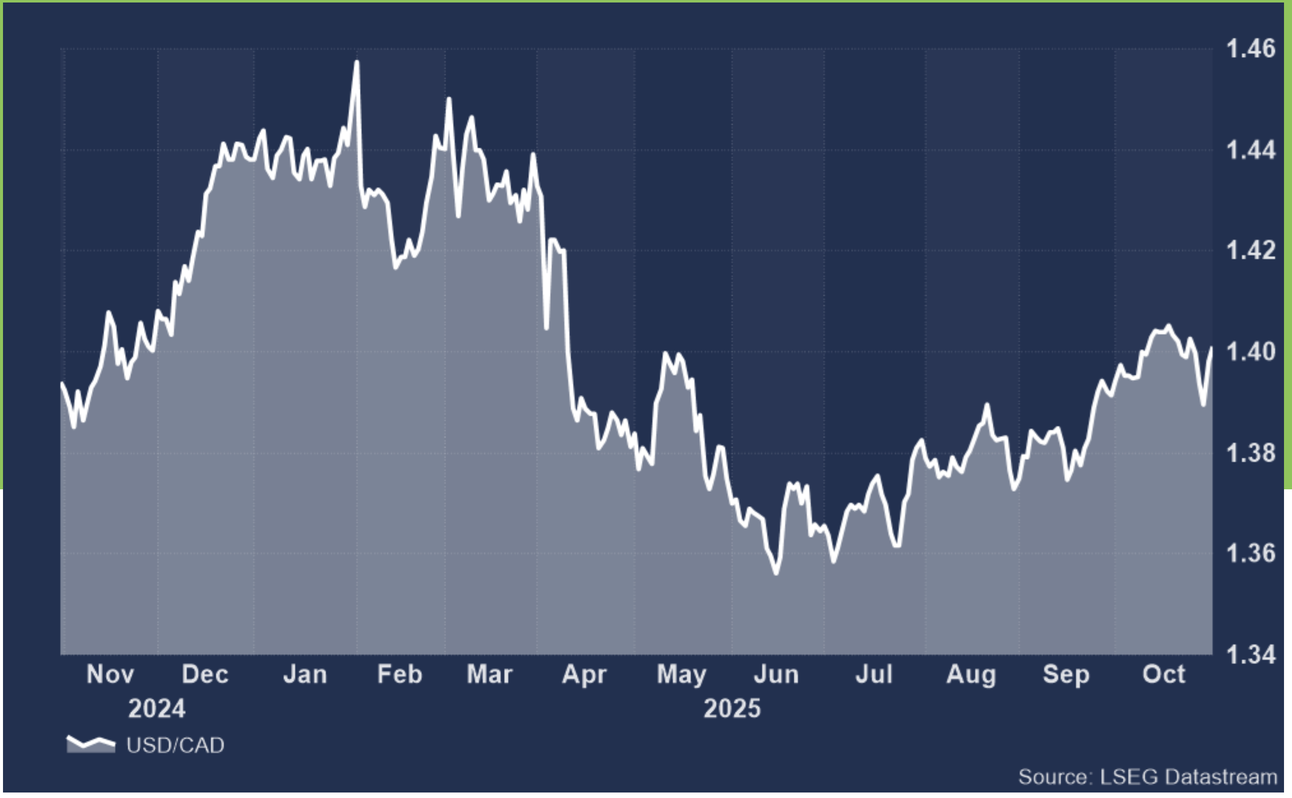
CAD



ZOOM ON ▼
THE CANADIAN DOLLAR

MORE DETAILS

The USDCAD pair moved from 1.3935 to 1.4011 in October, marking a modest depreciation of the loonie against the U.S. dollar. The shift reflects investor caution following the Bank of Canada's decision on October 29 to cut its policy rate to 2.25%. In its statement, the Bank said that "monetary policy remains restrictive, but the risks of a prolonged recession are fading." The move was widely interpreted as a signal of confidence that inflation is returning sustainably to target.

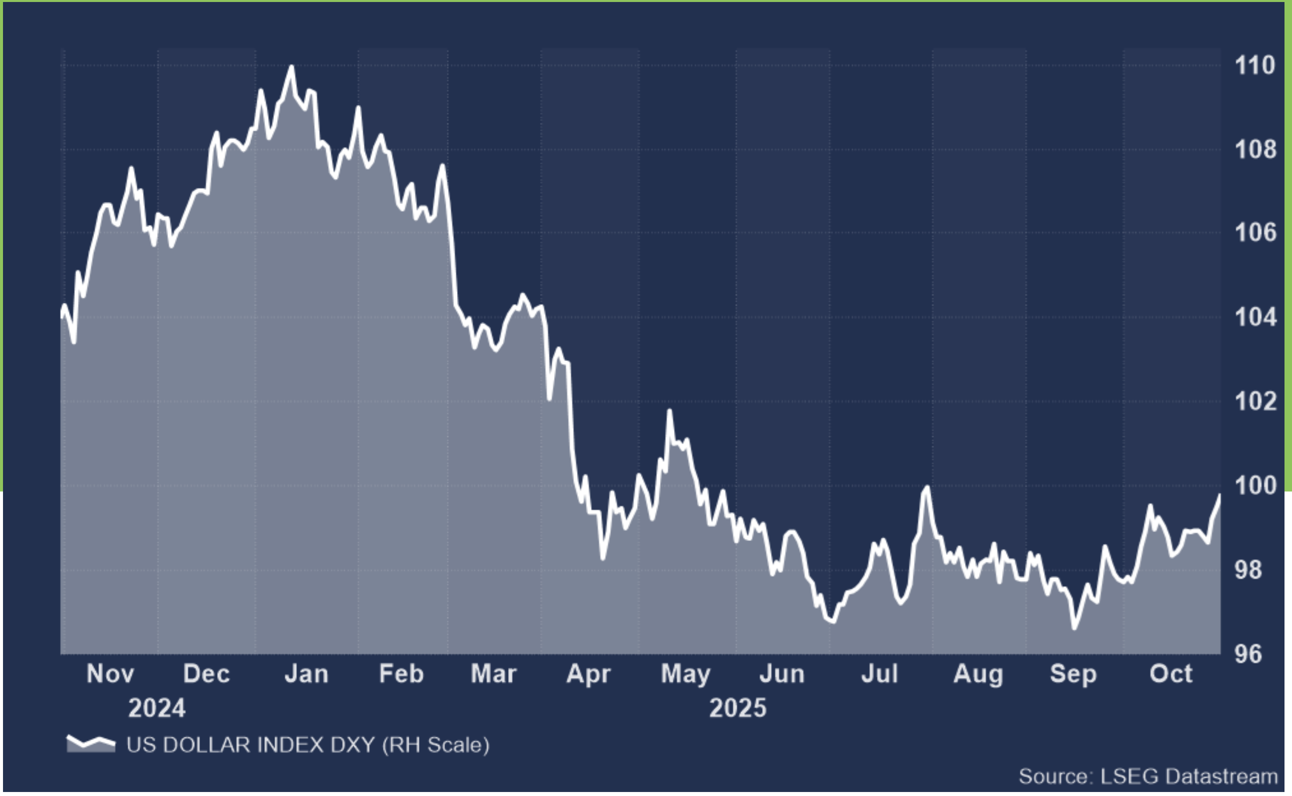
Inflation eased to 2.4% in September, its lowest level in two years, thanks largely to lower energy and food costs. Yet this moderation hides a more delicate reality. Household spending has stalled, mortgage refinancing continues to weigh on disposable income, and wage growth is showing signs of fatigue. Economists now speak of a possible "soft stagflation," combining flat growth with inflation stuck near 2%.

Uncertainty also stems from external pressures. AM Best warned that "trade dependence on the United States continues to limit Canada's resilience to global shocks." The manufacturing sector remains squeezed by weaker foreign demand, while new U.S. protectionist rhetoric adds friction. Donald Trump's recent threat of a 10% tariff on Canadian imports reignited cross-border tension and cast doubt over Ottawa's ability to safeguard export competitiveness.

To stimulate activity, Prime Minister Mark Carney announced an "unprecedented investment plan" to reshape Canada's economy, focused on productivity and energy transition. According to Wealth Professional, the initiative seeks to drive growth through green infrastructure and workforce development. Avery Shenfeld, chief economist at CIBC, emphasized that "Canada must invest heavily in its youth and human capital" to offset its ongoing productivity gap.

Canada now finds itself in a delicate balancing act: easing inflation, cautious stimulus, and an economy still tethered to its southern neighbor's fortunes.

USD



ZOOM ON ▼
THE AMERICAN DOLLAR

MORE DETAILS

The DXY index rose from 97.71 to 99.80 in October, supported by renewed demand for the U.S. dollar as a safe haven amid political tensions. Inflation stood at 3.2%, rising slightly less than expected, which helped reassure markets. Thus, in late October, the Federal Reserve cut its benchmark rate by a quarter point, marking its second reduction this year. In its statement, the central bank noted that job growth has slowed while inflation has picked up slightly, highlighting the challenge of balancing price stability with support for the economy.

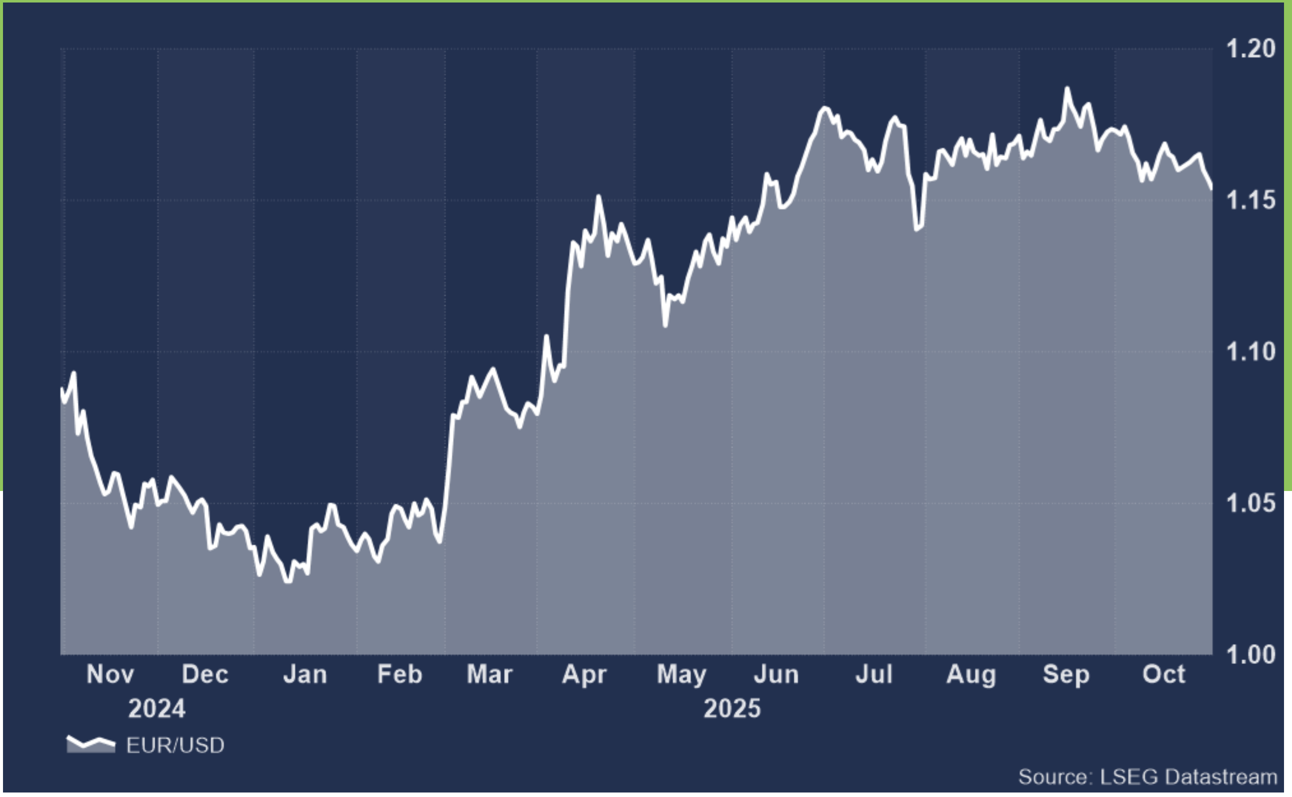
Beneath this cautious stance lies a deeper fiscal problem. The Guardian notes that U.S. public debt is projected to surpass the levels of Italy and Greece relative to GDP, an unprecedented position for the world's largest economy. The imbalance stems from the expansive "big, beautiful bill" tax plan implemented under Donald Trump, which widened deficits despite solid growth. Economists at Moody's Analytics caution that this trajectory "undermines fiscal flexibility and heightens exposure to political shocks."

The political impasse surrounding the federal shutdown, triggered in mid-October, has only added to the strain. ABC News estimated that an extended closure could shave 0.3 percentage point from fourth-quarter GDP as unpaid federal workers cut spending and government contracts are delayed. For many analysts, this episode risks becoming a "confidence shock," capable of tipping the economy into a mild recession by early winter.

Yet financial markets remain unfazed. The S&P 500 broke past 6,800 points, propelled by technology stocks and optimism over a possible trade breakthrough with Beijing. The rally highlights the growing disconnect between Wall Street and the real economy. Diane Swonk, chief economist at KPMG US, observed that "markets behave as if debt and politics no longer matter, until reality catches up."

The United States ends October in paradox: economic resilience masking fiscal vulnerability, and investor optimism coexisting with rising structural risk.

EUR



ZOOM ON ▼ THE EURO

MORE DETAILS

The EURUSD pair decreased from 1.1730 to 1.1536 in October. According to Reuters, households "continue to view inflation as relatively benign," a sentiment that supports the European Central Bank's decision to keep rates unchanged through at least 2027. The ECB's approach aims to preserve confidence in a region where moderate growth must coexist with fiscal restraint.

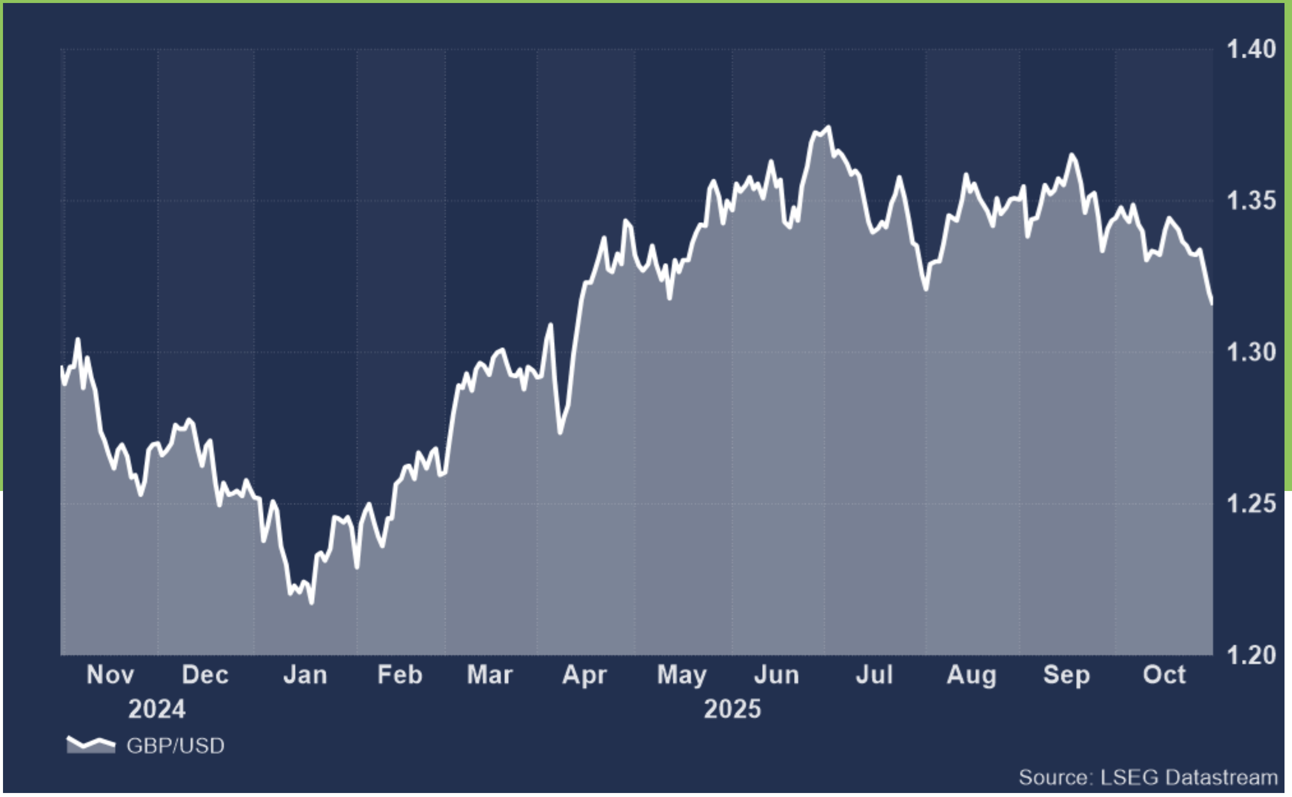
That restraint is being tested. The International Monetary Fund expects eurozone growth of 0.9% in 2025, but "at a rising fiscal cost," as governments rely on public spending to cushion the slowdown. Germany is slowly emerging from recession thanks to industrial exports, while Italy and Spain benefit from domestic demand and tourism. France, meanwhile, surprised with 0.5% growth in the third quarter, driven by stronger aerospace exports and a rebound in business investment, despite ongoing political uncertainty.

Trade tensions are adding new challenges. Bloomberg reported that the EU is preparing detailed assessments of the damage caused by U.S. tariffs on steel and vehicles, which have hurt key manufacturing hubs in Germany and Central Europe. The IMF, cited by The Economic Times, argues that "economic integration across the EU remains insufficient to absorb external shocks," highlighting the limits of coordination within the bloc.

Meanwhile, the debate over fiscal rules has resurfaced. Several member states, including France and Belgium, are urging reforms to allow greater flexibility for financing the green and digital transitions. ECB President Christine Lagarde has pushed back, stating that "financial stability remains the prerequisite for sustained prosperity." Her comments underscore the tension between the need for long-term investment and the risk of rekindling inflationary pressure.

Europe ends the month balanced between composure and constraint: inflation subdued, growth minimal, and unity tested by competing national priorities.

GBP



ZOOM ON ▼ THE POUND

MORE DETAILS

The GBPUSD pair decreased from 1.3478 to 1.3122 in October. Inflation held steady at 3.6%, defying forecasts for a modest decline. Persistent price pressure in services and food has kept the Bank of England cautious. As Monetary Policy Committee member Catherine Mann noted, "easing too soon could jeopardize the progress made on inflation." The Bank has signaled that a first round of rate cuts could begin in early 2026, provided disinflation continues.

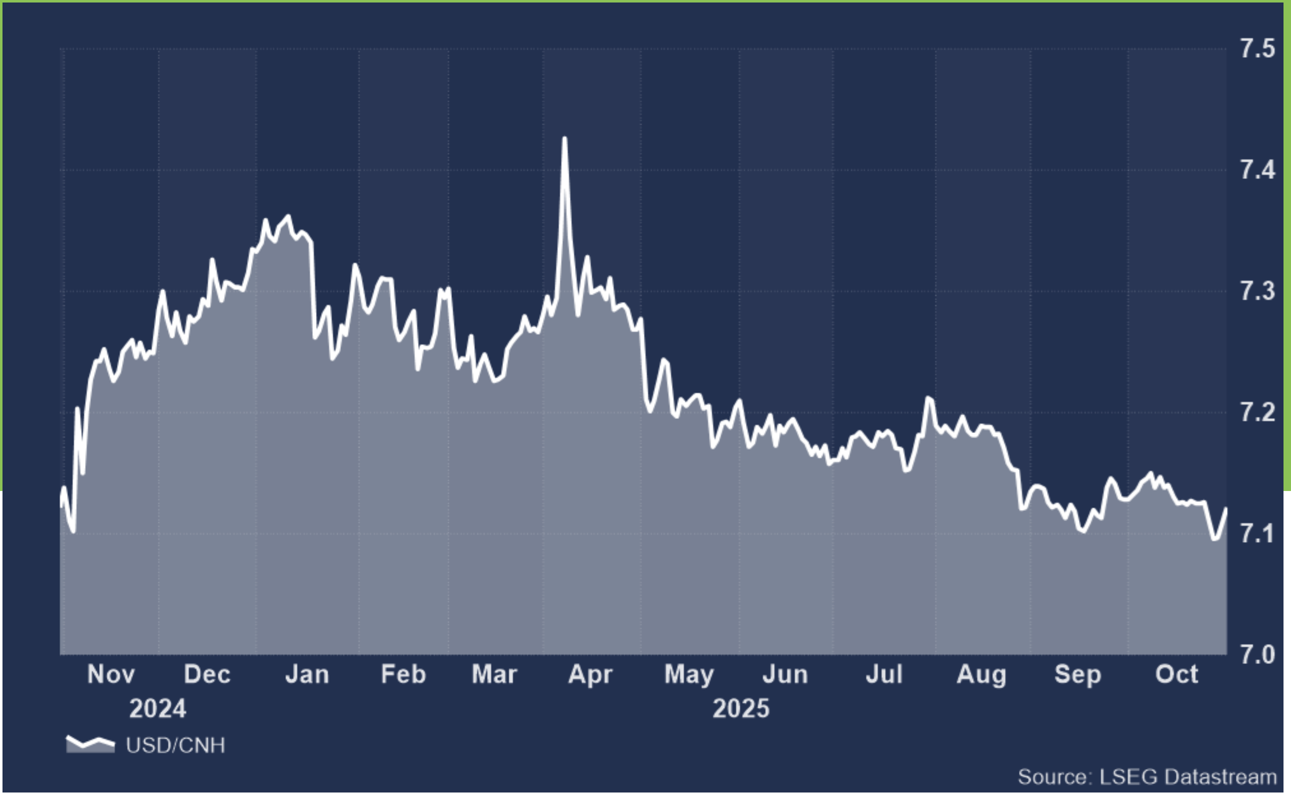
Economic growth remains modest but positive. GDP rose 0.1% in August, suggesting that the UK is avoiding recession, though momentum is fragile. The services sector remains the main driver, offsetting a sluggish manufacturing base. Labor market data show early signs of stabilization. The Financial Times highlighted that hiring in finance and technology has picked up slightly, offering some relief to a job market that had cooled since midyear.

The housing market continues to adjust. October saw a slowdown in transactions as households waited for clarity on the autumn budget. Prices declined in most major cities, reflecting both affordability constraints and lingering caution among buyers. Tim Bannister, director of research at Rightmove, said that "high mortgage rates are still weighing on sentiment and limiting purchasing power."

On the global stage, London faces renewed trade headwinds. Donald Trump's repeated tariff threats have weakened the recently signed U.S.-UK trade agreement, forcing the government to diversify export relationships. In early October, Prime Minister Keir Starmer met with Indian counterpart Narendra Modi to finalize a technology and investment partnership aimed at boosting cooperation in innovation and clean energy. The move underscores the UK's shift toward broader, Asia-oriented economic ties.

For now, Britain's recovery remains delicate, steady enough to avoid contraction, but not yet strong enough to inspire confidence.

CNH



ZOOM ON ▼
THE RENMINBI

MORE DETAILS

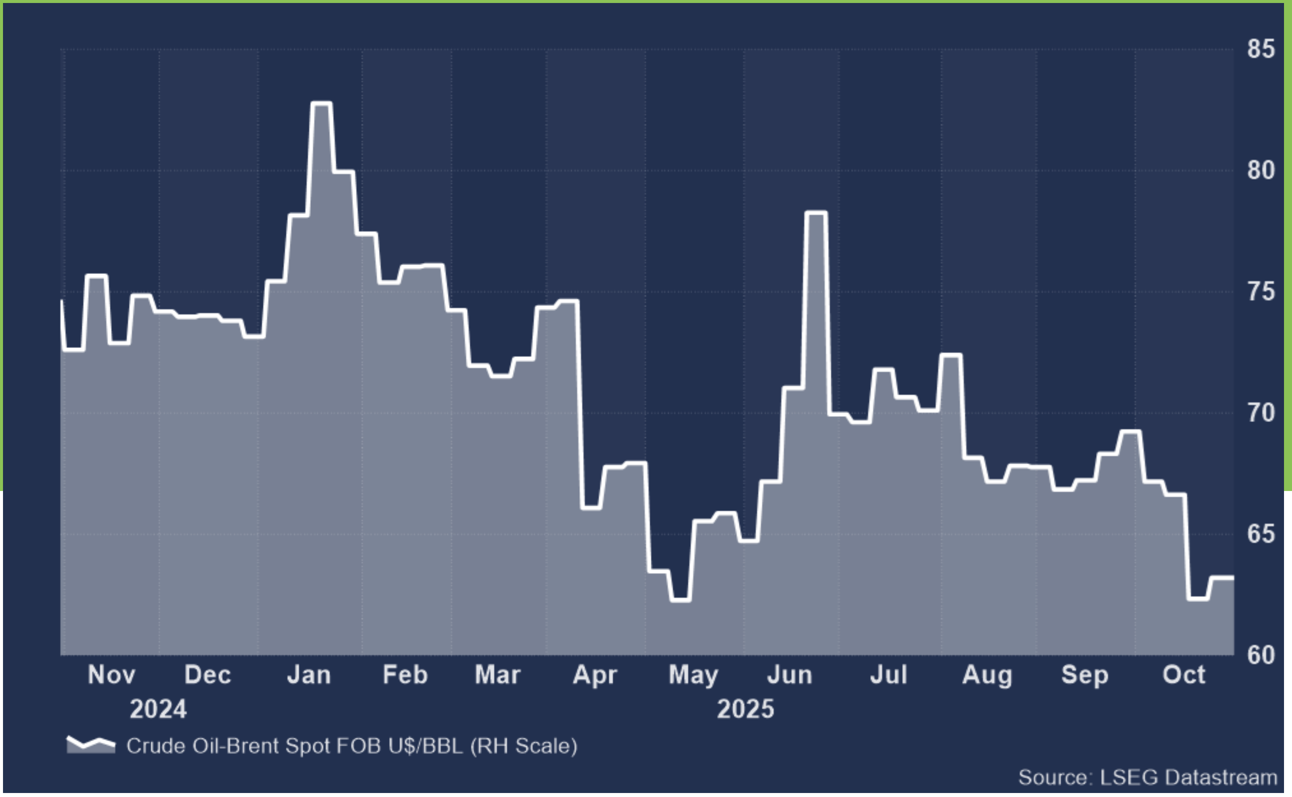
The USDCNH pair rose slightly from 7.1282 to 7.1287 in October, as the yuan gained modest ground against the U.S. dollar. Consumer prices fell again, confirming that deflationary pressures persist despite targeted policy support. The People's Bank of China kept its benchmark lending rates unchanged for the fifth consecutive month, emphasizing policy stability over short-term stimulus. A senior PBOC official told Reuters that "monetary policy must remain patient and precisely calibrated to avoid excessive volatility in the yuan."

Economic data suggest that growth remains resilient, though uneven. GDP expanded 4.7% in the third quarter, a slower pace than earlier in the year but still above expectations. Iris Pang, chief economist for Greater China at ING, noted that "external demand has helped offset weak domestic consumption," with exports of electric vehicles and electronics leading the recovery. The World Bank raised its 2025 growth forecast to 4.8%, citing the strength of industrial exports and steady capital investment.

Beijing's priorities remain centered on industrial output and supply-chain resilience. The government continues to channel financing toward high-tech manufacturing, renewable energy, and transport infrastructure. Reuters described this as a "production-first strategy," aimed at protecting China's position in global value chains and countering the impact of Western trade restrictions.

Real estate, however, remains a critical drag. According to S&P Global Ratings, the sector has contracted by more than 10% since January, weighing heavily on household confidence and private investment. Local authorities have been cautious in extending direct support, wary of reigniting financial imbalances. Still, diplomatic progress offered a rare source of optimism: BBC News reported that Washington and Beijing outlined a preliminary trade framework ahead of the planned meeting between Donald Trump and Xi Jinping in November, signaling tentative de-escalation after years of strain.

COMMODITY



ZOOM ON ▼
CRUDE OIL

MORE DETAILS

Since the beginning of the year, Brent crude has fallen by nearly 16%, from $76.76 to $64.38 per barrel. The pullback reflects a combination of softer demand and persistent oversupply, according to the International Energy Agency (IEA). In its October Oil Market Report, the agency wrote that “the market is entering a phase of growing surplus” and warned that “a coordinated production adjustment will be needed to prevent a prolonged imbalance.” Rising U.S. shale output continues to offset OPEC+ production cuts, keeping downward pressure on prices.

Geopolitical dynamics have amplified volatility. U.S. sanctions against Russia, imposed in response to heightened aggression abroad, have disrupted global energy flows. AP News reported that Lukoil is preparing to sell several overseas assets in order to comply with Washington’s restrictions. The Guardian noted that these measures had a “swift and significant” effect on Russian exports, though discounted crude continues to find buyers in China and India. This reshuffling of supply chains has intensified competition among producers, adding new uncertainty to price forecasts.

Producers in the Gulf have used the opportunity to strengthen their financial position. Arab News reported that the United Arab Emirates’ reserves of both gold and oil have reached record highs this year, reflecting a deliberate policy of accumulation in response to global instability. The region’s fiscal surpluses are being channeled into large-scale investments in storage capacity, refining, and low-emission technologies aimed at maintaining influence in an evolving energy landscape.

Analysts at Kpler see oil prices remaining volatile into early 2026, with most scenarios ranging between 70 and 85 USD per barrel depending on U.S. supply trends and OPEC+ cohesion. For now, crude markets sit between abundance and anxiety: oversupplied, yet politically fragile. The balance between energy security and price stability is once again being tested.

SEEN IN OUR PERISCOPE

Uncertainty as the New Economic Normal

IMF Managing Director Kristalina Georgieva stated that “uncertainty has become the new normal.” She warned that a convergence of trade disputes, climate risks, and geopolitical instability is reshaping the world economy. Governments are now prioritizing resilience over expansion, while companies focus on securing supply chains and building financial buffers. This shift signals the beginning of an era where risk management replaces aggressive growth as the cornerstone of strategy. Economic performance will increasingly depend on adaptability, not acceleration, as global volatility becomes a structural feature of policymaking.

Source: The Guardian

Link: HERE

India and Brazil Strengthen South-South Ties

India and Brazil have agreed to deepen their trade partnership within Mercosur, aiming to expand cooperation in energy, agriculture, and technology. The deal also targets green investment and diversified supply chains across emerging markets. Indian Commerce Minister Piyush Goyal said the initiative “symbolizes a more balanced form of economic integration among major developing nations.” His Brazilian counterpart Fernando Haddad described it as “a partnership built on sustainability and complementarity.” The agreement reflects a growing realignment of the global South, where cross-regional cooperation is becoming a driving force in trade and development policy.

Source: The Times of India

Link: HERE

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FINANCIAL RISK MANAGEMENT

"THE BEST STRATEGY IS TO HAVE ONE"