

WEEKLY COMMENTARY

Market Volatility and the Canadian Economy

By Royce Mendes, Managing Director and Head of Macro Strategy

A [recent article](#) by former IMF First Deputy Managing Director Gita Gopinath warned that an equity market correction could wipe out \$20 trillion in wealth for American households. As she notes, that's equivalent to roughly 70% of US GDP and could reduce economic activity by as much as 2 full percentage points. Gopinath based her calculations on a market drawdown of similar magnitude to the dotcom crash of the early 2000s.

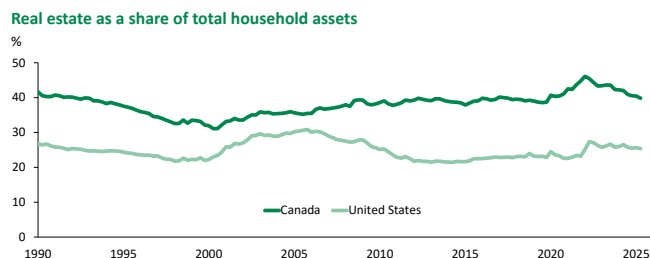
A correction of that scale would hurt Canadian households too, but the economic fallout might not be as severe. Our analysis suggests that a dotcom-style drawdown in Canada would erase household wealth equivalent to about 45% of GDP. The more muted impact stems from two key factors.

First, Canadian portfolios are more skewed toward domestic equities, which have historically been—and still are—less exposed to the tech sector. Second, households north of the border hold a smaller share of their wealth in publicly listed equities. While headline data on equity and mutual fund holdings might suggest Americans and Canadians have similar stock exposure, the comparison is misleading. Canadians tend to access fixed income through mutual funds, whereas Americans more often hold bonds directly.

This lower exposure to tech and equities means Canadian households haven't fully participated in the recent bull market—but it also means they're less vulnerable to a correction. That said, Canadian households aren't necessarily facing any less risk. Their portfolios are heavily tilted toward an asset class that's already under pressure.

Falling home prices in many provinces have constrained wealth accumulation in Canada. Since the first quarter of 2022, Canadian household net worth has risen just 7%, well below the 16% growth American households have enjoyed. Despite the decline in home prices and gains in equities, real estate still accounts for roughly 40% of household assets in Canada, in contrast to 25% in the United States (graph).

Graph
Canadians Are More Exposed to the Housing Market than Americans



Statistics Canada, Federal Reserve Economic Data and Desjardins Economic Studies

While the central bank has limited influence over equity markets, the Bank of Canada should be paying close attention to the housing market. Most homeowners still have substantial equity, but that cushion is shrinking each month. After several years of declines, stabilizing house prices should be a priority for monetary policymakers aiming to restore the economy to full health.

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What to Watch For

TUESDAY October 28 - 9:00

August	y/y
Consensus	n/a
Desjardins	1.20%
July	1.82%

TUESDAY October 28 - 10:00

October	
Consensus	93.8
Desjardins	91.0
September	94.2

WEDNESDAY October 29 - 14:00

October	
Consensus	4.00%
Desjardins	4.00%
September 17	4.25%

THURSDAY October 30 - 8:30

Q3 2025 - 1st est.	ann. rate
Consensus	3.0%
Desjardins	2.7%
Q2 2025 - 3rd est.	3.8%

UNITED STATES

*** Due to the federal government shutdown in the United States, some indicators may not be released as scheduled.**

S&P/Case-Shiller home price index (August) – In July, for the first time since 2022, the existing home price index posted its fifth consecutive monthly decrease. But the total slump from February to July amounted to just 1.1%. We're expecting another monthly decline in August, with the index slipping 0.1%. The mild dip in existing home sales and the pullback in mortgage applications both point in that direction. A 0.1% drop would bring the year-on-year slide down from 1.8% to 1.2%, the smallest since summer 2023.

Conference Board Consumer Confidence Index (October) – In August and September, the Conference Board index fell for two straight months for the first time since March and April. The total loss of 4.5 points isn't enough to approach the spring trough. But we expect consumer sentiment to weaken further in October, despite a bullish stock market and falling gasoline prices. The uncertainty created by the government shutdown and renewed tariff threats (especially on China) could outweigh the positives and rattle household confidence even more. This can also be seen in other confidence indicators such as the University of Michigan's Index of Consumer Sentiment, the TIPP Economic Optimism Index and the Gallup Economic Confidence Index (which is at its lowest since April). But the lack of recent official labour market data makes it harder to gauge how households are doing.

Federal Reserve meeting (October) – After lowering the policy rate for the first time this year in September, Federal Reserve (Fed) officials are expected to follow up with another 25-basis-point cut when they wrap up their meeting on Wednesday. Although the government shutdown means they don't have much data to work with, the information available doesn't suggest that economic conditions have changed much since their last meeting. The latest Beige Book showed a slow labour market and relatively steady economic growth. Both of these factors will probably be considered enough to warrant another rate cut, as previously indicated in the Fed projections published in September.

Real GDP (Q3 – first estimate) – The Bureau of Economic Analysis probably won't publish its advance estimate for third-quarter GDP as scheduled. Even if the government shutdown suddenly gets resolved, too many indicators used as the basis for GDP components haven't been published. That said, real GDP growth likely remained robust over the summer. The first few months of the quarter showed solid gains in real consumer spending. Business investment in equipment and intellectual property is also expected to have increased sharply, boosted by demand related to the development and spread of artificial intelligence. Private inventory investment likely edged up after the spring decline. The external sector is still hobbled by the trade war. Our expectation is that exports fell more than imports over the quarter. All things considered, annualized real GDP growth for the third quarter likely amounted to almost 3%. This forecast will obviously be revised as the September indicators are published.

WEDNESDAY October 29 - 9:45
October

Consensus	2.25%
Desjardins	2.25%
September 17	2.50%

FRIDAY October 31 - 8:30
August

Consensus	m/m
Desjardins	0.0%
July	0.1%

THURSDAY October 30 - 6:00
Q3 2025

Consensus	m/m
Q2 2025	0.1%

THURSDAY October 30 - 9:15
October

Consensus	2.00%
Desjardins	2.00%
September 11	2.00%

THURSDAY October 30 - 21:30
October

Consensus	n/a
September	50.6

CANADA

Bank of Canada decision (October) – Market participants believe the Bank of Canada is set to deliver another 25-basis-point rate cut next week, and we agree. Recent data and commentary from central bankers have highlighted weakness in the Canadian economy, which suggests that further stimulus is warranted. The recent uptick in headline inflation shouldn't deter policymakers, given that it was largely driven by strong readings in volatile categories. As the Bank of Canada has mentioned recently, policymakers try to separate the signal from the noise. Our analysis suggests that underlying inflation remains relatively stable at roughly 2.5% despite the unexpected move in headline price growth. While the upcoming federal budget is likely to signal an increase in fiscal stimulus, those dollars might not hit the economy anytime soon. Therefore, we anticipate the Bank will cut interest rates by 25 basis points next week and then deliver one further cut this cycle, bringing the policy rate to a trough of 2.00%.

Real GDP by industry (August) – We anticipate monthly real GDP grew by 0.1% m/m in August, above Statistics Canada's flash estimate. Resource extraction likely led growth, as oil production rose on a year-over-year basis. The [retail trade survey](#) showed that August's retail sales recovered from the previous month's decline. In contrast, the [August Labour Force Survey](#) showed job losses in professional services, transportation and manufacturing. Looking ahead to the September 2025 real GDP release, we expect Statistics Canada's flash estimate will show a somewhat positive advance.

OVERSEAS

Eurozone: Real GDP (Q3 – preliminary) – Although the eurozone's economy hasn't quite tipped into recession, it's still losing steam. The quarterly (non-annualized) increase in real GDP was just 0.1% in Q2, well below the 0.6% advance in Q1. We expect that, much like the spring, the summer saw tepid growth. Retail sales and industrial output had trouble gaining momentum. After a spring decline, foreign trade appeared to have recovered somewhat.

Eurozone: European Central Bank meeting (October) – The European Central Bank (ECB) is widely expected to keep its key interest rates unchanged, maintaining the deposit facility rate at 2.00% for a third consecutive meeting. The decision reflects a consensus among policymakers that current rates are sufficiently robust to manage inflation, which remains close to the 2% target. While some members of the Governing Council are keeping the door open for further cuts, the prevailing view in the committee, including President Lagarde, is that the easing cycle has likely ended. We expect the central bank to maintain a cautious, data-dependent stance, especially as financial conditions have tightened and geopolitical uncertainties—such as trade tensions and political instability in France—continue to cloud the outlook.

China: Composite PMI (October) – The PMI data on China expected next week may confirm that activity is gradually stabilizing, especially after real GDP rose faster than expected in the third quarter. But the consensus forecast sees the official manufacturing index remaining slightly below 50, which would indicate a moderate contraction for the sixth consecutive month. That said, the industrial sector is still the backbone of Chinese growth despite US tariffs, while the property crisis continues to weigh on domestic demand. Although Donald Trump's announcement of possible new tariffs may slow economic activity in the coming months, exports and production will likely spike in the short term as businesses frontload their activity. This has happened every time the United States has threatened or imposed new tariffs on China. The October print will give us more data on the growth trajectory.

Economic Indicators

Week of October 27 to 31, 2025

Date	Time	Indicator	Period	Consensus		Previous reading
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UNITED STATES

* Due to the federal government shutdown in the United States, some indicators may not be released as scheduled.

MONDAY 27	8:30	Durable goods orders (m/m)	Sep.	0.4%	0.8%	2.9%
TUESDAY 28	9:00	S&P/Case-Shiller home price index (y/y)	Aug.	n/a	1.20%	1.82%
	10:00	Consumer confidence	Oct.	93.8	91.0	94.2
WEDNESDAY 29	8:30	Goods trade balance – preliminary (US\$B)	Sep.	-90.0	n/a	-85.5
	8:30	Retail inventories (m/m)	Sep.	n/a	n/a	0.0%
	8:30	Wholesale inventories – preliminary (m/m)	Sep.	-0.2%	n/a	-0.2%
	10:00	Pending home sales (m/m)	Sep.	n/a	n/a	4.0%
	14:00	Federal Reserve meeting	Oct.	4.00%	4.00%	4.25%
	14:30	Speech by Federal Reserve Chair J. Powell				
THURSDAY 30	8:30	Initial unemployment claims	Oct. 20–24	n/a	n/a	n/a
	8:30	Real GDP (ann. rate)	Q3f	3.0%	2.7%	3.8%
FRIDAY 31	8:30	Employment cost index (q/q)	Q3	0.9%	0.9%	0.9%
	8:30	Personal income (m/m)	Sep.	0.4%	0.3%	0.4%
	8:30	Personal consumption expenditures (m/m)	Sep.	0.4%	0.5%	0.6%
	8:30	Personal consumption expenditures deflator				
		Total (m/m)	Sep.	0.3%	0.2%	0.3%
		Excluding food and energy (m/m)	Sep.	0.3%	0.2%	0.2%
		Total (y/y)	Sep.	n/a	2.8%	2.7%
		Excluding food and energy (y/y)	Sep.	2.9%	2.8%	2.9%
	9:45	Chicago PMI	Oct.	42.0	42.5	40.6

CANADA

MONDAY 27	---	---				
TUESDAY 28	---	---				
WEDNESDAY 29	9:45	Bank of Canada decision	Oct.	2.25%	2.25%	2.50%
	9:45	Release of the Bank of Canada's Monetary Policy Report				
	10:30	Speech by Bank of Canada Governor T. Macklem and Senior Deputy Governor C. Rogers				
THURSDAY 30	---	---				
FRIDAY 31	8:30	Real GDP (ann. rate)	Aug.	0.0%	0.1%	0.2%

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of October 27 to 31, 2025

Country	Time	Indicator	Period	Consensus		Previous reading	
				m/m (q/q)	y/y	m/m (q/q)	y/y
OVERSEAS							
MONDAY 27							
Eurozone	5:00	M3 money supply	Sep.		2.7%		2.9%
Germany	5:00	ifo Business Climate Index	Oct.	88.0		87.7	
Germany	5:00	ifo Current Assessment Index	Oct.	86.0		85.7	
Germany	5:00	ifo Expectations Index	Oct.	90.0		89.7	
TUESDAY 28							
Germany	3:00	Consumer confidence	Nov.	-22.0		-22.3	
Italy	5:00	Consumer confidence	Oct.	97.0		96.8	
Italy	5:00	Economic confidence	Oct.	n/a		93.7	
WEDNESDAY 29							
Japan	---	Bank of Japan meeting	Oct.	0.50%		0.50%	
Japan	1:00	Consumer confidence	Oct.	35.5		35.3	
THURSDAY 30							
France	2:30	Personal consumption expenditures	Sep.	-0.1%	n/a	0.1%	-0.8%
France	2:30	Real GDP – preliminary	Q3	0.2%	0.6%	0.3%	0.8%
Germany	5:00	Real GDP – preliminary	Q3	0.0%	0.2%	-0.3%	0.2%
Italy	5:00	Real GDP – preliminary	Q3	0.1%	0.5%	-0.1%	0.4%
Eurozone	6:00	Consumer confidence – final	Oct.	n/a		-14.2	
Eurozone	6:00	Industrial confidence	Oct.	-10.0		-10.3	
Eurozone	6:00	Services confidence	Oct.	3.6		3.6	
Eurozone	6:00	Economic confidence	Oct.	96.0		95.5	
Eurozone	6:00	Real GDP – preliminary	Q3	0.1%	1.2%	0.1%	1.5%
Eurozone	6:00	Unemployment rate	Sep.	6.3%		6.3%	
Italy	6:00	Unemployment rate	Sep.	6.0%		6.0%	
Germany	9:00	Consumer price index – preliminary	Oct.	0.2%	2.2%	0.2%	2.4%
Eurozone	9:15	European Central Bank meeting	Oct.	2.00%		2.00%	
Japan	19:30	Tokyo Consumer Price Index	Oct.		2.5%		2.5%
Japan	19:30	Unemployment rate	Sep.	2.5%		2.6%	
Japan	19:50	Industrial production – preliminary	Sep.	1.5%	1.8%	-1.5%	-1.6%
Japan	19:50	Retail sales	Sep.	0.8%	0.7%	-1.1%	-1.1%
China	21:30	Composite PMI	Oct.	n/a		50.6	
China	21:30	Manufacturing PMI	Oct.	49.6		49.8	
China	21:30	Non-manufacturing PMI	Oct.	50.2		50.0	
FRIDAY 31							
Japan	1:00	Housing starts	Sep.		-7.8%		-9.8%
United Kingdom	3:00	Nationwide house prices	Oct.	0.0%	2.3%	0.5%	2.2%
Germany	3:00	Retail sales	Sep.	0.2%	2.7%	-0.2%	-1.1%
France	3:45	Consumer price index – preliminary	Oct.	0.1%	1.0%	-1.0%	1.2%
Eurozone	6:00	Consumer price index – preliminary	Oct.	0.2%	2.1%	0.1%	2.2%
Italy	6:00	Consumer price index – preliminary	Oct.	-0.1%	1.5%	-0.2%	1.6%

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).