



GOLD INVESTMENT
PORTFOLIO MANAGER

Investment Letter

Q3-25 Investment Letter (No. 73)

October 29, 2025

OVERVIEW

Dear Clients & Friends,

We are pleased to provide this quarterly report for the period ended September 30, 2025. This report will be divided into three sections: (1) What's New, (2) Market Recap and (3) Commentary.

WHAT'S NEW

2025 INVESTMENT SEASON

The TFSA limit for 2026 is \$7,000; you can deposit up to \$109,000 (\$218,000 per couple) if you have never contributed to a TFSA provided you have been over 18 years of age since 2009.

RRSP limits for 2025 and 2026 are \$32,490 and \$33,810, respectively; You may be able to contribute up to 18% of your earned income for the prior year up to the annual limit. The deadline for RRSP contributions for the 2025 tax year is March 2, 2026.

You are encouraged to check your contribution room with Canada Revenue Agency prior to making any contributions. Other great ways to invest include pre-authorized contributions (PACs), RESPs, RDSPs and open/taxable accounts. Feel free to visit [GIM's investment blog](#) for more information.

FIRST HOME SAVINGS ACCOUNT (FHSA) INFORMATION

First Home Savings Accounts (FHSA) were introduced in 2023 to provide first time homebuyers an opportunity to save to buy a qualifying first home tax-free. The 2026 FHSA limit is \$8,000. You may have carry-forward room for contributions if you opened a FHSA in 2023 to 2025. You can contribute up to \$16,000 in one calendar year *if you have carry-forward room to use*.

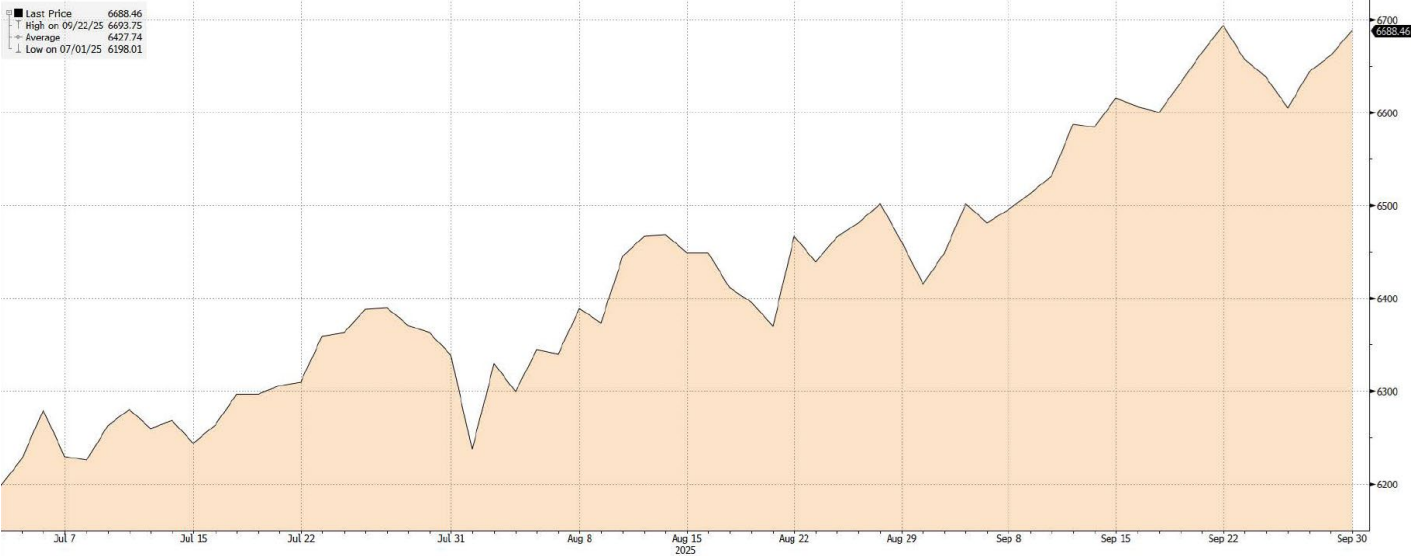
It is very important to highlight that the \$8,000 contribution room only grows **after** you have opened a FHSA. For example, a new account opening in 2025 only generates \$8,000 of room, with the next \$8,000 becoming available in 2026. Savings in the accounts grow on a tax-free basis, up to a lifetime limit of \$40,000.

2025 REVIEWS

GIM would like to remind you of its obligations to conduct annual "Know Your Client" ("KYC") reviews. Investment reviews are a great way for us to update you on your account and for you to keep us informed about your personal and financial circumstances so we can best serve you. You may receive communication from our admin department shortly to schedule a review with one of our portfolio managers. If you wish to speak with someone or have a change in your circumstances, please do not hesitate to contact our office anytime.

MARKET RECAP

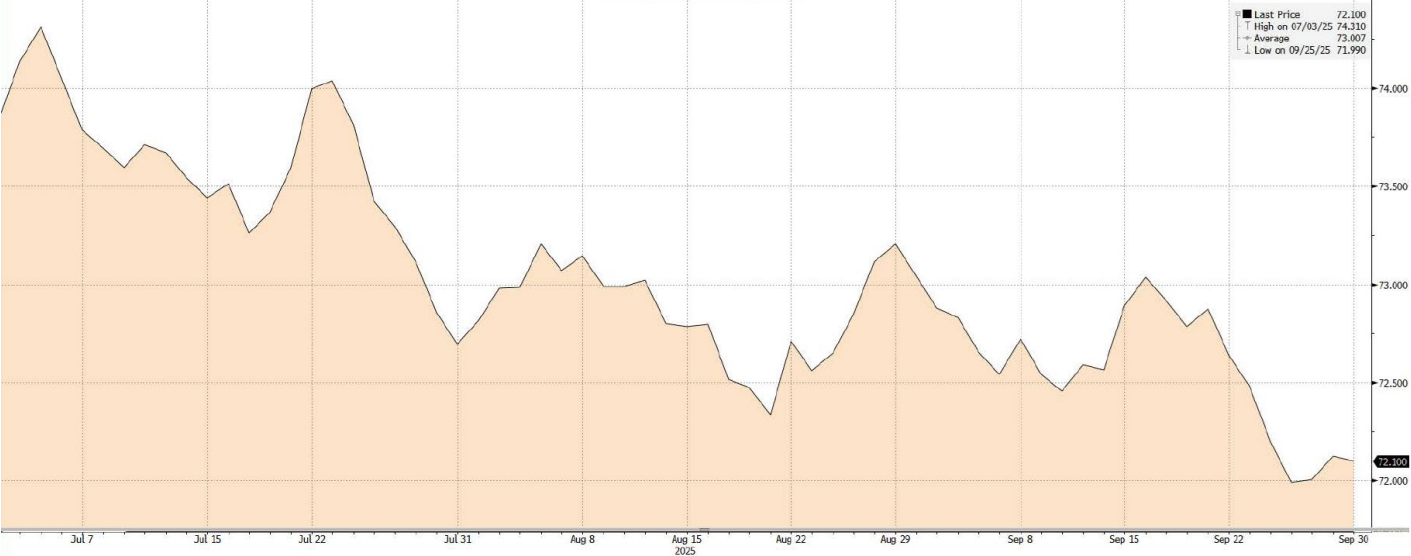
The S&P 500 Index (in USD) gained 8.10% in the quarterly period ending September 30, 2025.



The S&P/TSX Composite Index gained 11.82% in the quarterly period ending September 30, 2025.



The Canadian Dollar quoted in USD (CADUSD) fell by 2.23% for the quarterly period ending September 30, 2025.



COMMENTARY

In the past quarter, our clients have been asking whether the stock market is due for a collapse. In this quarterly letter, we address the topic of investment bubbles, offering a detailed analysis along with our observations and insights. We finish with a discussion about gold, as the commodity's historically high price has also been topical.

Please note that the markets have been fast-moving in October. At the time of this writing some of the data points may have shifted, but our conclusions remain unchanged.

Part 1. What causes bubbles to pop?

In an October 3, 2025 Morningstar article, Bank of America's strategist observed that large market bubbles only burst when central banks tighten (raise interest rates):

"Every bubble in history [has been] popped by central-bank tightening" and "no central bank in the world has hiked rates in the last two months." ¹

General market bubbles, like those including an entire index, are prone to bursting when interest rates move up rapidly. When we look at the action of central banks of developed economies, interest rates have not tightened in the past several months.

In Canada and the U.S., the central banks resumed their interest rate cuts in September 2025.

We believe the rising market has been driven by fundamentals. In this case, the trend of falling interest rates is positive for the stock and bond markets.

Normal market volatility. We draw a distinction between a bubble popping and normal market volatility. What can, and does, happen is periodic resets as the market pauses and digests. In other words, some of the hot air in an uptrend is let out and this is a very healthy thing.

The S&P500 for 2025 perfectly illustrates this with the benefit of hindsight. There was a brief dip on President Trump's "Liberation Day" announcement after the stock market's closing on April 2, 2025. By July the market had fully recovered and powered to new heights. In hindsight, the drop in April let out some of the speculative excess. This is called a *consolidation*, and it is completely normal. Once some hot air has been released, the market resumed its upward trend.

Chart 1: S&P500 price action – August 13, 2023 to October 14, 2025

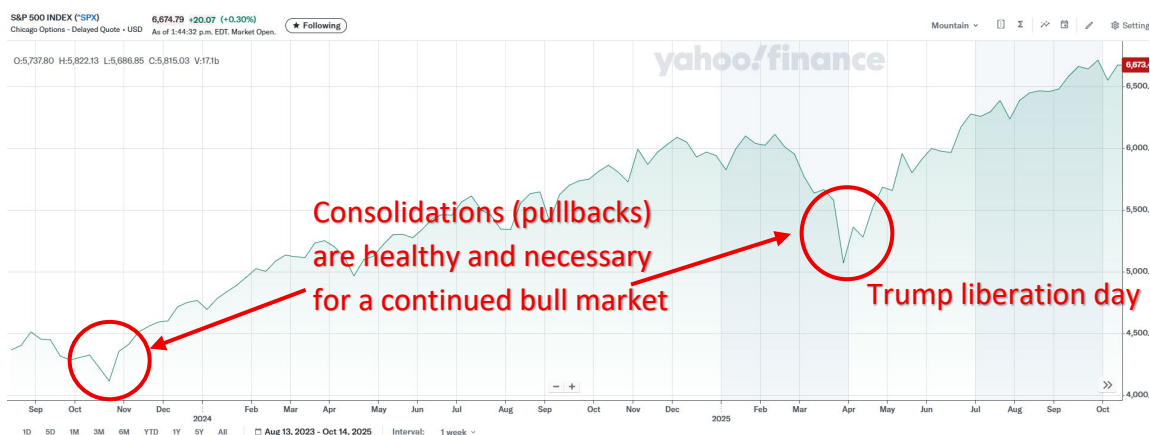


Chart courtesy of Yahoo Finance, October 14, 2025

Summary. Regular consolidations are completely normal for any market, whether stocks, bonds, real estate or stamp collections. These are necessary for a healthy market as they will take out some of the speculative excess from the market and/or allow some profit taking. In hindsight, the pullback in the markets in April 2025 was very short term and offered an excellent buying opportunity – which we took advantage of for clients.

¹ <https://www.morningstar.com/news/marketwatch/20251003150/market-bubbles-only-burst-when-central-banks-tighten-and-theres-so-sign-of-that-happening-says-b-of-a-strategist-hartnett>

A large bubble gets popped when central banks raise interest rates. To date, interest rates have been coming down, which has supported the rally in the markets.

The foregoing applies to general market bubbles. We will now discuss sector-specific bubbles in the next sections.

Part 2. Stock market focus has been on Magnificent 7 + 1

We have written about the Magnificent 7 before. They are 7 of the largest names of the S&P500, namely Alphabet (GOOG), Amazon (AMZN), Apple (AAPL), Meta Platforms (META), Microsoft (MSFT), NVIDIA (NVDA), and Tesla (TSLA).² To this list, we will add Broadcom (AVGO) which has a market capitalization of US\$1.5 trillion as of October 15, 2025.

It is these names that have largely driven up the markets, particularly the S&P500. In our opinion, many of the remaining 492 names of the S&P500 offer tremendous value. We can clearly see this from the following chart of the regular market capitalization weighted S&P500 and the S&P500 equal weight. The equal weight is where all companies represent only 1/500 of the benchmark and there is no benefit given for the market capitalization (size) of a company.

Chart 2: S&P500 Equal Weight (green) vs. S&P500 (blue) – 2 years to October 14, 2025



Chart courtesy Yahoo Finance, October 31, 2023 to October 14, 2025

As to whether the market is overvalued and is due for a crash, we believe there remains good support. When we look at what is the main cause of the rising market, a select few companies have distorted the index's performance. There are a large number of companies that have been ignored by the market, which is where we find good value.

Our investment style makes us avoid direct exposure to expensive securities like the Magnificent 7, and the only name we own broadly for clients is Microsoft. We wrote in our Q2 newsletter what we mean by "expensive". It is valuation, like a price to earnings (P/E) ratio. Broadcom (AVGO) has a price to earnings ratio of 62x³, which means that if we bought the entire company and the earnings didn't grow or shrink, we'd have to own the shares for 62 years to get our principal back. Tesla has a P/E ratio of 240x.⁴

Summary. We have an abundance of choice from the non-Magnificent 7 names in the U.S. – there are lots of relatively inexpensive but high-quality companies. Likewise in Canada, we believe we've struck gold in cheap but high-quality names ignored by the market. As far as we are concerned, what we own for you is not overvalued and the names were bought at reasonable prices in the first place.

Part 3. Parabolic price moves have maximum price risk

Where we get concerned is when something goes parabolic. We think this is very dangerous as one is usually unable to get out before a collapse of the price.

² <https://www.investopedia.com/magnificent-seven-stocks-8402262>

³ Stock quote: Scotia iTrade, October 14, 2025

⁴ Stock quote: Scotia iTrade, October 14, 2025

A good illustration of this is the marijuana sector circa 2018. When these companies started going public, there was insatiable demand for stocks across the entire sector. Aurora Cannabis (ACB) is a good example of a parabolic move.

The company went public when there was strong investor demand and shares were aggressively purchased to a maximum price of \$1,646 (price is adjusted for a 10-for-1 consolidation). After the initial peak, there were secondary peaks, as the shares sold off on news - but then recovered. Unfortunately, market participants eventually decided the valuation of ACB was too expensive relative to the earnings prospects, and the shares plunged parabolically.

The lesson is this: If an asset makes a parabolic move up then it has a better than even chance of making a parabolic move downwards, regardless of whether the financial results are good or bad. It is very tricky for any investor to get out at the peak, at least on a consistent basis. Assets are at a period of maximum price risk after parabolic moves.

Chart 3: Aurora Cannabis during marijuana demand

Aurora Cannabis Inc. (ACB.TO) ★ Following + Add holdings 🔍 Get top stock picks

8.60 +0.08 (+0.94%)

At close: 4:00:00 p.m. EDT



Parabolic move upwards, peak at \$1,646/share.

Secondary bounce draws in more investors.

Parabolic price collapse. Very difficult to be the last marginal seller before the move downwards. Many investors tend to hang on for price improvement and may miss the exit opportunity.

Courtesy of [Yahoo Finance](#). ACB inception to Oct. 9, 2025, 10-for-1 share consolidation adjusted.

Today the market has shifted to cryptocurrency, gold and Magnificent 7+1 names.⁵

Temporary pullbacks may be seen on the Bitcoin and NVDA charts below, drawing in the cautiously bullish and fear-of-missing-out (FOMO) investors. Any buyers or holders of the asset during a parabolic move relies on selling to the last marginal buyer to make a profit. If there are no further buyers and the market decides to re-rate the asset, then the price plunges. As prices can rise to irrational levels, there may be no good way of knowing when a stock hits the true price peak, if more temporary pullbacks will occur and correct, or if there is an imminent parabolic shift.

Chart 4: Parabolic moves are points of maximum price risk – crypto, Magnificent 7

Bitcoin USD Price (BTC-USD) 🔍 Follow + Add holdings 👁 View all cryptocurrencies NVIDIA Corporation (NVDA) ★ Following + Add holdings 🕒 Time to buy NVDA?

121,008.12 -2,457.16 (-1.99%)

As of 8:36:00 p.m. UTC. Market Open.

Data provided by [CoinMarketCap](#)



192.57 +3.46 (+1.83%) 192.31 -0.26 (-0.14%)

At close: 4:00:00 p.m. EDT

After hours: 4:40:52 p.m. EDT



Charts courtesy [Yahoo Finance](#), inception to October 9, 2025

Parabolic moves?

We expect additional peaks after the initial peak to draw in more investors – like the marijuana bubble.

⁵ Charts courtesy [Yahoo Finance](#), inception to October 9, 2025.

Summary. We do not know when or by what catalyst a parabolic move will reverse.

Our way of dealing with parabolic moves is to simply not participate. This may hurt our performance relative to the index in the short term, but we have always had a payoff over the long term, and investors tend to be more comfortable with less downside volatility. Price chasing is a high-risk strategy that often ends badly.

There is a famous quote by economist John Maynard Keynes, "*the market can stay irrational longer than you can stay solvent*".⁶ This is a warning that irrational investing can continue indefinitely. But the longer the party, the bigger and more painful the eventual collapse. The best way to play something irrational is to not participate.

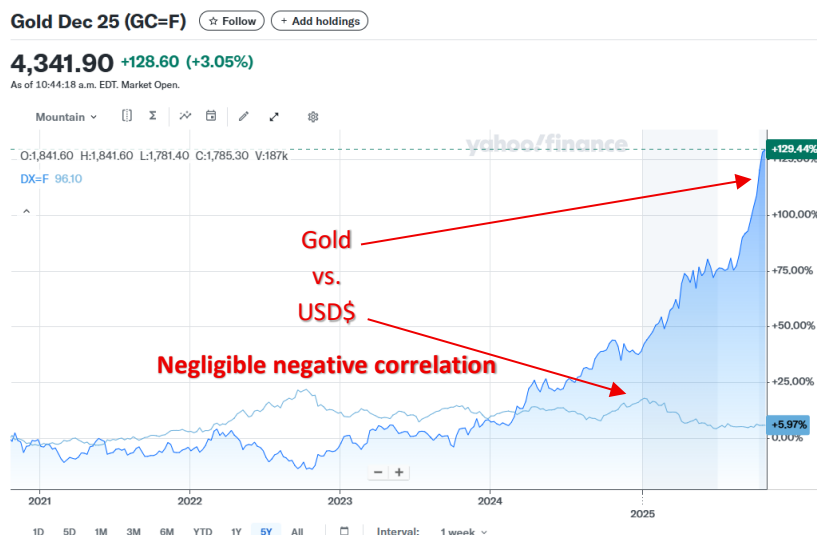
Part 5. The case for gold

Gold has been a store of value for humanity for at least 5,000 years. So, we understand why people are attracted to it. It has also made a parabolic move up and is trading at US\$4,342 per troy ounce at this writing.⁷

We have also had a number of questions from clients about gold. Our short answer remains the same. Namely, gold has gone parabolic which is a point of maximum price risk. We give a longer answer in this section.

Gold as an investment has historically been *negatively* correlated with the U.S. dollar (USD\$). As investors become more worried about the economic prospects of the U.S. and the status of the USD\$ as a reserve currency, they will sell the USD\$ and bid up gold.

Chart 5 – Gold vs USD\$



Yahoo Finance, Gold (GC=F) vs USD\$ (DX=F) 5 years to Oct. 20, 2025

Historically gold has been a hedge against a falling U.S. dollar. Yet USD\$ has stayed flat when gold has rallied.

USD\$ has not gone down against gold and remains reserve currency as of this writing.

At the same time, if investors thought the U.S. dollar was losing its status as a reserve currency they would be demanding a higher return on U.S. government bonds. In other words, there should be a *positive* correlation between gold and treasury yields.⁸ But yields on U.S. Treasury's have been stable.

We went back to late 2023, the starting point of the latest gold rally and looked at the correlation between gold and 30-year Treasury yields. While Treasury yields are up mid-single digit, they should be up far more when we look at how gold has done.

⁶ <https://www.goodreads.com/quotes/603621-markets-can-remain-irrational-longer-than-you-can-remain-solvent>

⁷ Yahoo Finance, October 20, 2025

⁸ <https://www.theglobeandmail.com/investing/markets/inside-the-market/article-gold-rally-skepticism-market-watchers/>

Chart 6 – Gold vs. 30-year Treasury yields, Aug. 31/23 – Oct. 20/25

Gold Dec 25 (GC=F) ☆ Follow + Add holdings

4,341.90 +128.60 (+3.05%)

As of 10:44:18 a.m. EDT. Market Open.



Yahoo Finance, Gold (GC=F) vs 30-year Treasury yield (^TYX), Aug. 31, 2023 to Oct. 20, 2025

If USD\$ is:

- losing its reserve status, or
- is going to weaken against gold, or
- is going to weaken due to a bad economy,

then investors should be demanding a higher yield for owning US government debt.

Treasury yields are up by single digits, but correlation is extremely weak – almost negligible.

Summary. There is a slight correlation between the price of gold and the US dollar and US bond yields. We do not think it is significant. If gold is really being used as a hedge against a falling US dollar, we are having a hard time seeing it.

We conclude there is a large pool of investors that are chasing gold prices, namely buying gold simply because it is going up. This is an extremely risky investing strategy because it goes back to relying on selling to the last marginal buyer at the top – a tactic that is difficult to achieve on a repeatable basis.

Part 6. Conclusion

We have been asked by clients about whether the stock markets are too high.

Short answer. On balance, there is room for long-term growth of our clients' accounts.

Long answer. We do not participate in expensive, price momentum driven stocks. When we remove the companies that have most of the price momentum in the stock market, the rest are relatively inexpensive. It is in these cheaper companies that we make our security selections.

*Bubbles usually burst when central banks raise interest rates.*¹ Fortunately, the opposite is happening right now. Interest rates have come down in both Canada and the U.S. in September 2025, which provides support for both bonds and the stock market.

If there is one area of concern, it is that bond yields have not come down. Normally they should have, given the trend of falling interest rates. But as long as bond yields do not materially rise from current levels, stock markets should be OK. This chart is taken from the Bank of Canada showing Government of Canada yields for bonds in the 10-year range.⁹ The U.S. 10-year bond yield is similar.

Chart 7 – Government of Canada 10+ year bond yields to October 14, 2025



<https://www.bankofcanada.ca/rates/interest-rates/canadian-bonds/>

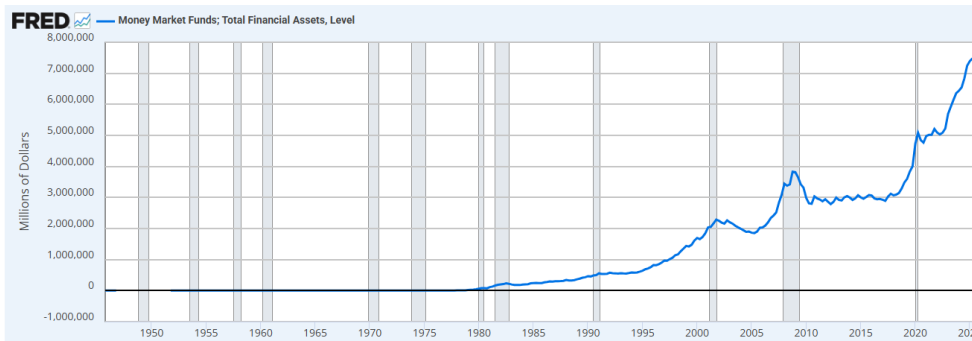
Bond market should support stock market if yields stay in this range.

Falling bond yields would be better.

⁹ <https://www.bankofcanada.ca/rates/interest-rates/canadian-bonds/>

Cash on the sidelines is very high. The amount of money market funds in the United States is a massive US\$7.48 trillion according to U.S. Federal Reserve data.¹⁰ This is considered a contrary indicator, meaning the more cash on the sidelines, the more bullish it is for the stock market. Eventually this cash will have to be put into either stocks or bonds, especially if interest rates are coming down.

Chart 8 – Huge amounts of cash on sidelines (gray bars are recessions)



<https://fred.stlouisfed.org/series/MMMFFAQ027S>

US\$7.48 trillion in money markets.

High cash levels are a good sign. It is dry powder for the stock market, especially when interest rates fall.

Finally, we have been asked by clients where we see pressure points and weaknesses in the stock market. Often, these are the investments getting the most media coverage. That is, precious metals, cryptocurrency, Magnificent 7 names like Nvidia, artificial intelligence, stocks linked to batteries and electric vehicles, and other potential names that give investors fear-of-missing-out (FOMO). These assets can have parabolic price moves, which is where the point of maximum price risk lies – see Chart 3. Anyone getting in at a high point is potentially relying on selling to the last marginal buyer to make a profit, which is extremely risky. Investors do not consistently get out at the peak, and if it happens, it may be just plain luck.

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Thank you for entrusting us with your investments. As always, we welcome your questions and comments. You can [contact](#) GIM by telephone: 1.888.436.9955, fax: 1.866.541.7947 or email: invest@gold-im.com

Yours truly,
GOLD INVESTMENT MANAGEMENT LTD.

¹⁰ <https://fred.stlouisfed.org/series/MMMFFAQ027S>

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