Gold boosts S&P/TSX while global market sentiment seems to be cooling

7 September 2025

Our short-term Global Market Performance Indicator (GMPI) has rolled over falling to 76.8, its lowest level since late July. This reflects outright declines in some markets and a loss of upward momentum in others (which has allowed the 50-dma to catch up to the index). For example, Germany's DAX had been posting impressive gains earlier this year, but momentum stalled in early June, and the DAX has essentially hugged its 50-dma since then. Other markets that had been posting strong gains but are now pulling back include Poland's WIG and Estonia's OMX.

Global short-term market sentiment seems to be cooling, but it is far from shifting bearish overall. There is, however, reason to watch European markets closely, as most of the recent markets that have dipped below their 50-dma are in Europe. The DAX and many major European markets are on watch, though we also note that Emerging European markets such as Poland and Estonia have also been heading lower. Not all the news in Europe is bad, however, as some European Frontier markets are holding on well including Croatia, Lithuania, Romania, and Slovenia.

The soft August US nonfarm payrolls report has had competing effects on market sentiment. First, on the positive side, the payrolls report boosted the probability that the Federal Reserve will cut its policy rate by at least 25 basis points on 17 September (and maybe further rate reductions before year end). Second, on the cautious side, the payrolls report reinforced the significant loss of momentum in job creation in recent months — a development that seems linked to the surge in economic uncertainty associated with the sharp change in direction of US trade policy.

It is not clear which effect will dominate.

Post-payrolls, the S&P500 ended the day lower, but the bulls and bears each held sway at times during the session, and some other US markets, notably the NASDAQ and the small-cap Russell 2000, ended the day higher. Of these, the Russell 2000 is most interesting right now. While it remains below its mid-November high, it has been making some impressive gains in recent weeks.

S&P/TSX riding gold prices to new highs

Other markets we are watching closely includes Canada's S&P/TSX. Though employment was reported down 66K in August, the TSX has been on quite a roll for the past few weeks. The gains are linked to two sectors in particular: Financials and Materials. In general, the underlying trend in the TSX tends to hue closely to the Financials subindex.

The gains in the materials index is largely a reflection of the upswing in gold price — up nearly 40% YTD.

However, the S&P/TSX is not the only market on a roll, Chile's IPSA has also posted significant gains in recent weeks. Markets in Brazil and Mexico have also made gains of late, breaking out of their recent ranges.

Before one thinks that all commodity-sensitive markets are on the rise, note that Australia's S&P/ASX 200 has lost momentum, testing its 50-dma this week.

Meanwhile, some other markets that should be closely watched are Turkey's BIST that had been well above its 50-dma but is now testing that threshold.

Global market sentiment not necessarily at inflection point, but tread carefully

Global market sentiment is at an intriguing point. It is not clear that we are at an inflection point, but sentiment is becoming more diverse overall — generally cooler. The post-Liberation Day recovery is now completed, there is more evidence that the resilience of the US economy is fading, and there is now some mounting concern regarding the economic fallout from the abrupt shift in US tariff policy.

Be careful out there.

WATT STRATEGIC ECONOMIC ADVISORS

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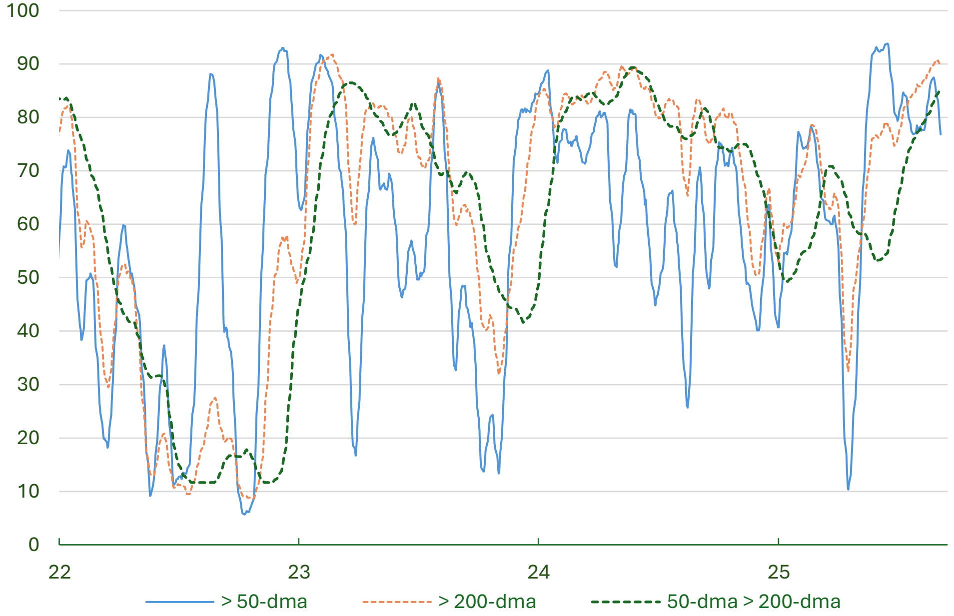
Global Market Performance Indicator

(% of 60 global indices, 10-d ma)



Source: Macrobond

Canada:S&P/TSX

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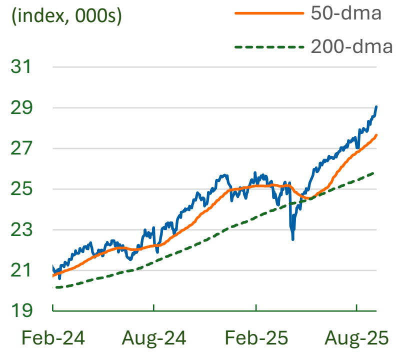

Source: Macrobond

US: S&P 500

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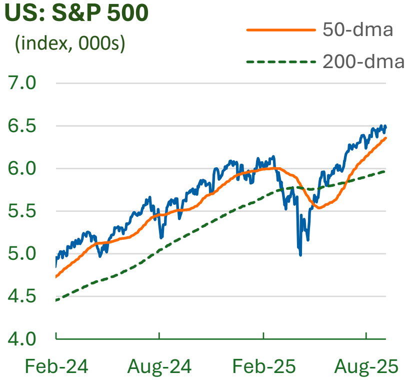

Source: Macrobond

US: Nasdaq Composite

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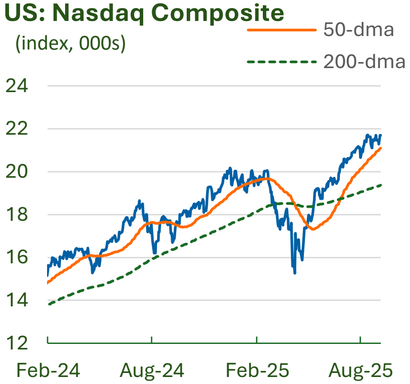

Source: Macrobond

US: Russell 2000

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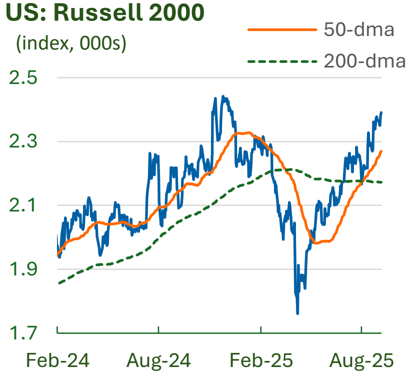

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US: PHLX SOX

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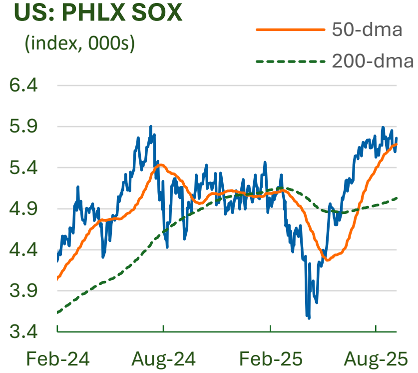

Source: Macrobond

Chile: IPSA

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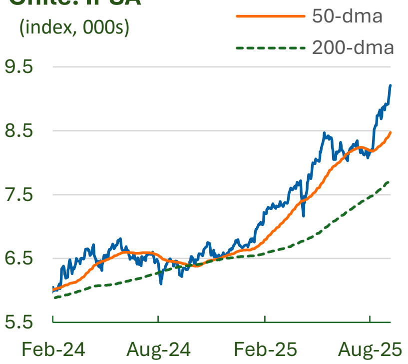

Source: Macrobond

Europe

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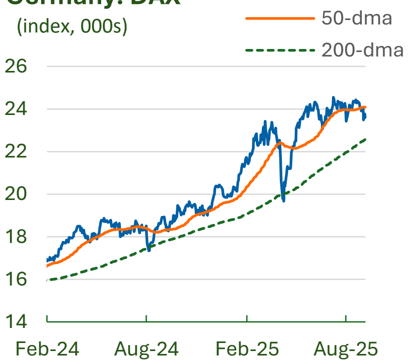
Germany: DAX



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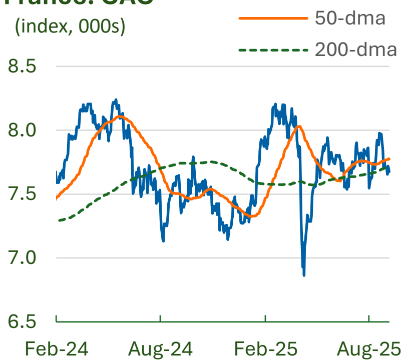
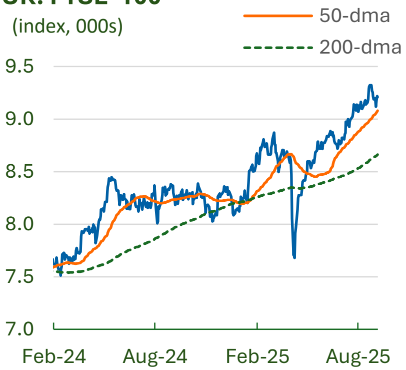
France: CAC



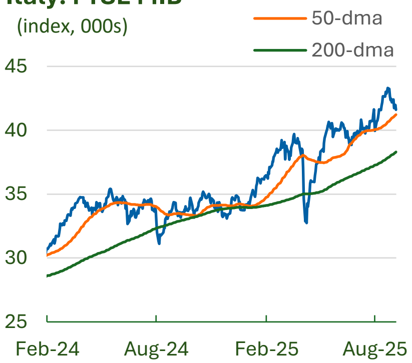
Source: Macrobond

UK: FTSE 100



Source: Macrobond

Italy: FTSE MIB



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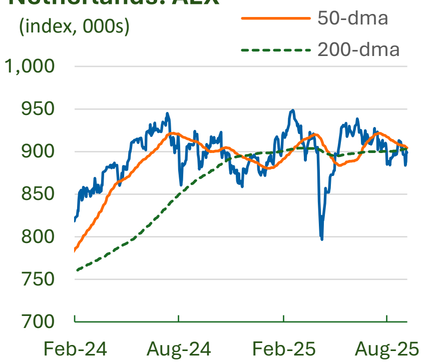
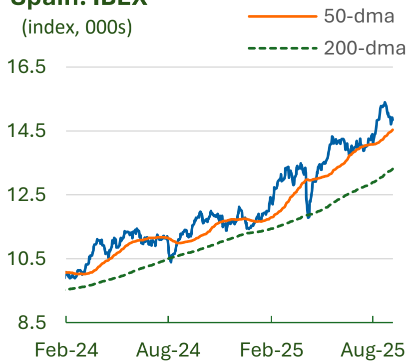
Netherlands: AEX



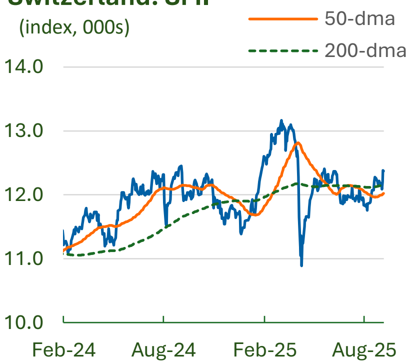
Source: Macrobond

Spain: IBEX



Source: Macrobond

Switzerland: SMI



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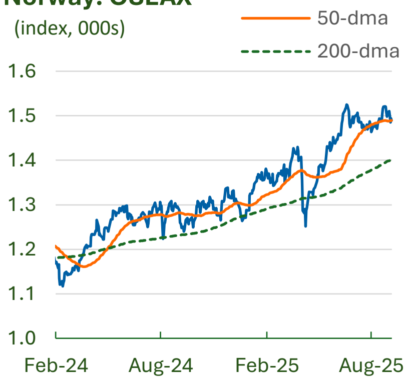
Norway: OSEAX



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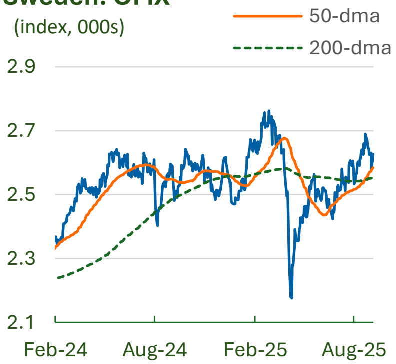
Sweden: OMX



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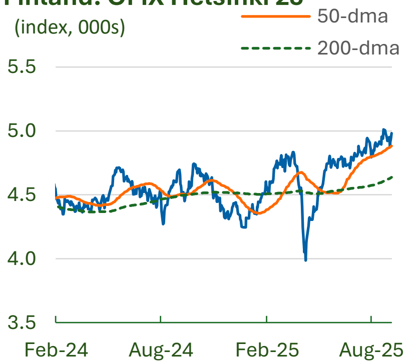
Finland: OMX Helsinki 25



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Europe

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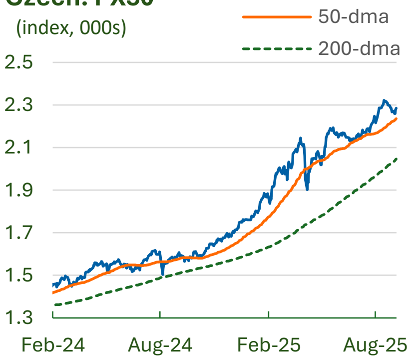
Czech: PX50

(index, 000s)



Source: Macrobond

Poland: WIG 20 Index

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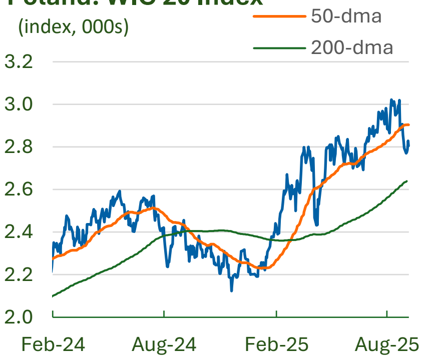

Source: Macrobond

Estonia: OMX Tallinn

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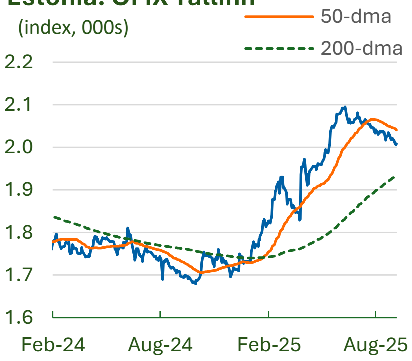

Source: Macrobond

Lithuania: OMX Vilnius Index

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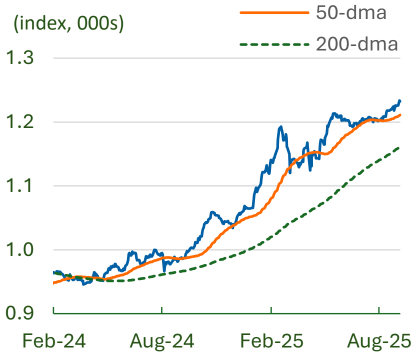

Source: Macrobond

Croatia: CROBEX

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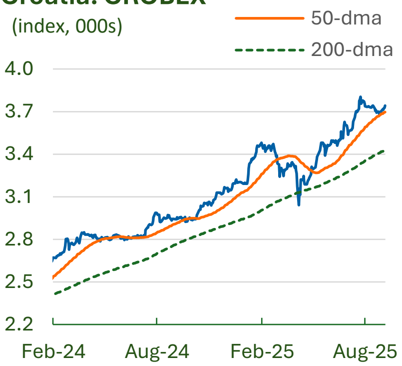

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Brazil: Bovespa

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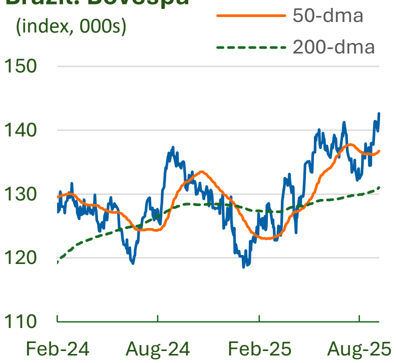

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Mexico: INMEX

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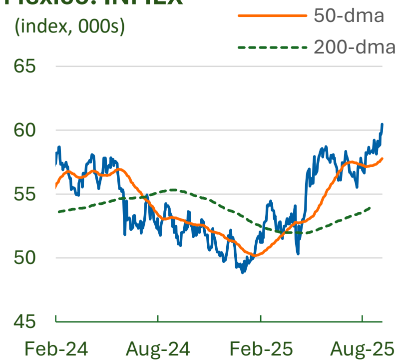

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Romania: BET Index

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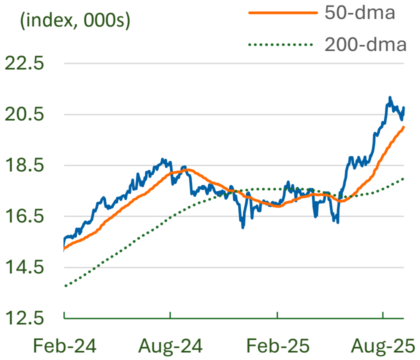

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Slovenia: SBI Top

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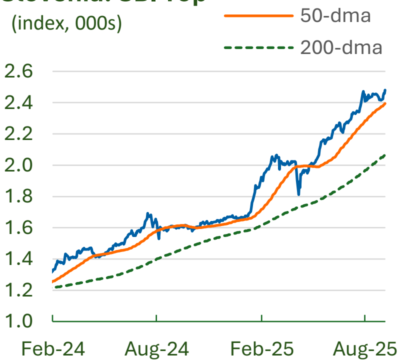

Source: Macrobond

Europe

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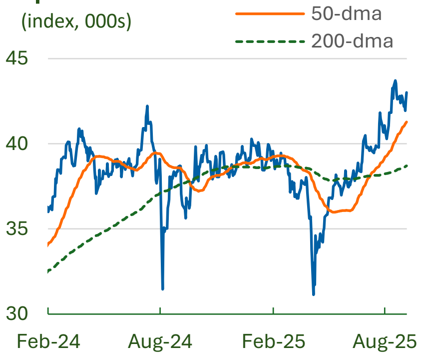
Japan: Nikkei



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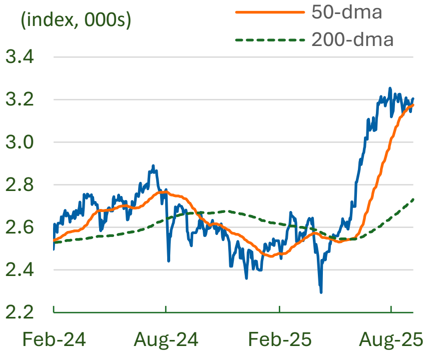
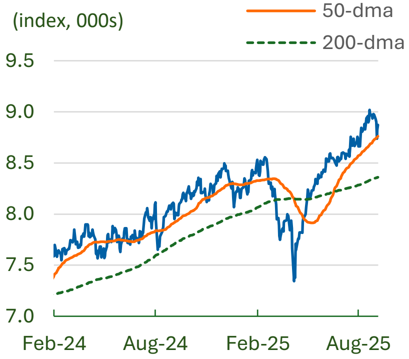
South Korea KOSPI



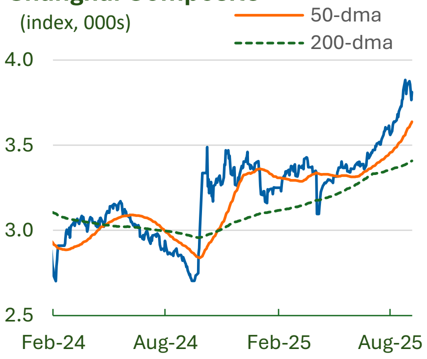
Source: Macrobond

Australia: S&P/ASX 200



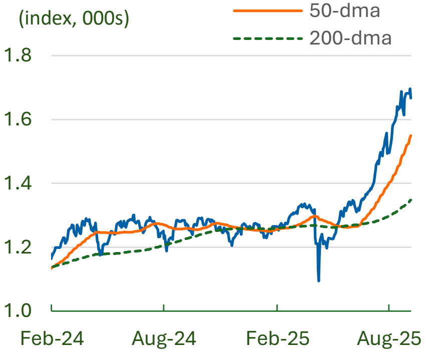
Source: Macrobond

Shanghai Composite



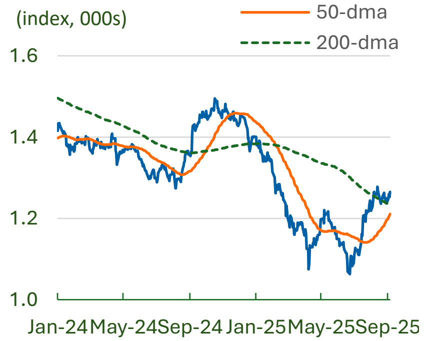
Source: Macrobond

Vietnam VN Index



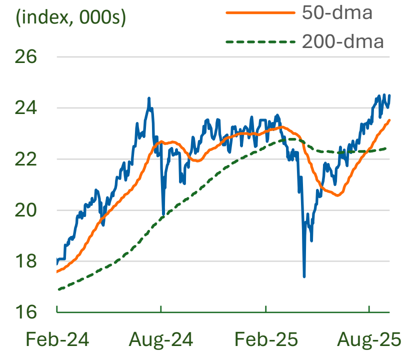
Source: Macrobond

Thailand: SET



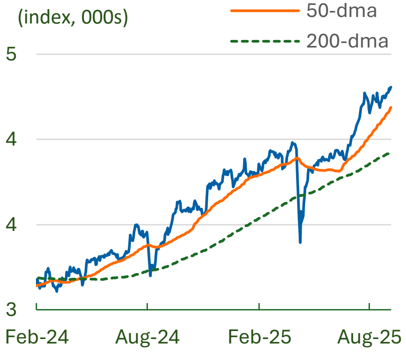
Source: Macrobond

Taiwan: Taiex



Source: Macrobond

Singapore: SGX

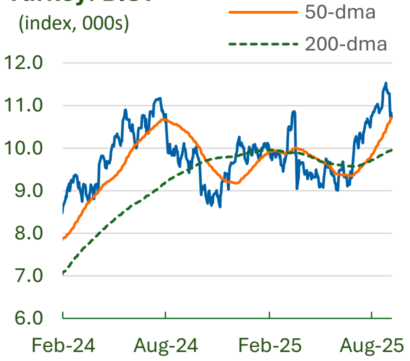


Source: Macrobond

Hong Kong: Hang Seng

Source: Macrobond

Turkey: BIST



Source: Macrobond

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