GLOBAL
Insight
WEEKLY

Wealth Management

Perspectives from the Global Portfolio Advisory Committee

November 6, 2025

The U.S. dollar in transition

Cyclical volatility meets structural shifts

Joseph Wu, CFA – Toronto

The greenback's volatile year underscores the interplay between cyclical drivers and longer-term valuation challenges—factors that could have implications for global equity leadership.

A volatile year for the greenback

After a sharp slide in H1 2025, the greenback has settled into a narrower trading range since July as foreign demand for U.S. assets was more resilient than expected. Earlier concerns about widespread capital outflows following the Trump administration's tariff salvo in April have, so far, not materialized.

However, the magnitude of the dollar's earlier weakness warrants some context. The roughly 10% drop in the U.S. Dollar Index (DXY) through midyear 2025—an outsized move for a major currency—essentially unwound the strong late-2024 rally, when optimism surrounding U.S. growth prospects ahead of and following the November elections briefly lifted the greenback (see chart at right).

An election-related rally followed by a bigger selloff

U.S. Dollar Index (DXY)

Source - RBC Wealth Management, Bloomberg; daily data through 10/24/25

Zoom out for cycles

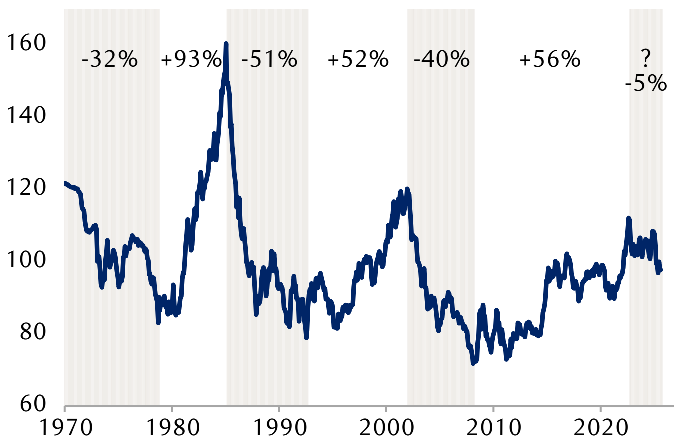
Viewed through a longer lens, the U.S. dollar tends to move in prolonged regimes lasting around seven to 10 years (see first chart on next page). Historically, strong dollar cycles have generated average gains of roughly 65%, while weak dollar phases have seen average declines of around 40%. Whether the latest long-running bull cycle—which began in early 2008—peaked in September 2022 remains to be seen. Since that point, the DXY has fallen about 13%, suggesting to us that the currency may be transitioning into a new phase.

In the near term, cyclical forces—relative growth momentum, interest rate differentials (the difference between U.S. rates and those of other large, advanced economies), and the ebb and flow of U.S. policy uncertainty—will likely continue to shape the dollar's direction over the next six to 12 months. Political unpredictability, such as abrupt trade-policy changes, can erode confidence in the greenback, as seen earlier this year.

For perspectives on the week from our regional analysts, please see pages 4–5.

A new phase?

U.S. Dollar Index (DXY)

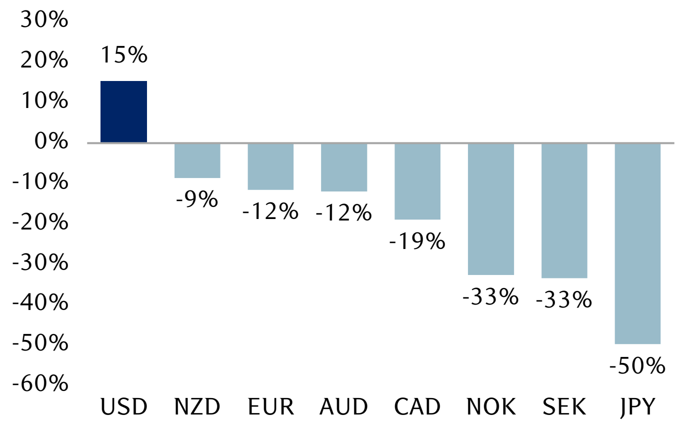


Shaded regions indicate U.S. dollar bear cycles.

Source - RBC Wealth Management, Bloomberg; monthly data through 9/30/25

Currency purchasing power parity valuation

October 2025



USD valuation calculated relative to other countries using weights from the U.S. Trade-Weighted Advanced Foreign Economies (AFE) Dollar Index.

Source - RBC Global Asset Management

Over the long run, however, starting valuations tend to exert greater influence. Even after this year's depreciation, RBC Global Asset Management estimates that the U.S. dollar remains notably overvalued relative to major peers (see chart above right). Although valuations have limited sway on short-term market moves, they tend to anchor long-term outcomes, suggesting to us that the dollar may face a more challenging multi-year outlook.

Implications for global equities

A durable turn in the U.S. dollar's structural trend would likely be a more conducive environment for equity markets outside the United States. The table below illustrates historical dollar bull and bear cycles since Dec. 31, 1969, underscoring how the dollar's direction can be a meaningful driver of equity market leadership patterns.

Periods of broad dollar strength have typically aligned with U.S. equity outperformance. Conversely, during extended stretches of dollar weakness—such as those observed between 1970 and 1978, 1985 and 1992, plus 2002 and 2008—equity markets outside the U.S. have tended to perform well or take the lead.

Currency diversification

Over the past decade, persistent dollar strength has enhanced U.S. equity returns in foreign-currency terms while dampening global ex-U.S. equity performance when measured in dollars. If the U.S. dollar is transitioning to a secular weakening phase, those dynamics could reverse—turning a longstanding headwind into a tailwind for globally diversified portfolios.

Continued on next page

U.S. dollar cycles

Since December 31, 1969

Cycle		Duration (years)	U.S. Dollar Index (DXY)		S&P 500		MSCI World ex USA Index	
Start	End		Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
Dec 1969	Oct 1978	8.8	-31.8%	-4.2%	43.3%	4.2%	85.3%	7.2%
Oct 1978	Feb 1985	6.3	93.1%	10.9%	168.8%	16.9%	34.7%	4.8%
Feb 1985	Aug 1992	7.5	-50.8%	-9.0%	196.1%	15.6%	207.2%	16.1%
Aug 1992	Jan 2002	9.4	52.4%	4.6%	228.1%	13.4%	58.8%	5.0%
Jan 2002	Mar 2008	6.2	-40.3%	-8.0%	31.0%	4.5%	126.7%	14.2%
Mar 2008	Sep 2022	14.5	56.1%	3.1%	263.5%	9.3%	35.2%	2.1%
Sep 2022	Sep 2025	?	-12.8%	-4.5%	94.9%	24.9%	83.1%	22.3%
Bull cycle (average)		**10.1**	**67.2%**	**6.2%**	**220.2%**	**13.2%**	**42.9%**	**4.0%**
Bear cycle (average)		**7.5**	**-41.0%**	**-7.1%**	**90.1%**	**8.1%**	**139.7%**	**12.5%**

Equity performance reflects total returns.

Source - RBC Wealth Management, Bloomberg; data through 9/30/25

Recent market behaviour underscores this point: Broad-based dollar weakness in H1 2025 lifted the MSCI World ex USA Index to a 19.5% total return, compared to the S&P 500's 6.2% advance over the same period.

Even within a structural downtrend, however, the U.S. dollar's path is unlikely to be linear. Periodic shifts in relative growth and interest rate differentials between the U.S. and other economies can still generate countertrend rallies. Meanwhile, the dollar's unique reserve-currency status should continue to underpin steady demand that could at times support its value beyond what fundamentals imply.

Nevertheless, valuations remain an important guidepost for assessing long-term expectations. In our view, the combination of the U.S. dollar starting from a position of broad overvaluation and the elevated weight of U.S. assets in many portfolios reinforces the strategic merit for maintaining meaningful allocations to global ex-U.S. equities.

Foreign exchange regime shifts can introduce uncertainty—but also opportunity. For long-term investors, a trend transition toward dollar weakness could reopen a window for global equity diversification to reassert its value as a source of both return potential and currency diversification.

UNITED STATES

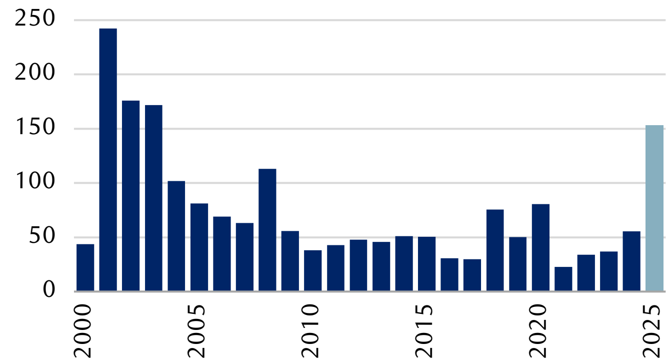
Michael Roedl – Minneapolis

- According to a report by outplacement firm Challenger, Gray & Christmas this morning, **U.S. companies announced over 150,000 job cuts last month,** the most for any October since 2003, as rising costs, softer consumer spending, and the adoption of AI lead more companies to reduce headcount. **Job cuts for all of 2025 have now exceeded one million, the largest total since the pandemic.** U.S. employers are also pulling back on hiring plans, which fell in October to the lowest level since 2011. In recent weeks, Target Corp. announced plans to eliminate 8% of corporate jobs, while Amazon plans to cut 14,000 jobs following a warning from the CEO that AI will shrink the company's workforce. While an optimistic private payrolls report from ADP tempered labor market fears earlier in the week, **today's mounting job cut announcements fuel concerns over the health of the labor market.** Both of these private reports come at a time when government employment data remains unavailable due to the shutdown, adding to uncertainties about overall employment trends.

- **Following yesterday's sharp selloff, Treasury bond prices gained upward momentum on Thursday as news around job cuts boosted market expectations that the Federal Reserve may cut rates for a third consecutive meeting in December.** As of midday Thursday, yields on 10-year Treasury notes are down by 7–8 basis points from the market open on Thursday while yields on 2-year Treasuries, the most sensitive to changes in monetary policy, are down by 5–6 basis points. According to fed funds futures data, which tracks the probability of changes to the federal funds rate, markets are currently pricing in a 70% chance of a quarter-point rate cut in December, up from around 50% on Wednesday.

U.S. October job cuts surge to highest level since 2003

Job cuts announced in October of each year (thousands)



Source - Challenger, Gray & Christmas; data as of 10/31/25

CANADA

Nguyen Dang, CFA & Lindsay Puls – Toronto

- **Prime Minister Mark Carney's inaugural federal budget proposes roughly CA$280 billion in new investments over five years,** focused on infrastructure (CA$115 billion), productivity and competitiveness (CA$110 billion), defence and security (CA$30 billion), and housing (CA$25 billion). Defence spending alone is expected to rise substantially, with CA$81.8 billion earmarked for the military, excluding major assets such as fighter jets and submarines. To partially offset higher spending, the government plans CA$60 billion in savings through fiscal year 2028–2029, including a 10% cut to the federal workforce and enhanced tax-enforcement measures. Regulatory changes are also featured prominently, with new frameworks for stablecoins (a class of cryptocurrency designed to minimize price volatility by linking their value to a stable external asset) to ensure asset backing and consumer protection, and for open banking to give consumers greater control and choice in financial services. Immigration policy is also expected to tighten starting in 2026, with permanent resident admissions falling to 380,000 per year for three years, down from 395,000 in 2025. Meanwhile, temporary resident entries are set to decline sharply from 673,650 in 2025 to 385,000 in 2026, and then 370,000 in 2027 and 2028. Finally, the budget supports critical minerals and energy investment through tax incentives and a CA$2 billion Critical Minerals Sovereign Fund that would make strategic investments in critical minerals projects and companies, including equity investments and loan guarantees.

- **Canada's 2025 budget lays out an expansionary fiscal plan to help tackle economic headwinds and stimulate growth.** Much of the impact of this budget will come down to execution and follow-through by both the government and the private sector. At the very least, a greater focus on competitiveness and a reorientation of spending toward more productive uses send a positive signal that the government is taking Canada's economic challenges seriously. The deficit for the current fiscal year (FY2025–2026) is projected at CA$78 billion or 2.5% of GDP, roughly in the range of many pre-budget estimates but not quite as high as some projections. Still, that amount is more than twice the size of the previous year's $36 billion deficit and well above the CA$42 billion shortfall previously projected. Projected deficits remain sizeable in upcoming fiscal years, shrinking only gradually from 2.0% of GDP next fiscal year (FY2026–2027) to 1.5% of GDP at the end of the projection horizon (FY2029–2030). These measures are likely additive to GDP, but not materially so without private sector involvement, which requires new trade deals, resolution of CUSMA, and the infrastructure necessary to open non-U.S. markets to Canadian exports. Additionally, as a minority government, the Liberals will need the support (or possibly abstention) of a handful of opposition members of parliament to pass this budget when it comes up for vote later this month. If the government fails this key confidence test, Canadians could be headed to the polls for a second time this year.

EUROPE

Rufaro Chiriseri, CFA – London

- **The Bank of England (BoE) kept the Bank Rate unchanged at 4%.** The narrow 5-4 vote was more dovish than consensus and our expectations. Dovish members argued that tighter policy could subdue overall demand, potentially leading to an inflation undershoot. In contrast, the hawks placed greater weight on inflation persistence risks. In conclusion, inflation risks are now seen as more balanced.

- **The neutral rate, where policy is neither restrictive nor accommodative, is still being actively debated by central bank members.** However, BoE Governor Andrew Bailey stated that the market view is giving a "sensible path" for the Bank Rate. We think this is a nod to 3.5% being the terminal rate currently priced in by markets. The upcoming Autumn Statement was also a hot topic, but Bailey refrained from speculating and reiterated that the BoE will "wait and see what fiscal policy is."

- The November Monetary Policy Report (MPR) showed a downward adjustment to both Q4 headline CPI and GDP growth compared to August. **Inflation forecasts for Q4 2026 and 2027 remain unchanged at 2.5% and 2.0% respectively, and have ticked modestly higher to 2.1% in Q4 2028.** The labour market is expected to continue loosening and wage inflation is projected to fall to 3.6% in Q1 2026, then continue to ease further.

- **Markets are now placing the probability of a December cut at 70%, up from 40% previously.** Intermediate-to-long-dated Gilts outperformed, with 5- and 7-year Gilts rallying around 3 basis points. Sterling against the U.S. dollar initially fell to 1.3060 before bouncing 0.48% higher to settle at 1.3113. With two more inflation and labour market data reports due by the December BoE meeting, we think the case for a cut remains. Should the data evolve favourably, this might satisfy the "need to see more than one number," according to Bailey, for the central bank to be convinced that inflation is truly on a downward path and favour a cut. However, if the data disappoint, the central bank may favour waiting for the February MPR forecasts in order to incorporate the Autumn Budget measures into its scenarios.

ASIA-PACIFIC

Jasmine Duan – Hong Kong

- **The Japanese equity market has rallied significantly since Sanae Takaichi won the Liberal Democratic Party's leadership election.** The benchmark Nikkei 225 Index has risen more than 11% since Oct. 4, following Takaichi's victory.

- **Public opinion polls have shown high approval ratings for the Takaichi administration at 74%.** According to the Nikkei newspaper, this is one of the highest debut approval ratings for a Japanese administration, comparable to the 75% approval rating of the Hatoyama administration in 2009. However, we note that a strong start does not guarantee sustained approval, as history shows administrations can lose support quickly.

- **Key policy initiatives of the new administration include offering free high school education, abolishing the temporary gasoline tax, and increasing defense spending to around 2% of GDP.** We expect these measures to lower the inflation rate in 2026 and improve household real incomes. Although higher defense spending may lead to increased imports, we think the overall effect on GDP is still likely to be positive.

- **Investors have been closely monitoring the movement of the Japanese yen, which has recently retreated to the 154 level against the U.S. dollar,** near the 38-year low seen last year. We largely attribute the decline to market expectations that the new administration's policies will maintain a weak yen.

- **However, U.S. Treasury Secretary Scott Bessent recently expressed concern that the Bank of Japan's delaying of rate hikes could lead to a further weakening of the yen, resulting in upward pressure on the U.S. dollar.** Given persistent inflation and the political pressure from the U.S. government, we think it would be difficult for the BoJ to postpone rate hikes for much longer. If the yen breaches the 155 level and approaches 160, we could see intervention from the central bank.

Japanese yen near a 38-year low against U.S. dollar

USD/JPY exchange rate

Source - RBC Wealth Management, Bloomberg; data through 11/6/25

MARKET
Scorecard

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	6,796.29	-0.6%	15.6%	17.5%	55.9%
Dow Industrials (DJIA)	47,311.00	-0.5%	11.2%	12.1%	38.9%
Nasdaq	23,499.80	-0.9%	21.7%	27.4%	74.4%
Russell 2000	2,464.78	-0.6%	10.5%	9.0%	40.0%
S&P/TSX Comp	30,103.48	-0.5%	21.7%	23.4%	51.8%
FTSE All-Share	5,265.74	0.5%	17.9%	18.1%	30.7%
STOXX Europe 600	571.90	0.0%	12.7%	12.2%	28.7%
EURO STOXX 50	5,669.13	0.1%	15.8%	16.4%	35.8%
Hang Seng	25,935.41	0.1%	29.3%	23.5%	46.8%
Shanghai Comp	3,969.25	0.4%	18.4%	17.2%	31.0%
Nikkei 225	50,212.27	-4.2%	25.9%	30.5%	57.2%
India Sensex	83,459.15	-0.6%	6.8%	5.0%	29.7%
Singapore Straits Times	4,417.12	-0.3%	16.6%	23.3%	40.5%
Brazil Ibovespa	153,294.44	2.5%	27.4%	17.3%	29.7%
Mexican Bolsa IPC	63,378.51	1.0%	28.0%	24.7%	23.6%
Gov't bonds (bps change)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. 10-Yr Treasury	4.161%	8.3	-40.8	-11.0	-41.1
Canada 10-Yr	3.165%	4.6	-6.0	-8.2	-57.6
UK 10-Yr	4.463%	5.4	-10.5	-6.7	17.5
Germany 10-Yr	2.673%	4.0	30.6	24.8	2.8
Fixed income (returns)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Aggregate	4.33%	0.0%	6.8%	6.0%	14.8%
U.S. Investment-Grade Corp	4.84%	-0.1%	7.2%	6.2%	18.1%
U.S. High-Yield Corp	6.91%	-0.3%	7.0%	7.6%	22.5%
Commodities (USD)	**Price**	**MTD**	**YTD**	**1 yr**	**2 yr**
Gold (spot $/oz)	3,982.67	-0.5%	51.7%	45.1%	99.9%
Silver (spot $/oz)	48.07	-1.3%	66.3%	47.2%	107.1%
Copper ($/metric ton)	10,633.05	-2.2%	22.9%	10.8%	31.3%
Oil (WTI spot $/bbl)	59.63	-2.2%	-16.9%	-17.2%	-25.9%
Oil (Brent spot $/bbl)	63.53	-2.4%	-14.9%	-15.9%	-25.2%
Natural Gas ($/mmBtu)	4.23	2.6%	16.4%	58.4%	20.3%
Currencies	**Rate**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Dollar Index	100.1580	0.4%	-7.7%	-3.2%	-4.6%
CAD/USD	0.7088	-0.7%	2.0%	-2.0%	-3.2%
USD/CAD	1.4109	0.7%	-1.9%	2.1%	3.3%
EUR/USD	1.1493	-0.4%	11.0%	5.2%	7.1%
GBP/USD	1.3054	-0.7%	4.3%	0.1%	5.4%
AUD/USD	0.6507	-0.6%	5.2%	-2.0%	-0.1%
USD/JPY	154.1000	0.1%	-2.0%	1.6%	3.2%
EUR/JPY	177.1000	-0.3%	8.8%	6.9%	10.5%
EUR/GBP	0.8804	0.4%	6.4%	5.1%	1.6%
EUR/CHF	0.9311	0.3%	-1.0%	-1.3%	-3.5%
USD/SGD	1.3069	0.5%	-4.3%	-0.6%	-3.5%
USD/CNY	7.1268	0.1%	-2.4%	0.3%	-2.0%
USD/MXN	18.5927	0.2%	-10.7%	-7.6%	6.5%
USD/BRL	5.3570	-0.4%	-13.3%	-6.8%	9.3%

Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Tuesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market conveSntion (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing.

Examples of how to interpret currency data: CAD/USD 0.70 means 1 Canadian dollar will buy 0.70 U.S. dollar. CAD/USD 2.0% return means the Canadian dollar has risen 2.0% vs. the U.S. dollar year to date. USD/JPY 154.10 means 1 U.S. dollar will buy 154.10 yen. USD/JPY -2.0% return means the U.S. dollar has fallen 2.0% vs. the yen year to date.

Source - Bloomberg; data as of 11/5/25

Authors

Rufaro Chiriseri, CFA – London, United Kingdom
rufaro.chiriseri@rbc.com; RBC Europe Limited

Nguyen Dang, CFA – Toronto, Canada
nguyen.dang@rbc.com; RBC Dominion Securities Inc.

Jasmine Duan – Hong Kong, China
jasmine.duan@rbc.com; Royal Bank of Canada, Hong Kong Branch

Lindsay Puls – Toronto, Canada
lindsay.puls@rbc.com; RBC Dominion Securities Inc.

Michael Roedl – Minneapolis, United States
michael.roedl@rbc.com; RBC Capital Markets, LLC

Joseph Wu, CFA – Toronto, Canada
joseph.wu@rbc.com; RBC Dominion Securities Inc.

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As of September 30, 2025

			Investment Banking Services Provided During Past 12 Months	
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Hold [Sector Perform]	552	37.94	140	25.36
Sell [Underperform]	41	2.82	5	12.20

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