

AHEAD OF THE CURVE



The Queen's Economic Society and The Queen's Investment Society Monthly Newsletter



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CANADA'S BALANCING ACT: RATE CUTS AMID FISCAL EXPANSION

After months of speculation, the Bank of Canada announced on October 29 that it would reduce the key interest rate by 25 basis points to 2.25%, providing some cautious optimism that inflation is moving back under control. This decision comes even as CPI inflation reached 2.4% in September, slightly higher than expected.

In its official press release, the Bank stated that the cut reflects the "ongoing weakness in the economy", and that the current rate is appropriate for keeping inflation near the 2% target. Inflation has experienced a substantial decline from its 2022 peaks, yet core measures remain sticky around the 3% mark, suggesting that underlying pressures persist. The Bank also noted that the damage of the ongoing U.S. - Canada trade war "limits the role that monetary policy can play to boost demand while maintaining low inflation."

Just days later, Prime Minister Mark Carney's first federal budget provided a fiscal counterpart to the new rate. The budget introduces a large-scale plan featuring "generational investments" in defence, infrastructure, and housing - part of a broader effort to strengthen Canada's domestic economic resilience. The budget document itself notes that "Inflation in most advanced economies has fallen and given central banks, in Canada or elsewhere, the room to pause or cut interest rates."

On one hand, the rate cut provides relief for many Canadians through lower borrowing costs on mortgages and loans. On the other hand, the fiscal expansion could add pressure on aggregate demand and prices.

With the next interest rate decision to be announced on December 10, policymakers must navigate a delicate balance: steering the economy through a "new normal" shaped by repercussions from trade conflicts, and the dynamic between cautious monetary easing and ambitious fiscal stimulus.

Investing is the process of putting money into assets such as stocks, bonds, real estate, or businesses with the goal of generating returns over time. Individuals and businesses invest to increase their overall wealth; however, investments come with varying levels of risk and reward, and their value will change over time. An important part of being a successful investor is to understand how various assets behave in various market conditions, find the best balance between risk and return, and let time and compounding do their thing.

INVESTING 101

STOCKS OF THE MONTH

- **Lululemon (LULU)** has seen major losses, and in the past year, the stock price has dropped roughly 55%. The company's sales have slowed in North America and are facing pressure from tariffs. However, many investors feel as though Lululemon is highly undervalued, and the profitability of the company makes them resistant to the difficulties in trade.
- **RichtechRobotics (RR)** was recently named the "Bull of the Day" by the well-known investment forum Zacks.com. Over the past year, the company's stock price has surged around 455%, reflecting strong investor optimism about its potential to transform the healthcare and hospitality industries. However, some concerns remain about the company's profitability, as it continues to operate with negative margins.
- On October 10th, the crypto market saw a massive liquidation of approximately \$1 trillion after Donald Trump's announcement that the U.S. would implement 100% reciprocal tariffs on China. **Bitcoin (BTC)** fell in price by approximately 17% from its peak. Many believe this is a good time to buy as the coin is heavily "discounted".

CHINA - CANADA RELATIONS

As Canada struggles under the tariffs placed by the U.S., Prime Minister Mark Carney explores alternative strategies to strengthen the Canadian economy. Last month, Carney commented on China being "a country of engineers." This statement was followed by a visit of the Canadian Minister of Foreign Affairs, Anita Anand, to China on October 16th, 2025, the second time Canada has visited China in eight years.

Relations between Canada and China have long been tumultuous, beginning in 1989, when China's violent military response to protestors led to its isolation among Western nations. In recent years, China and Canada have traded accusations, with China holding Canada accountable for white supremacy in 2019, followed by Canada shining a light on China's "genocide" of minority Uyghur Muslims in 2022.

This visit from Minister Anand has ignited discussions regarding the future of Canada's economy, leading to talks of China's likelihood to relax its retaliatory agriculture tariffs, which were a response to Canada's 100% electric vehicle tariffs. Canada imposed tariffs on China in October 2024, following the U.S.'s lead. There is a lot of political volatility between China and the U.S. in current-day politics, leaving Canadians in a difficult position as Ottawa tries to advance its relationship with the conflicting global superpowers. Forging a stronger relationship with China is a beneficial strategy as it would bolster Canada's agricultural and technological industries, benefiting the overall economy. Closer economic ties could also help to offset some of the losses Canada incurred from the tariffs placed by the U.S., which led to a drop in exports and layoffs in affected industries. Overall, this would ease Canada's worries long-term, provided that both the U.S. and China are satisfied with Canada's conduct.



DEFENDING THE NORTH: CANADA'S NEW ERA OF MILITARY MODERNIZATION



In June 2025, Mark Carney announced that the Canadian government will increase investments in the Department of National Defence (DND), aiming to meet NATO's target to spend 2% of GDP on defence, approximately \$62.7bn for the 2025-2026 year. The Prime Minister added that by 2035, Canada plans to allocate up to 5% of its GDP to military spending. But why the sudden urgency? For years, Canada has shown little interest in meeting even the 2% requirement. The answer lies in a new threat in modern warfare: hypersonic missiles.

These weapons can travel at speeds exceeding Mach 5, with some allegedly reaching Mach 27, which is roughly 9 kilometers per second. Beyond their speed, hypersonic missiles are highly maneuverable, capable of carrying multiple warheads, and have the range to strike virtually any target around the globe. Currently, only China and Russia possess operational hypersonic systems, leaving NATO countries exposed to a serious defensive vulnerability. Canada's role in addressing this threat lies in the North American Aerospace Defence Command (NORAD), a binational organization between Canada and the U.S., responsible for detecting and neutralizing incoming aerospace threats. In response to hypersonic capabilities, Canada and the U.S. are investing in a modernization of the NORAD, with improved defence in the Arctic, as it is the shortest route for missiles launched from Russia or China towards North America.

Alongside the NOARD modernization, Ottawa has set out plans for the procurement of new equipment. A contract was signed in June 2023 with Lockheed Martin, committing Canada to purchase 88 F-35 II Lightning fighter jets. Other deals in progress with American manufacturers for 26 High Mobility Artillery Rocket System (HIMARS) and 80-100 155mm Self-Propelled Howitzers. Additional contracts with Great Britain for 12 Victoria Class Submarines, designed for under-ice and Arctic operations, are in the works. With big promises for defence spending, Canada is positioning itself not just as a strong NATO ally, but as a key player in defending the North American frontier.

CLUB UPDATES

On November 14th, The Queen's Economics Society is hosting their annual Hiring 101: Fall Summit, designed to help economics students learn about the many diverse career paths and opportunities that come with an economics degree. This year, the event is showcasing the possible pathways from each of the Applied Economics subplans, which include Business and Market Strategy (BMAR-O), Policy Design and Evaluation (PDEV-O), Data Analytics and Finance (DFIN-O), and Global Issues and Policy (GLPO-O). Join us for the chance to connect with industry professionals and alumni, who will share career insights, how they navigated challenges breaking into their industry, and practical advice to jumpstart your own career. You will have the opportunity to take part in a resume workshop and networking sessions where you will gain invaluable access to business leaders and customized feedback on how to differentiate yourself.

We hope to see you there!

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