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Accelerating market moves: A permanent shift?

One of the peculiar, yet defining, characteristics of equity markets is their ability to consistently confound short-term forecasts. We often see upward market movements, even when the overall environment has a broadly negative backdrop.

Thus it was that by early April, markets quickly reversed their course. In fact, the move was reportedly one of the fastest recoveries on record: after the S&P 500 declined by roughly 10 percent by the end of March, it took just 11 trading sessions to fully regain those losses, despite elevated geopolitical tensions and continued conflict in the Middle East. Why the apparent contradiction?

The answer, of course, is that financial markets look primarily to the future, discounting values back to the present, and often not focusing unduly on current events. Equity valuation continues to be anchored in corporate earnings, and investors have been encouraged by the solid earnings reports from the spring, particularly from the tech sector, which had been pressured earlier in the year due to elevated capital spending.

While market cycles have always exhibited swings in sentiment, sometimes more rapidly than others, the pronounced pace of recent developments has raised questions about whether these movements are becoming more abrupt.

Indeed, technology has caused things to move more quickly, automating and accelerating transaction speed, while enabling near-instant dissemination of information. Market participants now operate in an environment where data is transmitted and absorbed in seconds rather than hours or days.

At the same time, demand-side dynamics have shifted. Investing has become democratized, reflected in broader market participation. Lower-cost investment vehicles and expanded access have enabled portfolio construction previously reserved for high-net-worth investors. This has also influenced investor behaviour. The average holding period for equities, once spanning years, is now measured in months. Meanwhile, even as total market values have risen, the capital sitting on the sidelines has grown. In the U.S., money market funds have doubled to around $8.2 trillion in just five years, from their $4 trillion pandemic levels.[1]

However, the shift is not solely demand-driven; supply dynamics have also shifted meaningfully. Many may not realize that the public company universe has contracted as private markets have expanded. U.S.-listed companies have halved from about 8,000 in 1997 to 4,000 today.[2] Yet global market capitalization has expanded from around $50 trillion in 2011 to over $140 trillion today, driven by the rise of the dominant publicly-traded U.S. and Asian corporates.[3]

Do these changes imply a permanent regime shift, where volatility cycles become structurally shorter and sharper? These developments suggest structural change — yet every financial cycle differs from those that come before. New "rules" are continually introduced across economic, demographic and geopolitical dimensions. The world is certainly a different place than it was 10 or 20 years ago. The pace of change may be accelerating, but the investing focus remains the same. For long-term investors, seasoned sailors offer a useful reminder: keep your eye on the horizon, rather than the waves.

1 www.apolloacademy.com/understanding-demand-for-treasuries-and-why-the-yield-curve-is-steepening/
2 https://data.worldbank.org/indicator/CM.MKT.LDOM.NO?locations=US
3 https://en.wikipedia.org/wiki/Market_capitalization

Intergenerational wealth planning: Integrate the FHSA into your plan

As the saying goes, *"Give a man a fish, and you feed him for a day; teach a man to fish, and you feed him for a lifetime."* Last year, 35 percent of homebuyers received down-payment gifts averaging $74,570, while first-time buyers in markets like Vancouver received around $208,000.[1] While meaningful to help buyers enter the market, other approaches may better build long-term financial habits.

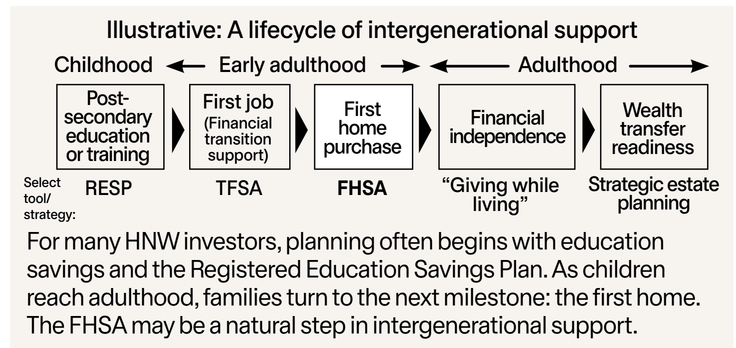
From an intergenerational wealth planning perspective, a more structured way to provide support may be to direct funds toward a child's First Home Savings Account (FHSA). Eligible Canadian residents aged 18 and older can contribute up to $8,000 per year, to a lifetime maximum of $40,000. Contributions are tax-deductible, similar to an RRSP, with qualifying withdrawals tax free, similar to a TFSA. The FHSA can generally remain open for 15 years (or the year following a qualifying withdrawal). If opened at age 18, it could remain open until around age 33, when many Canadians prepare to buy their first home.[2]

How does the FHSA help build the next generation's financial skills?

Encourages investing behaviour and enables compounded growth — The FHSA provides meaningful tax-free growth potential. For example, if contributions are maximized from the outset, at an annual return of 5.5 percent, it could grow to $80,461 after 15 years (chart). This can then be withdrawn completely tax free for a qualifying first home purchase, in addition to the tax deductions received on contributions.

A reminder: FHSA potential growth at 5.5% annual return

Year	Contribution	End of year
1	$8,000	$8,440
2	$8,000	$17,344
3	$8,000	$26,738
4	$8,000	$36,649
5	$8,000	$47,104
...10	–	$61,564
...15	–	$80,461



For many HNW investors, planning often begins with education savings and the Registered Education Savings Plan. As children reach adulthood, families turn to the next milestone: the first home. The FHSA may be a natural step in intergenerational support.

Supports structured saving toward a substantial down payment — A first-time home buyer who holds the FHSA can also access the Home Buyers' Plan (HBP) through their RRSP. The HBP allows withdrawals of up to $60,000, subject to available funds and repayment rules. Together, these tools can help establish a structured approach to saving for homeownership. Using the example above, this could result in over $140,000 available for a down payment.

Introduces tax-planning awareness over time — The tax deduction does not need to be claimed in the year contributions are made and can be carried forward to future years, even after the account is closed. This creates an opportunity to develop longer-term tax-planning discipline, helping align contributions and deductions with future income levels and resulting in greater tax savings.

Provides flexibility if plans change — While the FHSA is designed to support the purchase of a first home, if a qualifying purchase is not made within 15 years, the balance can be transferred to an RRSP/RRIF without affecting RRSP contribution room. Non-qualifying withdrawals are subject to withholding tax and are considered taxable income.

To learn more about how the FHSA can be integrated into your intergenerational wealth plan, please call.

1 cmhc.ca/2025MCS; www.forbes.com/advisor/ca/mortgages/gifted-down-payment/
2 In 2021, the average first-time home buyer age was 33; today, it's around 40.

Aftermath of major geopolitical events: Why staying invested matters

When markets rebounded in April, it was one of the fastest V-shaped recoveries on record (chart). It was a reminder that exiting the markets during periods of strain can be costly. In brief, here are some reasons:

1. Markets often reprice faster than underlying economic or geopolitical realities evolve. Equity markets can adjust quickly to new information, while macroeconomic and geopolitical conditions may evolve over longer horizons. This mismatch can make market moves feel disconnected from fundamentals, as markets are inherently forward-looking.

S&P 500 days to recover a 10 percent loss

	Period	Days to recover
Dot-com crash	2000	1,166
Global financial crisis	2008	1,166
EU debt crisis	2011–2012	99
China yuan devaluation	2015	103
Interest rate hike fears	2018	139
U.S.-China trade war	2018	81
COVID-19 pandemic	2020	103
Interest rate hike fears	2022–2023	318
Liberation day tariffs	2025	55
Iran conflict*	2026	11

*Iran conflict was a 9.1% decline.
Source: J.P Morgan, Bloomberg.
www.a16z.news/p/charts-of-the-week-the-fastest-v

2. Historically, some of the best-performing market days occurred shortly after the worst. Missing even a small number of those days can materially affect long-term returns, and re-entering the market at higher levels can often prove psychologically difficult.

3. Disruptive events are more common than we may recognize. Geopolitical, economic and financial shocks are a recurring feature rather than the exception. On average, major disruptions occur roughly every two years. Given this frequency, waiting for clarity before investing can mean more time on the sidelines than in the market.

More broadly, history shows that markets have repeatedly absorbed geopolitical shocks and other periods of stress, ultimately recovering and resuming their upward trajectory. Accordingly, staying committed to a long-term investment plan can be one of the best actions investors can take.

Downsizing a home — Why fewer people are making the move

A recent *Globe and Mail* article suggested that the best time to plan to downsize is "when you're still excited about what comes next."[1] The argument is straightforward: it's better to decide on your own terms, before health issues or practical limitations force a decision. Waiting too long can mean the choice is driven by necessity rather than preference, often under pressure from family or advisors.

Those who successfully transition tend to act proactively, motivated by what their next home offers, whether it's simplicity, convenience or a better lifestyle fit. Downsizing can also provide financial advantages by unlocking home equity and reshaping both financial position and lifestyle. A smaller home typically reduces maintenance, utilities and property tax bills, while freeing capital for other priorities.

Yet fewer people are choosing to downsize. Many prefer to remain in their homes as long as possible. A recent survey found that among those over age 50, only 11 percent had a desire to downsize.[1]

This shift reflects broader changes in housing economics and retirement planning. In the past, more homeowners expected to use real estate as a retirement resource. Today, that assumption is less common. Longer life expectancy, improved health in later years and higher overall wealth have contributed to a greater ability to remain in place. At the same time, the rising costs of seniors' housing can reduce the net financial benefit of downsizing, limiting the equity released in practice. Several other factors may also influence the decision:

Emotional impact. Downsizing is not purely financial. Long-time homes are often tied to memory, routine and identity — factors that can delay decisions long after the financial case is clear.

The cost of moving. Selling expenses, including legal fees and commissions, can account for a meaningful portion of proceeds. Preparing a home for sale (e.g., staging, repairs) adds further expense, as do moving costs and updates needed to settle into a new property. The process itself can also create administrative complexity.

Market uncertainty. Limited inventory has made it difficult to find a suitable property for some, while market price fluctuations can affect what a sale will ultimately yield. In many markets, prices have shifted from their highs.

Trade-offs in housing flexibility. Moving to a rental or community setting may reduce maintenance responsibilities, but can introduce uncertainty around lease terms, fees or future cost increases. Ownership typically provides greater control and predictability.

However, as life circumstances evolve, including changes in health or mobility, the question often shifts from whether downsizing is financially optimal to whether current housing still fits day-to-day life.

This is why early exploration is recommended, before the decision becomes forced by circumstances. It helps to avoid rushed decisions. Spending time in a potential new location across different seasons can help clarify lifestyle fit. In the case of condominiums, reviewing bylaws and restrictions, such as pet rules or renovation limits, well ahead of time can materially affect the decision.

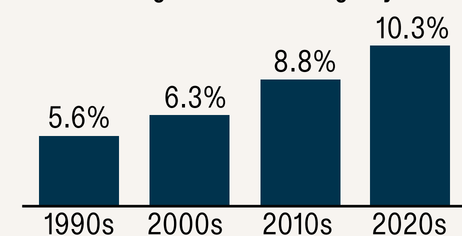
Ultimately, downsizing may be less about finances alone than aligning housing with changing priorities. And, while the home may become smaller, the opportunities can expand in meaningful ways.

1 https://www.theglobeandmail.com/investing/personal-finance/article-what-is-the-right-age-to-downsize-your-home-its-all-about-timing/

The 30,000 foot view: What is behind the equity market advances?

What has driven equity market advances? It's worth repeating: Over longer horizons, one of the key drivers of equity returns is corporate earnings. Viewed over time, profitability has not just held up; it has expanded. U.S. corporate margins have continued to rise, with average S&P 500 net income margins this decade exceeding 10 percent, roughly double the levels seen in the 1990s. Canadian corporate profits have seen a similar trajectory, though aggregate profits have been more sensitive to commodity prices — a reminder that growth in economies and markets is rarely linear.

S&P 500 average net income margin by decade



Source: https://awealthofcommonsense.com/2025/09/why-is-the-stock-market-up-so-much-in-the-2020s/

Aggregate corporation profits before taxes, X $1,000,000,000

Source: StatsCan T:36-10-0125-01

S&P 500 key drivers of stock market performance

Decade	Dividends	Earnings growth	P/E change	Annual returns
1970s	3.5%	9.9%	-7.5%	5.9%
1980s	5.2%	4.4%	7.7%	17.3%
1990s	3.2%	7.4%	7.2%	17.8%
2000s	1.2%	0.8%	-3.2%	-1.2%
2010s	2.0%	10.6%	1.0%	13.6%
2020s	1.5%	9.0%	3.9%	14.4%

Select drivers of equity returns include dividend yield, earnings growth and speculative return or changes in valuations (price/earnings (P/E) change)

Source: https://awealthofcommonsense.com/2025/10/animal-spirits-why-retail-is-outperforming/

Of course, earnings growth alone doesn't guarantee strong equity returns. Consider that in the 1970s, an era of high inflation and high unemployment driven by the 1973 oil embargo, earnings growth was strong (+9.9%), yet elevated inflation and weak valuation multiples kept equity returns subdued (see chart).

Beyond earnings, changes in valuation, driven by interest rates, inflation expectations and investor risk appetite, can significantly amplify or offset underlying trends. Liquidity conditions and central bank policy also play a role in shaping how much investors are willing to pay for a given stream of earnings. Nevertheless, earnings remain the foundational driver of long-term equity performance and a key anchor for continuing market strength.

Technological inflection points: We've been here before

Is artificial intelligence (AI) coming for your job? According to ***The Economist***, one in three people believe AI is set to cause widespread job losses, while seven out of 10 believe it will make it harder for people to find work.

Beyond the geopolitical conflict dominating headlines, the "AI job-apocalypse" has become a common narrative. It doesn't help that the unemployment rate has been creeping upward, and that many recent college and university graduates are struggling to find work.

Of course, there's no doubt that AI improves productivity. A recent paper from Stanford University examined how large language model tools (generative AI systems known as LLMs) are already significantly improving productivity across a range of knowledge-based tasks. The results are striking. In every common work task that was studied, generative AI reduced completion time by at least half, and in most cases by around 70 to 75 percent (chart below). The study also found that LLM adoption among U.S. workers rose significantly from 30.1 percent as of December 2024 to 38.3 percent as of December 2025.[1]

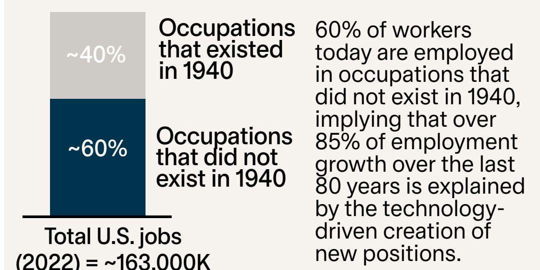
Given the proven capabilities and rapid advancement of AI, it will undoubtedly eliminate some tasks and compress certain roles. There is evidence that this may already be happening.[2] However, the notion that AI will imminently create permanent, widespread unemployment might be exaggerated.

How many minutes does AI save? Select work tasks[1]

Task	Time with AI	Time without	% Change
Operations Analysis	31	98	-68%
Systems Analysis	31	87	-64%
Programming	33	129	-74%
Technology Design	39	142	-73%
Equipment Maintenance	34	124	-73%
Personnel Management	32	103	-69%

Historically, productivity gains have often expanded economic activity rather than reduced it, creating new industries, new demand and ultimately new forms of employment. A related dynamic is seen in the Jevons Paradox: efficiency gains lower costs, which tends to increase overall consumption rather than reduce it. William Jevons observed this phenomenon in the 19th century when efficiency improvements led to greater overall coal consumption, not less.

U.S. employment in 2022: Innovation leads to the creation of new occupations[3]



We've been here before. In 1951, when IBM introduced its electronic calculator, it was promoted as capable of replacing 150 engineers. Yet, 75 years later, engineers remain indispensable. Every major platform shift arrives with the familiar promise and worry: more output, fewer people, instant transformation. In recent decades, similar fears surrounded radiologists, telemarketers and travel agents. In practice, technology augmented these professions rather than eliminating them outright.

Then there are the jobs that do not yet exist. One study suggests that technology has facilitated the creation of new occupations that now employ 60 percent of workers today (graph above).

Indeed, the labour market will evolve, as it always has when transformative technologies emerge. But worries of widespread and permanent unemployment may ultimately prove to be a short-sighted view of the world ahead.

1 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5136877
2 https://fortune.com/2026/04/06/ai-tech-displacement-effect-gen-z-16000-jobs-per-month/
3 https://www.gspublishing.com/content/research/en/reports/2023/03/27/d64e052b-0f6e-45d7-967b-d7be35fabd16.html

Want to change the world? Start by making your bed

It may be one of the more memorable pieces of advice for new graduates heading out into the real world. *"If you want to change the world, start by making your bed."*

These words, delivered by Admiral William McRaven to a commencement crowd in 2014, were drawn from his Navy SEAL training, one of the most gruelling and disciplined programs in the world.[1] Yet, his message was deceptively simple.

It's a lesson that translates across all walks of life. If you can master small habits, like consistently making your bed each day, you build the discipline needed to handle the bigger challenges.

This summer, around 600,000 students are expected to graduate from Canadian colleges and universities, alongside another 350,000 high school graduates. Chances are, you know one of them. For those just starting out, this message may be worth passing along.

Investing follows a similar path. Getting the small things consistently right can significantly improve long-term outcomes. Building wealth is rarely about one-time decisions — and almost never about achieving success quickly.

Instead, it comes down to habits: saving regularly, avoiding unnecessary debt, consistently investing and maintaining discipline when markets feel uncertain.

Here are two examples to share with new graduates that show the power of these choices:

The impact of time

Compare two investors who each contribute $10,000 annually for 20 years at a 5.5 percent compounded annual return.

Annual contribution of $10,000, with 5.5% growth

Scenario	Contributions for 20 years	Value at age 65
Start at age 25	$200,000	$1,073,328
Start at age 45	$200,000	$367,861

The math is compelling. Both investors contribute the same $200,000. Yet the one who starts at age 25 ends up with roughly $1.07 million by age 65, assuming the capital is left untouched to compound. By contrast, by waiting until age 45, the portfolio grows to only $367,861. The difference is driven by time in the market, not the amount invested. Even a 5.5 percent return is modest and attainable, underscoring how powerful time can be.

The impact of consistent contributions

If $10,000 per year seems difficult early in a career, smaller contributions can still lead to meaningful results. Consider how $417 per month (or $5,000 annually) can grow within an RRSP starting at age 25, assuming a 5.5 percent return:

Monthly contribution of $417, with 5.5% growth

Starting at 25	Ending value
By age 35...	$ 86,159
By age 45...	$ 245,930
By age 55...	$ 546,501
By age 65...	$ 1,095,327

Assumes contributions increase by 2.5% annually, in line with average inflation.

What begins as a relatively modest balance in the younger years can compound to over $1 million by age 65. This assumes an entry-level income (an annual salary of at least $28,000), supported by the tax deduction on RRSP contributions that can help stretch a paycheque in the early career years.

Indeed, financial decisions made early may seem insignificant, but they can have a profound impact over time.

Congratulations, graduates — and welcome to the real world! Small things, done consistently, have a way of compounding in both life and investing. Sometimes it really can start with something as simple as making your bed.

1 It would later inspire the #1 *New York Times* bestseller *Make Your Bed*, a book offering simple wisdom, practical advice and steady encouragement.

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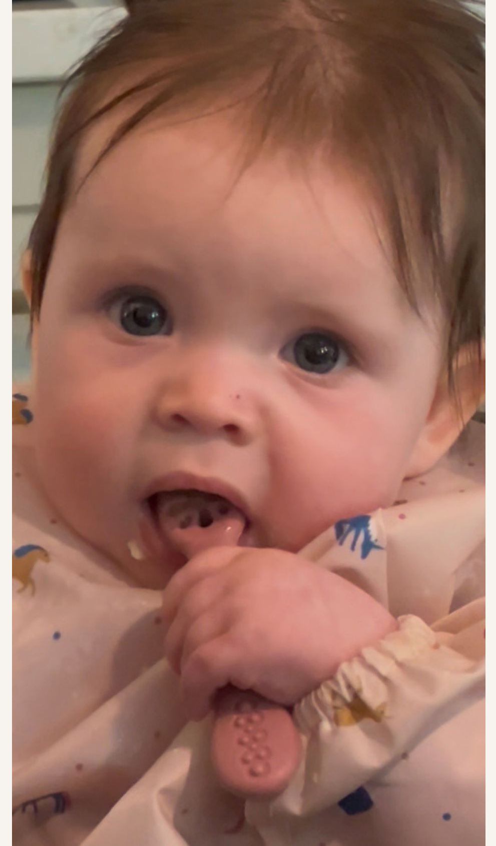
Charlene’s Corner

Letting our clients know what we have been up to.

Wishing you all a wonderful Summer!

→ Harper almost 6 month, with two new teeth and now feeding herself!



→ Congratulations to Jas and Jess on their engagement in Greece.

→ Our Team is Growing. We are happy to introduce Nicholas Patriarca, our new Associate.