November 2025 Financial Planning Email Update

In the past month I have had the opportunity to access and discuss the current investment market environment with several prominent portfolio managers. I received many detailed descriptions which fall generally into two categories. First, that we are at the beginning of a prolonged positive market (bull) cycle which could last a further 2 to 5 years or second that we are near the end of a technological AI driven bubble which will burst like the end of the internet technology bubble of 1999. What is fair to say is that as cycles go the pendulum has swung far into the positive. The further we are into the positive the greater the buffer which will eventually be needed when the pendulum swings back. I like to think of this buffer as a safety zone which will enable us to maintain an above average rate of return throughout the entire market cycle.

One particular presentation I attended in the past month which hit on many of the factors which currently influence the market was given by Lorne Gavise Senior Vice President and Head of Macroeconomic and Foreign Exchange Strategy for CI Global Asset Management. Lorne began by stating that global growth has slowed and will remain below potential, that tariff related inflation is now noticeable but much better than originally feared and global monetary easing policies including reduced interest rates is a positive factor.

Lorne's assessment of the US is that consumer consumption has slowed but AI is picking up the slack as US GDP is shifting to AI investment. Overall job creation in the US has slowed sharply in recent months, increasing the downside risk to the US economy (but not to the point of pushing the panic button). For now, the US labour market is in a state of balance with labour demand and labour supply slowing simultaneously as hiring has slowed but layoffs have not picked up meaningfully as a normalization is playing out. For example, the US foreign born labour force has declined by 1.48 million this year while US layoffs and new hires are steady.

On the inflation front, while tariffs have pushed up the price of goods , their modest weight means services will continue to drive overall inflation. The overall inflation calculation is made up of 5.7% impacted by goods with tariffs, 57.8% impacted by services, 17.7% impacted by housing and 18.8% impacted by other goods.

The Federal Reserve in the US has resumed monetary easing and is expected to play catch up over the coming year. Currently the US target interest rate is 4.25% while Canada's target interest rate is 2.25% and Europe's is 2.0%.

The US One Big Beautiful Tax Bill's retroactive tax changes will boost 2026 income tax refunds while restoring 100% expensing for business will lift investment. The US average income tax refund is expected to be up 15.3% in 2026 which is a huge positive fiscal impact for the US. This accommodative fiscal policy along with easing monetary policy will be positive in 2026.

In Canada recent employment data suggests slack is building in the labour market contributing to the Bank of Canada's decision to lower interest rates in both September and October. The current unemployment rate in Canada is 7.1%. The inflation rate in Canada has eased with the termination of Canada's retaliatory tariffs on US imports which reduces the upside risk to the inflation outlook. Lorne is not fearful of runaway inflation at this time. On February 1st Canada faced a 25% tariff on all goods exported to the US. Today Lorne stated that the USMCA free trade agreement which expires in 2026 has exempted 88.5% of goods traded to date being duty free. Future trade negotiations present a great degree of uncertainty as the US may look for separate agreements and Canada/Mexico will want to co-ordinate together. Mark Carney has been a positive factor creating an aggressive plan to help the Canadian economy developing an investment focused budget to drive growth thru strategic spending. Carney is targeting to exploit our natural resources to become a superpower in resources with our oil and critical minerals. The Major Projects Office is to accelerate investment and boost productivity. The direction of these policies and projects provides Canada with an optimistic outlook for the future. Lorne believes the Canadian dollar should improve verses the US dollar long term.

In summary, Lorne is optimistic about the next year with positive impacts to be derived from increased government spending and lower interest rates. Lorne believes that in 2026 we will see increased certainty with trade agreements being renegotiated.

Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning. I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling the office at 519-894-2661 or toll-free at 1-800-716-5538.

Have a great day!

Respectfully Yours,

Gary

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