

March was a negative month for most investors. While declining months are never pleasant, they are to be expected as part of one's long-term investment journey. Given the significant rise in the price of oil & gas resulting from the Middle East conflict, along with an increase in market interest rates, the market decline (expressed as a percentage) was not particularly severe. My educated guess is that the markets are looking past the severity of the current geopolitical situation - and are anticipating greater stability in nine months from now.

Significantly, U.S. corporate profits for 2026 are still expected to increase at a higher pace than the historical average rate. I believe this is mainly due to (1) continued high spending on Artificial Intelligence initiatives - which should benefit sectors such as semiconductors and infrastructure, and (2) numerous companies are anticipated to benefit financially from the increased productivity and efficiency resulting from the adoption of A.I. tools. If one adds the fiscal stimulus that will soon come from large U.S. personal tax refunds (remember the 'One Big Beautiful Bill Act?'), along with the appointment of a new 'dovish' Chair of the U.S. Federal Reserve in May, it is hard to be too pessimistic. FYI: 'dovish' is a cute way of saying the incoming Fed Chair- Kevin Warsh - favours lower interest rates.

I recognize that the Middle East conflict is highly unpredictable. The markets already reflect this greater level of uncertainty. Markets often discount the 'worst possible' scenario during periods of high uncertainty- as opposed to the 'most likely' scenario. The media plays into this by often making sure it highlights the 'most disastrously possible' scenarios. In my mind, I believe one possible negative scenario would be a Middle East conflict that continued at a very high intensity level over the next six months. Partly for political reasons, I don't think this will happen, but as an Investment Advisor and Portfolio Manager, I must keep this 'negative' scenario in the back of my mind as a potential outcome.

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