This World is Changing Fast

The past 12 months have seen the return of a divisive U.S. President, tariff threats and market turmoil, followed by unbridled euphoria driven by artificial intelligence themes both real and perceived. To start a new year, we have the capturing of a South American President, and now seemingly a new world order from that which has been in place since post World War II.

If the headlines suggest history is accelerating, keep in mind, since 2020 we have already had a pandemic, a break down of global supply chains, a once-in-a-generation inflationary surge, amongst a myriad of other significant developments in Ukraine, Iran, Europe and throughout the world. We at BWM don't believe in one future, but a range of possible outcomes and proceed cautiously and thoughtfully in our portfolio strategy as a result.

But first, where did we enter what is sure to be another dynamic year in financial markets? The fourth quarter ended with most major stock markets up, albeit more modestly following significant gains earlier in the year. The global stock market increased 2.9% in the fourth quarter, ending the year up 19.5%. Leadership in 2025 was in stark contrast to the past several years, with developed markets outside the U.S. (tracked by the EAFE index) up 4.5% in Q4 and a very strong 27.9% on the year. Fiscal stimulus in Europe, strength in developed Asian countries like Japan, and even renewed interest in the Canadian stock market drove the outperformance vis a vis the U.S. market. Buoyed by the historic move higher in gold prices, Canada's S&P/TSX Composite index was up 5.6% on the quarter, resulting in one of its best relative performance years in recent memory, with an annual price gain of 28.2%.

Bonds (as is usually the case) were less exciting. U.S. and global bonds showed strength in 2025 with the U.S. bond market up 7.3% for 2025 (1.1% in Q4) and the global market up an even stronger 8.2% (0.2% in Q4). After significant Central Bank cuts in Canada and a new federal stimulus plan announced by Mark Carney's Liberal government, bond markets weakened in the quarter with the Canada Bond Universe down -0.3%. Despite recent softness, the market ended higher in 2025 with a total return of 2.6%.

Roaring '20s of the 2000s?

Every few generations there is a transformative capital cycle that reshapes economies and societies. From the invention of the steam engine during the industrial revolution, to the large infrastructure build-out with the development of the railways, to the roaring 20s with the creation of radio and automotives, followed by the internet of the 90s – history shows technological leaps drive progress. Today, artificial intelligence is the catalyst.

Putting aside global geopolitics and conflict for a moment, the thing that has us most worried as of late, is the lack of anything to be worried about in the near-term economic outlook. The concentrated profit growth of the world's largest companies, primarily focused on artificial intelligence, is now broadening to many other industries.

In the U.S. alone in 2025, over half a trillion was spent on AI-related infrastructure. Based on industry estimates, this figure is anticipated to rise to a range of nearly $1.5 to over $2 trillion by 2030. Cumulatively over this timespan, the capital spending on the latest technological renaissance would total roughly $5 to $7 trillion. These numbers are difficult to comprehend. The build-out is not just occurring in the U.S. but across Europe, Asia and other parts of the world. We are amid one of the largest economic booms in modern times. Alongside this spending is significant stimulus at the government level across many major nations including in Canada, Europe and China. Defense, power, manufacturing, resource development and other industries are experiencing tailwinds.

At the same time the growth outlook could not be more robust, financial conditions are easing as central banks cut rates, extend more loans and merger & acquisition activity rises. The wealthiest individuals on earth have amassed an amount of capital that is visually off the charts, while we see all-time high cash sitting on the sidelines not yet deployed into further pushing the market higher.

Risks to the Optimistic Outlook

"This time is different" is about the most frightening expression there is in the investment world. Those words underpin every bubble that has ever taken place. However, anything we can quantify suggests we are not in a classic bubble today, albeit we see the underwriting of such a scenario in the years ahead. The spending is in the early innings if the current economic path stays afloat, meaning the trickling down of those dollars is just beginning to spread to the broader global economy and financial market. Unlike the last two bubbles, the Nifty-Fifty and the Dot-Com eras, this market has been fully supported by earnings and cash flow growth to date. In prior episodes we saw a significant decoupling of this relationship whereby prices of tech companies went to stratospheric levels while the supporting industries did not follow suit. While we experienced many valuation anomalies in recent bubbles, using a baseball analogy, we estimate we are in the 5th inning, or approximately halfway through the cycle in terms of price and time. We also see more similarities to the global landscape of today with the geopolitical environment of an entirely different era of the past, namely the 60s and 70s.

Which brings us to our next risk, which we perceive as real and unforecastable in magnitude or timing: global conflict and the rapidly changing and unpredictable geopolitical landscape. We are seeing historical global relationships and institutions in flux. China and the U.S. are competing in what many consider a new cold war era. Nations around these two are adapting to a world where Presidents can be extracted from their home in the night, nations invaded, tariffs inflicted and where technological and business disruption occurs rapidly. What we used to deem low probability events, are rapidly seeming more possible.

As we move through time and assume a changing of the political landscape and a calming of tensions, we are still dealing with unique risks. Reference to a K-shaped economy is becoming commonplace. Those globally with existing wealth are experiencing an incredible time for opportunity and experience. Conversely and for much of the world, costs are high, and times are tougher than they were not long ago. Potentially around the corner is the threat of permanent labor displacement from AI and a future that looks very different then the past.

Closing Thoughts

The truth usually lies in the middle and we anticipate this time will be no different. The path there will rhyme with the past as opposed to repeat. For now, all underlying data suggests a positive multi-year outlook. The proverbial apple cart can however be upset without notice and the long-term presents challenges with little historical precedent.

Our approach to portfolio management remains the same. We will continue to construct portfolios to perform best on a relative basis when challenging times inevitably ensue. Our approach to partnerships, technology and expertise is always to narrow the range of potential portfolio outcomes but lift that narrowed range into the higher side of what benchmarks and our competitors and their clients will experience.

Our largest advantage is our humility. We don't know which future will unfold, but we have and will continue to diversify risks and opportunities to achieve a smooth and acceptable ride to your intended outcome.

Bessette Wealth Management

January 26, 2026