

Client Market Update – March 11, 2025

Good afternoon,

I wanted to send a quick note to check in with you, as during times like these it's hard to reach everyone by phone. With all that's going on globally; tariffs between the U.S. and Canada and politics inside our own borders (i.e. Canadian Liberal Party changes and potential elections) it's easy for a phone conversation to go on for some time! I would never reach everyone.

However, it's important to touch base and provide my perspectives, particularly to how you are being impacted and a more technical way to view where we are at right now.

2024 was by far one of the best years for markets in a couple decades. This is important to remember. When markets undergo a pull-back and the news is flowing faster than you can keep up, it's always a settling strategy to look at the bigger picture and pan out to a longer time horizon. Most clients with 65%+ market exposure are up low double-digit percentages from 1-year ago. Many are **up almost 10% from August 5th, 2024.**

In my opinion, returns of 20%+ should be followed by a decline of 5% - 7% and seen as "healthy". I know that it likely sounds crazy to say it "is good to lose" money, but this decline is needed for the normal ebb-and-flow of the market to continue to grind higher. As long as we stay invested and reallocate some investment positions to respond to the current environment, this dip will be recovered as has all the past declines in history.

I will **draw attention to the fact through February and now into March, your portfolio is coming under some pressure.** Some of the sector allocations and investment funds are tilted towards an inflationary reality. This means we have more money allocated to metals, mining, uranium, bitcoin and some technology, to offset those inflationary risks. While I have limited the exposure to the "**Magnificent 7**" mega-cap stocks (which lost \$800 Billion in value on Monday alone!); currently the tariff attack and retaliation from both sides of our border has created a set back and sell-off in some companies broadly across sectors. Copper and Uranium companies have been hit 20% - 30% in a little over a month. Bitcoin has also fallen 20% recently, which impacts the portfolio in the near term, as well as a few companies that are tied to "Fin-Tech" or financial technology. I don't see this as company specific selling, and therefore I am less concerned that there are weak investments in the portfolios broadly.

With all this said, we are looking at portfolio declines year to date of a few percentage points, while the S&P 500 is down over 4%, the Nasdaq is down almost 10%, and the TSX and the DOW are down around 1.5%. **It really isn't all that bad so far.**

I want to spend the last bit illustrating how emotions are tied to market direction. Below is the picture of **Fear and Greed** in the investment population going back to 2022. The image looks busy at first, so I hope that I can explain what this is showing and why it's important to highlight this now.

This is the **CNN Fear & Greed Index**. It measures 7 key market inputs to gauge the level of fear or greed in the market. **As of March 10th, the index is flashing Extreme Fear.** Actually, this is the second lowest reading (highest fear level) since back in 2022 when the market was under intense pressure from rising rates and high inflation in all prices.

The charts below looks like heart rate monitor results if you are watching financial television the past few weeks! In reality, these two lines are showing the values of the Fear & Greed Index and the S&P 500. Let me explain.

The blue line is measuring the range from 0 – 100 for the Fear and Greed Index. It currently sits at 15, and the arrow points to where that aligns on the chart. A way to think of this is that when the blue line is at a peak, that is when the market was in a “Greedy” stage. As the blue line falls, people are becoming concerned and sometimes fearful. **The red line is the S&P 500 over the period.** The boxes are used to focus on the times when investors turn fearful. The percentage declines are written above the boxes. Note the green box from late 2024 until Feb 2025. Sentiment shifted from greedy to fearful and the markets went up! That hadn't happened previously, **so it was time for a decline in the market.**



The second thing that can be seen in the chart on the prior page is **what happens to the S&P 500 every time the Fear & Greed Index turns back up. The market has a strong recovery!**

On the first page I mentioned a performance measurement **from August 5, 2024**, which is an obscure date to select at random. The reason I measured the average portfolio from that date is because that was **the last time the Fear & Greed Index was this low**. It bottomed at 16 that day, and the S&P 500 had finished a 7.9% decline before moving strongly upward into the fall. That doesn't mean we are finished with the current decline, but it should be near.

Warren Buffets famous quote:

“to be greedy when people are fearful and fearful when people are greedy.”

The chart illustrates that quote and mindset perfectly. This too shall pass and will be added to a long list of events that shake the market in the short term. Just since 2020 we have had **Covid, Israel & Palestine middle east war, Russian and Ukraine invasions, Japanese interest rate and banking stress**, massive **North American interest raise increases** not seen in 30+ years, following the **rapid rates of inflation** that have challenged every household. The list goes on, as does the market over time. This will work itself out, and if it takes longer than expected or a further turn for the worse, know that I will react and take action to mitigate deeper declines as has been the case through the last several years.

Please reach out to me, Jocelyn or Brittany if you have concerns or questions specific to your situation. We will respond as swiftly as possible.

Take care, and thank you for your trust in our team 😊

Ryan, Jocelyn & Brittany

Tax Season Reminder:

One last note, is a reminder that investment tax slips can take **until late March or early April** to arrive in the mail.

As well, if you have in the past provided us with **your Accountant's information**, we create duplicate tax slip and tax report packages to them to be sure they have copies of all your information.

If you have changed accountants this year, please let us know.

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