Investment Insights

A Shifting (Energy) Landscape?

The average person today has nearly 700 times more useful energy at their disposal than their 19th-century counterpart.[1] This vast expansion of energy access has been the foundation of modern prosperity, largely invisible in daily life — as is its vulnerability to disruption.

In the mid-1960s, crude oil surpassed coal as the world's dominant fossil fuel, marking the beginning of a structural dependence that persists today. Global consumption now exceeds 100 million barrels per day, up from around 60 million just a half-century ago. Although the global energy mix has gradually diversified, the world remains 80 percent dependent on fossil fuels.

The conflict with Iran has served as an abrupt reminder of energy's central role in global order. In the spring, the Strait of Hormuz exposed the risks of routing roughly 20 percent of global supply through a single chokepoint. The resulting disruptions not only drove fossil fuel prices sharply higher but also reinforced a consequence that extends well beyond economics: energy security is inseparable from national security.

This is not a new lesson. During the 1973 oil embargo, while Canada largely avoided the severe shortages and long gas lines seen in the U.S., supply shocks triggered a sharp surge in inflation, with delayed policy responses creating broader economic instability. That experience laid the groundwork for a new energy strategy built on diversifying away from Middle East supply and strengthening domestic capacity. As a result, while Canadians faced higher prices at the pump, the effects were less severe than in many import-dependent nations, particularly in Southeast Asia.

Will this accelerate a broader energy shift? Indeed, recent events have prompted many nations to revisit their energy strategies, with renewed interest in alternative energy sources aimed at reducing dependence on imported fossil fuels. At the same time, expectations of a rapid decline in fossil fuel use may be optimistic. Even as efficiency improves, total oil demand has proven remarkably resilient. A key constraint is the efficiency paradox, often described by the Jevons effect: efficiency improvements lower costs, but as costs fall, substitution and income effects tend to increase overall consumption. The substantial growth in air travel, even as fuel efficiency has substantially improved, illustrates the dynamic. Today, while energy use per unit of GDP has fallen over the past two decades, total energy consumption has not, and in the U.S., per capita energy use has only declined at around half the pace of efficiency gains.[2]

The conflict may also prove a catalyst for reshaping global dynamics. The UAE's decision to leave OPEC in the spring, departing the cartel it joined in 1967, may signal emerging fractures in traditional alignments. As a key producer with significant spare capacity, the move could meaningfully alter OPEC's ability to influence global oil supply and prices.

At the same time, in an era of heightened geopolitical uncertainty and renewed trade tensions, stability and reliability are commanding a growing premium alongside resource abundance. Canada's role as a stable and proximate energy supplier reinforces its structural importance in global energy markets. This position shouldn't be discounted, especially in an increasingly fragmented world. As one market observer noted at the height of the conflict, "*oil and gas aren't the only two commodities missing from world markets... so are trust and predictability*." Against this backdrop, Canada's position has rarely looked stronger.

1. *How the World Really Works*, by Vaclav Smil, 2022; 2. https://www.eia.gov/todayinenergy/detail.php?id=48976; According to the EIA, U.S. per capita energy consumption peaked at 360 million BTU in 1979 and dipped below 300 million BTU in 2020.

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To Our Clients:

If things seem to be moving more quickly, you're not mistaken. Blink, and the narrative seems to change. Inflation is front of mind as the impact of higher oil prices ripples through supply chains, contrasting earlier in the year when inflation appeared under control and markets priced in potential rate cuts. After the S&P 500 declined by roughly 10 percent by the end of March, it took just 11 trading sessions to make a full recovery in April. As one analyst noted, "*for situation monitors, the whiplash is a thing to behold...for everyone else, they may not have even noticed.*"

It is perhaps a useful reminder to focus less on the headlines this summer. For now, don't underestimate the resilience of the economy or the consumer. As always, we are here to take care of your investing matters so you can slow down and enjoy the moments that matter.

Victor, Colleen, Eva and Nicole

In This Issue

Pain at the Pump: Psychology of Gas Prices

As gasoline prices rose in the spring, Google searches for "gasoline" reached their highest level in two decades.[1]

After years of elevated inflation following the pandemic, the latest price shock has come from gasoline, after oil prices rose by around 60 percent in April alone. The impact felt particularly acute because gasoline is a frequent, highly visible purchase, and for many households, one with few substitutes beyond public transit or car pooling. Yet a broader view offers perspective:

High prices may feel bad, but a longer view tells a familiar story. We've been here before. In June 2022, the national average hit $2.07/L, equivalent to $2.33/L in today's dollars, with Vancouver at $2.52/L and St. John's at $2.27/L. Prices also surpassed $2.00/L in 2008 (inflation-adjusted, chart). Over time, the long-term average has been close to $1.50/L.[2]

We need less. Over the decades, vehicle fuel efficiency has improved. In Canada, average consumption has fallen by roughly 10 to 15 percent, to around 8.6L/100km, from 9.5L/100km in the late 1990s, though efficiency gains have been offset by a shift toward bigger vehicles like SUVs.

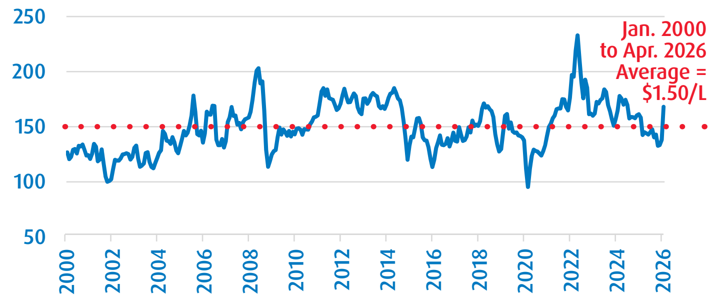
It takes a smaller share of income. Rising incomes, combined with improved efficiency, mean fuel costs account for a smaller portion of household budgets. Gasoline accounts for 2.6 percent of average Canadian household expenditures, down from roughly 4.0 percent in 2011.[3]

Still, perception often matters as much as reality. Gas prices are posted prominently and updated frequently, making them salient in ways most prices are not.

Of course, none of this diminishes the strain on households, particularly those struggling with rising costs. Elevated energy prices are expected to continue feeding through supply chains, adding pressure to broader inflation. According to the International Energy Agency, global inventories have been drawn down at a record pace, creating at least a four-month lag before supply conditions can normalize. But the broader point remains: while gasoline prices fluctuate, our broader capacity to absorb the changes has improved.

1. www.wsj.com/economy/consumers/gas-just-hit-4-a-gallon-is-that-really-as-bad-as-it-sounds-850545f3; 2. StatsCan T: 18:10-0001-01; 3. Latest figures available: 2019 from Fraser Institute, 2025 Energy Costs & Canadian Household Report; 2011 figures from 2016 report.

Monthly National Average Retail Price for Gasoline, Inflation Adjusted, January 2000 to April 2026 (¢/L, cents per litre)



Sources: StatsCan T: 18-10-0001-01, adjusted for inflation, Bank of Canada inflation calculator, https://www.bankofcanada.ca/rates/related/inflation-calculator/

The New Rules of Digital Deception

"*Never take candy from a stranger.*" It was a warning many of us grew up with and one we might ironically long for today. Back then, the dangers seemed simpler. Now, recent commentary suggests a far more unsettling modern corollary: "*Trust nothing.*"[1]

Scams have moved beyond isolated, one-off messages and evolved into coordinated systems designed to blend into everyday digital routines. According to McAfee's 2026 Scamiverse Report, we now receive an average of 14 scam messages per day, and the average person spends 114 hours a year trying to determine what is real and what is fraudulent online.[2] Despite increased public awareness, the growing sophistication of artificial intelligence (AI) has widened the gap between what people can reasonably detect and what scammers can convincingly disguise.

As a result, some people have stopped answering phone calls altogether. Even messages from seemingly familiar contacts can no longer be assumed authentic. For example, a newer form of phishing involves fake email "e-vites" from supposed friends. Because these messages often originate from compromised or convincingly spoofed accounts, recipients may trust them without hesitation. A user clicks an invitation link and is redirected to a page requesting email credentials in order to view or RSVP to the event. Once entered, those details are used to compromise email accounts, enable identity theft or harvest contact lists for further scams.

Traditional warning signs of scams remain a useful first line of defence, but they are no longer sufficient on their own. AI now allows bad actors to clone voices, mimic writing styles and generate fake pages at scale, making deception harder to spot because it's engineered to feel familiar. In an increasingly complex scamiverse, several updated precautions are suggested, as adapted from McAfee's "What Not to Do in 2026" list:

- **Do not assume "no link" means safe**; linkless scams are increasingly common;
- **Do not act on urgency alone**; pressure continues to be a key manipulation tactic;
- **Do not scan random QR codes**, especially in public spaces;
- **Do not trust caller ID, photos or voices**; all can be convincingly faked;
- **Do not click account alerts sent via message**; instead, access services directly on an official site;
- **Do not share login or verification codes** under any circumstances;
- **Do not reuse passwords** across accounts; one breach can cascade;
- **Do not assume you're too informed**; modern scams are designed around that confidence.

Today, the new challenge is navigating a landscape where deception is designed to look routine. To learn how BMO works with you to keep accounts safe and for ideas to better protect yourself, visit the BMO Security Centre: https://www.bmo.com/en-ca/main/personal/security-centre/. As always, we will never contact you via unsolicited phone call, email, text or social media asking for sensitive information such as passwords, PINs or one-time passcodes. If you have concerns, please reach out.

1. https://www.washingtonpost.com/business/2026/04/11/party-invite-scam-facebook-clone/; 2. https://www.mcafee.com/blogs/wp-content/uploads/2026/01/Scamiverse.pdf

Lesser-Known FHSA Tips

Think the First Home Savings Account (FHSA) is just for first-time buyers? Here are lesser-known FHSA tips for seasoned investors — or to pass along.

1. You may qualify even if you've owned a home before. If you haven't owned a home in the current year and the preceding four calendar years, you may be eligible. While the FHSA is often seen as a tool for young buyers, "seasoned" investors who meet these criteria may consider the FHSA as a retirement savings boost (see point #6).

2. Maximize contributions early for compounded growth. The FHSA allows annual contributions of up to $8,000, with a lifetime limit of $40,000. However, it must be closed by December 31 of the earliest of: i) the 15th anniversary of opening, ii) the year following the first qualifying withdrawal, or iii) the year the account holder turns 71. As such, not contributing the full $8,000 from the start risks missing out on the lifetime limit, tax-deductible benefits and potential for tax-free growth over time.

Consider a scenario where an investor contributes $8,000 each year from the outset. At a 5.5 percent annual return, by year 5, the $40,000 contribution would grow to $47,104. By year 15, it could grow to over $80,000 (chart); all tax-free if withdrawn to purchase a first home.

Potential Growth: 5.5% 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

3. Unused deductions can be claimed in future years — even after the account closes. Like a Registered Retirement Savings Plan (RRSP), FHSA contributions are tax-deductible, and unused deductions can be carried forward even after the FHSA closes. For those who expect to be in a higher tax bracket in future years, claiming the deduction later may be a valuable way to help optimize tax savings.

4. Be aware that carry-forward rules differ from other registered plans. The FHSA provides $8,000 in annual contribution room, with unused amounts carried forward to the following year, but only to a maximum of $8,000 and subject to the lifetime limit of $40,000. Other registered accounts allow for all unused contribution room to carry forward each year. For example, an individual who opened an FHSA in 2024 and contributed $4,000 would have $12,000 in participation room in 2025. If they do not contribute in 2025, they would have $16,000 of participation room in 2026, not $20,000, as only $8,000 carries forward. Excess contributions are subject to a penalty of one percent per month.

5. You can use the FHSA alongside the RRSP Home Buyers' Plan (HBP). In 2026, the HBP allows withdrawals up to $60,000 from the RRSP for an eligible first-home purchase without tax consequences, subject to repayment rules. In the scenario above, if the FHSA grows to $80,000, alongside the HBP, this could result in $140,000 toward a first home.

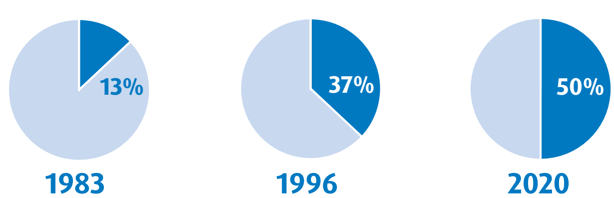
6. Transfer unused FHSA funds to an RRSP or RRIF. If you do not use the FHSA to purchase a first home, assets can be directly transferred to your RRSP or RRIF without immediate tax consequences. These transfers do not affect unused RRSP contribution room.

The Democratization of Stock Ownership

Equity market participation continues to grow. Here's a brief look.

As rising housing costs have pushed homeownership out of reach for many, a recent *Wall Street Journal* article noted that Gen Z is increasingly putting money into the stock market instead.[1] Similar patterns may be emerging among younger Canadians, with nearly 74 percent reporting at least one type of investment.[2] Today, technological advances and structural shifts in the markets have reduced many traditional barriers to entry, making financial markets increasingly accessible. (Whether that encourages financial literacy or promotes speculation remains open to debate.)

Equity Market Participation Over Time, Based on S&P/TSX Surveys[3]

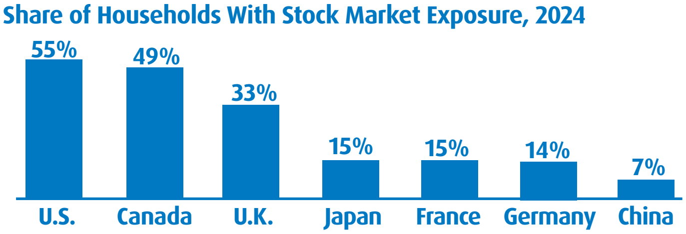


It may be difficult to recall a time when stock market investing was largely reserved for wealthier households. Yet as recently as the 1990s, before widespread internet access, high trading commissions and the absence of low-cost, diversified products meant that building a diversified portfolio required meaningful capital. At that time, "equity and investment fund share units" represented just 5.9 percent of Canadian household assets.

How have things shifted? By 2016, that figure had risen to nearly 24 percent. Today, roughly half of Canadians have some form of stock market exposure.

While participation rates in Canada and the United States are comparatively high, global equity ownership remains uneven. As the barriers to entry continue to decline, what happens when the rest of the world catches up? The implications for global capital flows — and perhaps even valuation multiples — could be meaningful.

Share of Households With Stock Market Exposure, 2024



Source: www.visualcapitalist.com/ranked-top-countries-by-stock-market-ownership/

More broadly, the expansion of equity market participation has allowed a larger share of the population to benefit from one of the most powerful wealth-creation systems in modern economic history.

1. https://www.wsj.com/personal-finance/gen-z-investments-home-ownership-ec0bbe98; 2. https://www.finra.org/media-center/newsreleases/2023/finra-foundation-cfa-institute-research-focuses-gen-z-investors; 3. https://www.cbc.ca/news/business/survey-says-almost-half-of-canadian-adults-own-stocks-1.208778

Choosing the Next Chapter: Downsizing Your Home

A recent *Globe and Mail* article suggested that the best time to plan a 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.

That said, many Canadians hope to remain in their homes as long as possible. Surveys consistently show low interest in downsizing among those over age 50. In a survey last year, only 11 percent of respondents indicated a desire to downsize to something smaller. Still, aging often brings new changes in mobility, energy and health, making a larger home more difficult to manage over time.

Those who downsize most successfully tend to act proactively. Rather than reacting to external pressures, they are motivated by what their next home offers, whether it's simplicity, convenience or a better lifestyle fit. Having control over the timing and reasons for a move can make the transition smoother and more positive. It may also offer meaningful financial advantages.

Opportunities To Downsize

Downsizing can unlock home equity and reshape both your financial position and lifestyle. A smaller home can reduce maintenance, utilities and property tax bills, while freeing up capital for other priorities. Accessing home equity may strengthen retirement cash flow, support family members or fund new goals. Depending on the terms, proceeds can help reduce or eliminate mortgage debt. Beyond the financials, downsizing can better align your home with your evolving needs. A smaller space, more accessible layout or community setting may improve convenience, safety and social connection. However, there are important considerations to weigh:

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

Set realistic expectations. It may be easy to become preoccupied with trying to "optimize" the timing of a sale based on market conditions, but home prices fluctuate and are influenced by many factors. Consulting an experienced realtor can help you better understand your home's value and set realistic expectations.

Consider the emotional impact. Downsizing isn't purely a financial decision. Letting go of a long-time home can be difficult, particularly when it's tied to family memories, routine or identity. These emotional factors can delay decision-making or lead to second-guessing after a move.

Weigh stability versus flexibility. Downsizing to a rental or community-based living arrangement may reduce responsibilities such as maintenance or repairs, but it can introduce uncertainty around lease terms or future fee increases. Traditional homeownership often provides greater control and predictability.

As with any major financial decision, planning is important. Take the time to explore your options to avoid rushed decisions later on. If you're considering relocating to a new community, city or province, spend time there during different seasons to understand what day-to-day life might look like. If you're thinking of moving abroad, understand the tax, healthcare and residency implications. For condo living, review bylaws and restrictions carefully; details like pet policies or renovation rules may significantly affect your experience.

A thoughtful approach allows you to weigh both the financial and lifestyle implications before making a decision. While your home may become smaller, the opportunities ahead 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/

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