

Financial Insights

from Quinn+Cardy Wealth Management
of BMO Nesbitt Burns

Perspectives on the Rate of Change

Since the start of the pandemic, the speed at which things have changed in response to COVID-19 has felt extreme. We have seen rapid economic shutdowns across global economies, to equally swift responses by governments and central banks in providing stimulus. Even the speed at which equity markets have declined and bounced back has been dizzying.

Consider this three-week snapshot of the daily fluctuations in the price of the S&P/TSX Composite Index (open to close) in March of last year:

S&P/TSX Composite Index Daily Change, March 9 to 27, 2020

Mar. 9 -4.6%	Mar. 16 -2.3%	Mar. 23 -4.9%
Mar. 10 -0.4%	Mar. 17 +1.3%	Mar. 24 +5.6%
Mar. 11 -2.5%	Mar. 18 -3.9%	Mar. 25 +4.4%
Mar. 12 -8.1%	Mar. 19 +4.4%	Mar. 26 +1.7%
Mar. 13 +4.2%	Mar. 20 -3.9%	Mar. 27 -2.0%

The world seems to move faster than ever. This may be attributed to the fact that we are more connected than in the past, both through technology and the media. In this digital age, the speed of change has increased due to the power of network effects, instantaneous communication and the nature of digital goods. The graphic (inset, bottom left, in blue) shows how the rate of change has increased, using customer acquisition as a metric. Today, companies can attract millions of users at unprecedented rates.

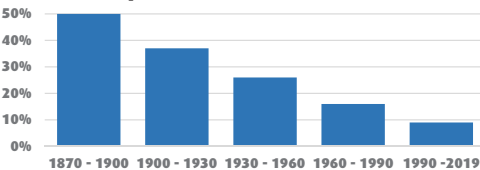
Even Recessions Are More Accelerated

The speed at which economies recover from downturns has also increased. Economies go through cycles, with peaks and troughs being a natural part of the business cycle. Recessions occur when economic output declines after a period of growth. However, the speed of economic recovery has increased as technological advances have created a more service-based economy, and with increased central bank intervention.¹



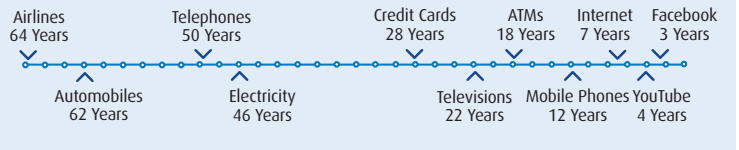
A century ago, the economy was in recession nearly 40 percent of the time; today this rate has dropped to less than 10 percent (see chart for U.S. below² — the rate since 1930 is similar in Canada but economic data prior to 1930 isn't readily available³).

U.S. Economy — % Time in Recession²



This may be good food-for-thought as we ponder the path forward. Prior to COVID-19, we experienced the longest economic expansion on record. As economies begin to reopen, perhaps some of the factors that have increased the rate of economic recovery will help to prevent a long and drawn out economic downturn. While we face plenty of challenges in the short term, this may be reason to maintain a more optimistic perspective.

Number of Years for Select Products to Reach 50 Million Users³



1. <https://cdhowe.org/council/business-cycle-council/>; 2. <https://nber.org/cycles.html>; 3. visualcapitalist.com



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