

# WEEKLY STRATEGY Perspectives



Private Wealth

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## Nuggets versus Noise

*"If you don't read the newspaper you're uninformed. If you read the newspaper you're misinformed."*

– Mark Twain

**The Through Line:** Let's be honest – there aren't enough adjectives to describe how wild and wooly the headlines have been in the past 12 months. Yet, global economies have proven astoundingly resilient, and global capital markets even more so (aside from interim pockets of short-lived volatility). What gives? Obscured by the noise, a constructive fundamental through line has endured. This week, we outline strategies to help you separate the clamoring nonsense from legitimate news nuggets worthy of your attention.

## Our very own Rip Van Winkle moment

Imagine you awakened from a yearlong slumber on New Year's Eve 2025. The year-in-review credits are rolling, summarizing some of the many fraught headlines. From DOGE and immigration impacts on labor markets to Fed independence, technological shocks (DeepSeek), substantial pivots in trade and defense policy priorities and AI spend/funding (to name but a very few) – it was quite simply a lot to take in.

You might assume that asset prices swooned in response to all the drama. **Instead, of course, equity markets around the planet effectively said "hold my beer" while marching to all-time highs.** In fact, the MSCI All Country World Index pulled off a gain of around 20% – its third consecutive double-digit annual increase. Bonds were relatively well behaved (even those of intermediate and longer duration) even though newly elected officials in many countries passed bigger budgets and/or cut personal income tax rates.

Hard to believe that 2026 is barely five weeks old and a raft of *additional* issues are adding to the cacophonous carryover of 2025 concerns (Venezuela, Greenland, escalating ICE tensions/backlash, a threatened criminal indictment of the sitting Fed chair, extreme volatility in currency, crypto and precious metals). No wonder many investors want to swaddle themselves in a weighted blanket and seek comfort in a bit of cozy Nordic hygge.

## If it bleeds, it leads

**Remember: the media's business model is to generate clicks, views, likes and measurable interaction time – not to craft a use case that is supportive of your peace-of-mind.** Our brains are wired to focus on negative news. "If it bleeds, it leads," the adage goes. Most of what we are exposed to every day is likely to be extraneous noise rather than useful input. Deciphering which content will stand

the test of time and have lasting impact is part art (and will only be known in hindsight) and part science (core fundamentals, facts and numbers to anchor decision-making).

When headlines and markets are moving fast, it's easy to get caught up in a vortex of frenzied emotion. The pace and intensity trigger primitive parts of our brains that demand rapid-fire responses. Training ourselves to ask simple questions can help slow the process down (e.g., what impact will this factor have on a company/industry/country's growth rate?). This also puts the focus precisely where it needs to be: on the basics. It's also important, though, to narrow that fundamental lens to a reasonable time frame – and avoid getting too wound up about something that might happen (or not) far in the future (and only after a number of other pieces have fallen domino-like into place).

## "It's the ~~economy~~ fundamentals, stupid"

In figuring out how a particular story line might impact asset prices, remind yourself that markets are "discounting mechanisms." This simply means they are always on the lookout for what comes next and are not focused on what is happening today. We see this in the way that investors often ignore a company's earnings report (even a miss or a beat) and react instead to the future guidance provided by management and what that implies for growth, profitability or the influence of inflation.

**The Growth Narrative:** For much of last year, pundits kept insisting that companies and consumers needed clarity before they could act – implicitly suggesting that things would be frozen until the outlines were crystalline. But corporations (especially those that are publicly held) cannot grind to a halt and wait for perfect clarity. They must answer to boards, customers, clients, employees, owners and bankers. Similarly, consumers rarely stop spending – especially if they are employed and/or their asset values have increased.

These fundamental truths were observable via earnings reports, commentary from the Fed's Beige Book, and threads from a variety of economic stats that showed businesses were executing with shrewd precision. Other noteworthy attributes included the intense attention to margins that allow any extra revenue to drop in amplified fashion to the bottom (earnings) line. It was also notable that in the post-Liberation Day earnings season, scores of companies issued guidance that tamped down Wall Street and Bay Street expectations. This helped rapidly reset the stepping-off point to a more practical (and beatable) level. Bottom line: markets adjusted quickly and re-formed around a continuing growth trajectory.

**Inflation/profitability narrative:** Fear of tariffs drove much of the short-term thinking/reaction last year. The knee-jerk assumption on Liberation Day (and for the next few weeks) was that those increased tariffs would be passed on to consumers directly and in full. This would raise input costs for downstream companies and increase purchasing prices for consumers. In the wake of LD, many strategists lowered their growth expectations for entire countries – and concluded the odds of a global recession had significantly increased.

This basic story line (perhaps seduced by the novelty of the situation) often failed to keep several core points in mind: President Donald Trump's propensity to put super-sized asks in play to destabilize competition heading into negotiations; the supply chain and flexibility of operational muscles that corporations honed over the last decade; and frontline consumer companies' awareness that their customers have low tolerance for price increases.

## The through line for 2026

We'll need to keep our info nugget-hunting skills well honed, given the onslaught of alarming headlines thrown at us since January 1. Relative specifically to the core growth and inflation/profitability narratives, we can build a case that growth will run stronger, accompanied by a continued taper in interest rates.

**Growth tailwinds** – for starters, we have more clarity on several fronts (corporate and individual taxes, tariffs/trade policy, reduced regulation) versus 12 months ago. Margin leverage is amplifying earnings growth and thus is supportive of valuations. Technological enhancements and precision headcount rationalizations are kicking in. Evidence is mounting that production is shifting back to the U.S. (pharma, autos, semis). Some kinks still need to be worked out in the mismatch between reskilled and trades-level workers, but the trajectory is DIRECTIONALLY appropriate. Global growth is also likely to benefit from increased fiscal stimulus and enhanced military/growth spend in countries like the U.K., Germany, Japan, China and, of course, the U.S. A de-escalation of hostilities in hot zones like Russia/Ukraine and Iran could help further. New/revised trade and supply chain arrangements allow the restart of expansion plans that had been shelved. Ironically, the decline in the dollar's value – which is causing angst among some investors – benefits exporters, whose products become more attractively priced in global markets. This, in turn, aids in realigning the U.S. trade imbalances the Trump administration wants to address. There are positives for Canada, too: the commodities boom that is underway, aided by nation-building projects and recently announced tax relief (GST rebate adjustments), are all tailwinds to the fortunes of the S&P/TSX, which is nicely levered to a surprise in U.S. and global growth.

**Inflation** – Technological adaptation is helping bring inflation down (not only AI but also robotics, cloud and automation of previously labor-intensive processes). The U.S. central bank has room to cut interest rates further. However, stronger growth may drag the process out while a newly reconstructed Federal Open Market Committee awaits supportive data clarity around faster, but less inflationary, growth. **The current productivity pickup could potentially match or surpass the mid-1990s productivity boom.**

**Valuation/volatility** – Valuations do not impact growth, but growth can support valuations. In other words, growth that comes in faster than projected can help a business or an index grow into its valuation. It's also worth remembering that markets in aggregate and over the longer term are discounting (anticipatory) mechanisms. They project performance and earnings trends that they expect will happen in the future.

## Implications for investors: tips for navigating narratives

Each unexpected headline can cause our hearts to skip a beat – which is intentional (got you to click on it, yes?). Watch for these tricks that can throw you off your long-term focus:

**Intentionally incendiary words** – When we read or hear “plunged,” “soared,” “vaulted,” in reference to the markets our emotions are triggered, which perhaps prompts a trade or two. (Interesting tidbit: behavioral scientists have found that when we are emotionally flooded, we respond from a different, more primitive region of our brains. **The logic lobes are entirely shut off.**) We get a sense of urgency to act. However, that reflex has the potential to blind us to future consequences.

**Superficial comparisons** – For example, we react to time imperatives. We read this recent headline and jump to the conclusion we must act immediately. “Supply pressure from multiple sources is pushing yields on longer-dated Treasuries to levels not seen in *two weeks*.” Seriously, is it likely that the long-term fundamentals are really going to be disrupted by a so-called trend that's been charted for just a few weeks?

**Timing or method of release** – It can be disruptive to receive unexpected news at odd times (e.g., over the weekend, in the middle of the night, or after market close on the Friday of a holiday weekend). We have similar reactions when news is splashed out over social media rather than announced via press release or formal press conference.

While a fresh bit of news may have long-term consequences, rarely can the pace of business (or the habits of consumers) match the lightning-fast reaction of the markets. **Keep your wits about you and keep reminding yourself to filter every bit of noise through the long-term nuggets of wisdom that have proven nearly inviolable over the long run.** Markets are rooted in the sustainability of long-term growth. Finding those shining info nuggets – despite the daily din of discord – can aid in calming your head, heart and stomach.

## In focus in North America

*Jon Borchardt, Sr. Analyst*

*George Trapkov, CFA, VP and Portfolio Manager*

### This week

#### **President Trump nominates Kevin Warsh to lead the U.S. Federal Reserve**

– The decision was disclosed via Truth Social and was not followed by a press conference. Markets immediately looked to Mr. Warsh's past comments and track record to gauge how he might direct policy when he takes over from Jerome Powell in May (assuming the Senate confirms his nomination). In prior cycles, Mr. Warsh leaned hawkish on rates and more recently has advocated shrinking the Fed's balance sheet, positions that at first glance appear to run counter to President Trump's stated preference for lower policy (and hopefully simultaneously, mortgage) rates. Mr. Warsh has argued that monetary policy should be predictive rather than data dependent and that, in this cycle, the Fed's institutional role should be narrowed, a framework he believes contributed to slow decision-making and overtightening. Mr. Warsh also believes that AI could be a significant deflationary force. When added to his view that policy should be predictive, that assessment forms a logical case for future rate cuts rather than sustained restriction.

#### **Trade issues continue to weigh on Canadian trade flows**

– Canada's merchandise trade deficit widened to \$2.2 billion in November from a revised \$0.4 billion in October. Exports fell 2.8% when gold shipments reversed following two months of strength (although they are still up almost 40% year to date). Meantime, imports edged down 0.1% as the sectors were mixed. Weaker auto production dampened those imports (-4.5%) while a 6.2% increase in volatile consumer goods offset some of the declines. Looking through the volatility from energy and metals prices, it's clear that Canadian trade flows remain under pressure in response to elevated levels of uncertainty. Despite some support from diversification, trade headwinds will remain until we get certainty in the form of relief on sectoral tariffs and clarity on the future of USMCA/CUSMA.

**Canada's GDP under pressure** – Canadian real GDP ended 2025 on a distinctly chilly note; output was unchanged in November after an icy 0.3% drop in October. Combined with the preliminary flash estimate for December of a meagre 0.1% rebound, that leaves GDP down slightly for all of Q4 (per StatCan's early quarterly estimate). These announcements reinforce the theme that the economy struggled to grow at all in Q4 after a surprisingly perky Q3.

**Subtle green shoots for U.S. manufacturing** – The Institute for Supply Management's Manufacturing (ISM) PMI Index reading for January came in at 52.6%, topping the Bloomberg consensus forecast of 48.7. This was the highest reading since August 2022 and indicates renewed expansion momentum for the manufacturing economy. The new orders component posted its highest reading since February 2022, while customer inventories continue to be viewed as "too low." This combination has raised hopes for a short-cycle industrial recovery after a protracted

downturn. Backlogs and manufacturing output also showed solid improvement during the month. Subtle signs of inflationary pressures persist and hiring remains stalled – not surprising while macro trade policy sorts itself out. Sentiment remained wary; survey participants indicated they think uncertainty around tariffs and broader trade policy is a significant headwind. ISM Chair Susan Spence noted that a portion of the pickup in new orders can be attributed to customers pulling demand forward to get ahead of expected tariff-related price increases. That theme is consistent with broader industry commentary.

**Early read on U.S. earning season to date** – Nearly one-third of S&P 500 companies had reported calendar Q4 financial results by last Friday. According to FactSet, the blended earnings growth rate at that point was 11.9%, surpassing the December analyst consensus estimate of 8.3% and marking a fifth consecutive quarter of double-digit earnings growth. Seventy-five per cent of reporting companies delivered earnings above expectations, a result that falls just short of the five-year average, though the scale of beats has been relatively larger. Bloomberg notes that earnings surprises have drawn little reward from investors, who have lofty expectations and increasingly believe valuations are stretched. The three sectors providing the greatest contribution to broader S&P 500 earnings growth have been industrials, information technology, and communication services. The blended net profit margin for the quarter stands at 31.2%, the highest level recorded by FactSet since it began tracking in 2009.

### Next week

Other than the delayed Nonfarm payrolls report on Wednesday, there are not many items to hang our fundamental hats on. Perhaps a good week to lean into disengaging from doomscrolling social media and focusing instead on the 25th Winter Olympics?!

**Monday 2/9** – None scheduled

**Tuesday 2/10** – U.S. NFIB business optimism survey, employment cost index, Import price index, Retail sales, Business inventories

**Wednesday 2/11** – U.S. CPI, Federal budget, Nonfarm payrolls (delayed) | Canada Building permits

**Thursday 2/12** – U.S. Initial jobless claims

**Friday 2/13** – None Scheduled

## Data scorecard as of February 4, 2026

Equity Market Total Returns						
	2/4/2026 Level	WTD	YTD	2025	2024	5-Year*
S&P 500	6,883	-0.8%	0.6%	17.9%	25.0%	14.4%
NASDAQ	22,905	-2.4%	-1.4%	21.2%	29.6%	13.4%
DOW	49,501	1.2%	3.1%	14.9%	15.0%	11.6%
Russell 2500	4,558	1.0%	6.0%	11.9%	12.0%	7.3%
S&P/TSX	32,572	2.0%	2.9%	31.7%	21.7%	16.1%
MSCI EAFE	11,211	0.5%	5.7%	31.2%	3.8%	8.9%
MSCI EM	837	0.3%	9.2%	33.6%	7.5%	4.2%
Bond Market Total Returns						
		WTD	YTD	2025	2024	5-Year*
Bloomberg U.S. Aggregate		-0.1%	0.0%	7.3%	1.3%	-0.4%
Bloomberg U.S. Treasury		-0.1%	-0.2%	6.3%	0.6%	-1.0%
Bloomberg U.S. Corporate		-0.1%	0.0%	7.8%	2.1%	-0.1%
Bloomberg U.S. High Yield		0.0%	0.5%	8.6%	8.2%	4.5%
Bloomberg 1-10 Year Munis		0.2%	1.2%	5.1%	0.9%	1.2%
Bloomberg Canada Aggregate		0.0%	0.6%	2.4%	4.0%	-0.4%
Bloomberg Canada Treasury		0.0%	0.2%	1.4%	2.9%	-0.8%
Bloomberg Canada Corporate		0.0%	0.8%	4.4%	6.9%	1.5%
Government Bond Yields						
	2/4/2026	Last Month End	Last Quarter End	2025	2024	5-Year Average
U.S. 10-Year Treasury	4.28%	4.24%	4.17%	4.17%	4.57%	3.37%
Canada 10-Year Government	3.43%	3.42%	3.43%	3.43%	3.23%	2.81%
U.K. 10-Year Gilt	4.55%	4.52%	4.48%	4.48%	4.56%	3.16%
German 10-Year Bund	2.86%	2.84%	2.85%	2.85%	2.36%	1.66%
Japan 10-Year Government	2.25%	2.24%	2.06%	2.06%	1.09%	0.65%
Currencies & Real Assets						
	2/4/2026 Level	WTD	YTD	2025	2024	5-Year*
USD Index	97.62	0.6%	-0.7%	-9.4%	7.1%	1.8%
CAD:USD	\$0.73	-0.4%	0.5%	4.8%	-7.9%	-1.5%
Bitcoin	\$72,627.14	-13.7%	-17.1%	-6.5%	120.5%	24.8%
Gold	\$4,964.93	1.4%	14.9%	64.6%	27.2%	17.9%
Oil (WTI)	\$65.14	-0.1%	13.4%	-19.9%	0.1%	3.4%

\*Annualized

5-Year data as of December 31, 2025. Benchmark data does not reflect actual investment performance but reflects benchmark results of the underlying indices referenced. You cannot invest directly in an index. Index definitions can be found at the end of this publication.

## Index Definitions

### Equity indices

**S&P 500® Index** is an index of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

**NASDAQ Composite Index** is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

**Dow Jones Industrial Average ("DOW")** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

**Russell 2000® Index** (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

**S&P/TSX Index** is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX).

**MSCI EAFE Index (Developed Markets —Europe, Australasia, and Far East Index)** is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International. The index captures large and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada.

**MSCI Emerging Markets Index** is a market capitalization weighted index representative of the market structure of the emerging markets countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

### Fixed income indices

**Bloomberg U.S. Aggregate Bond Index** is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

**Bloomberg U.S. Treasury Index** is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

**Bloomberg U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

**Bloomberg U.S. Corporate High Yield Index** is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+ or below.

**Bloomberg 1-10 Year Blend Municipal Bond Index** is a market value-weighted index which covers the short and intermediate components of the Bloomberg Capital Municipal Bond Index — an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

**Bloomberg Canada Aggregate Bond Index** measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market. It includes treasuries, government-related, and corporate issuers.

**Bloomberg Canada Aggregate Bond Index - Treasury** is the treasury sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.

**Bloomberg Canada Aggregate Bond Index - Corporate** is the Corporate sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.



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