



Royds Report

March 2026

Before we address normal newsletter topics, let's address the elephant in the room. A lot of crazy things have been happening in the world. Geopolitics has been rocking parts of the market. We are probably getting 40 extra emails per day with commentary and analysis on the financial impacts to markets. The gist of most of the emails is that:

- **Over 20% of the world's oil is transported through the Strait of Hormuz, which is almost entirely closed**, because of military threats and sinkings, and insurance companies declining to provide oil tankers with insurance, and because of damage to many ports.
- Most of **the oil through the Strait was heading to Asia, so those countries may experience shortages**, which would affect their economic production.
- Storage facilities for oil are filling up fast (since it can't be shipped as usual) and **oil production facilities are having to shut down**.
- Lower oil production and delivery could cause the **price of a barrel of oil to top \$100** for a sustained period of time which is inflationary.
- **This oil price shock may not be as painful as ones in the past**, because OPEC countries probably have the capacity to increase their production to make up a lot of the shortfall, and in Canada, what we as consumers spend on oil is a much lower fraction of our income now than it was during previous oil price spikes. So, an increase in prices in that sector, won't hurt as much. The prevalence of EVs and the greater fuel efficiency of cars today will lessen the impact of higher oil prices on consumers.
- About 30% of ingredients for fertilizers flow through the Strait of Hormuz. Fertilizer costs are already up and food production could suffer. **Food prices could rise because of the conflict going on in Iran**.
- **If inflation is up because of oil and food prices, it's less likely that interest rates will fall anytime soon**.

All the change, uncertainty and volatility can be scary. We have to remain rational.

Let's look at what the fallout for stock markets could be according to Fidelity.

- **After wars and geopolitical shocks since 1940**, like Pearl Harbour in 1941, the Six Day War of 1967, Iraq's Invasion of Kuwait in 1990 or the North Korean Missile Crisis of 2017, **the next day has always been negative for the markets**, as represented by the S&P 500. **The total market drop before recovery has averaged -5.6%**, with a range from 0% to -16.9%. And for the 21 events up to 2020, **it took on average 22 days to hit the bottom of the market and 47 days to recover**, ranging from 1 to 307 days. The 307 day recovery period was after Pearl Harbour. In $\frac{3}{4}$ of the cases, recovery was in 1 to 41 days. **All this is to say that markets usually don't suffer as much as one might expect or take as long to recover**.
- **The outlook for earnings per share going forward (for 2026) is very positive. Despite all the scary headlines, this is an indicator that a bull market is still happening**.

- Another positive indicator for stock markets is that **great value seems to be available in the market. The premium being paid for Apple, Amazon, Alphabet (Google), Meta (Facebook), Microsoft and Nvidia stocks seems to be all gone at the moment. And international equities as of Dec 2025 were trading at a 32% discount** to the price of US equities, based on the expected price to earnings ratio. There is almost always some discount because of perceived “American Exceptionalism”. This is a far greater discount than is normal.

Source: Robertson, James (2026, Mar 3). Iran Resources, Top Charts & Talking Points email.

So, as usual, the best thing we can do is to remain calm. Let’s remember that the price of someone panicking and going to cash, as when tariffs were first announced, was missing gains of over 10% for the rest of the year. As one of the legends in investing, Peter Lynch of Fidelity, said, “**More money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves.**” Time to stand pat.

And let’s end the topic of recent markets with **some great news. As of Mar 6, 2026, almost 2 weeks after Israel starting bombing Iran and about a week after the US joined in, 3 of our favourite lower volatility funds that we often use to draw income from, show 1 month returns of - 0.1%, - 0.17% , and + 2.98%. So, these funds performed as they were expected to. They hardly dropped or even went up, counter to the market.** They reduced volatility in your portfolio, as they were designed to do. And, some of the more common, conservative, pure equity funds which we use and which had been lagging last year, when the S&P 500 was booming due to the Magnificent 7, have behaved pretty nicely compared to the market. **The S&P 500 is down 2.8% in the last month (still not bad for all the fear in the world). The worst performing fund on most clients’ recent statements was up + 1.19% in the last month. Its style wasn’t in favour before, but it is now** when the market is preferring more defensive companies. (Oh, the benefit of diversification!) **The other most common of our clients’ conservative funds were only down - .78% and -.82%, way better than the S&P.** So, as has often, or even usually, happened in market downturns, our favoured fund managers’ judicious choices of quality, usually undervalued, growing stocks have held up better than the market in scary times. We may have lagged last year when we were underweight **the Magnificent 7** which were making the market soar, but **in the last month, they’re down about - 5%**, far worse than the S&P 500 or our favoured funds.

Only 2 More Topics for this Newsletter

2026 is Not Looking Like 2025

What Wealth is Needed for a Happy Retirement

2026 is Not Looking Like 2025

2026 looks way different for Bitcoin than 2025 did. Bitcoin was trading around \$78,000 - \$85,000 USD a year ago. It had a great run up to its peak on Oct 7, 2025, hitting \$124,752. At the time of writing, Bitcoin started the day around \$64,000, just under 52% of the peak less than 5 months ago

Gold and Silver have had a rollercoaster ride too. Silver was up 174% in the last year, but is down almost 30% from its peak in January. Gold has ranged from \$4,133 to \$7,553 in the last year, sitting at \$7,010 at the time of writing. Could be dangerous to invest at the wrong time.

Last year the market was so excited about the Magnificent 7 (Apple, Amazon, Alphabet (which is Google), Meta (which is Facebook), Microsoft, Nvidia and Tesla. If you didn't own those 7 stocks, and perhaps Broadcom and Palantir, you didn't have market level returns. The market movers started to change late last year. In the first 7 weeks of 2026, the Mag 7 are down 5%. Tech in general is down 4.2%, but Energy is up 23.4%, Industrial and Consumer Staples 13.6 and 12.9% respectively. And, low quality, defined as low profit growth, high capital requirements, weak balance sheets etc, has only done as well as it did from Apr to Dec 2025 once before, since pre 1990. So, how long can this carry on? Maybe it's time for more normalcy, as in high quality stocks having the best returns on the stock market. Source: RBC Global Asset Management, (2026, Feb 19), Quality over Tech.

What Wealth is Needed for a Happy Retirement

We usually talk to you about having adequate savings to support a comfortable lifestyle in retirement. It's hard to argue about the importance of financial stability and resources. An Albertan retiree opined about the other kinds of wealth that are required for a happy retirement. No doubt there are academic studies that support his ideas, but we like how he expressed it. Bill Adsit cited the need not just for financial wealth, but also "health wealth, relationship wealth and purpose wealth" (a reason to get out of bed each day). When preparing for a long and happy retirement, make sure you're doing what you can to support all 4 types of wealth! Source: Bouw, Brenda & Adsit, Bill (2026, Feb 14). The four types of wealth for a happy retirement, according to this senior, The Globe and Mail.

Call if you get anxious about your accounts. Nothing has changed in our long-term outlook. We are just overweighting global stocks a bit more now, because of their cheaper valuations.

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