

# Quarterly Newsletter

## Staying the Course When the World Feels Loud

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This spring break, we took our kids to the Pacific Northwest: a few days in Vancouver, followed by time on the coastal islands. What we found was a genuine reset. Snow-capped mountains, towering forests, orca pods moving through the Salish Sea, and the kind of quiet that is hard to find when headlines and alerts are competing for your attention.

Out there, the noise faded. The hourly market updates, geopolitical headlines, AI anxiety, and urgent commentary that make every day feel like a turning point all seemed much farther away.



In that space, it became easier to remember what we are working toward with clients. Not the next trading day, and not even the next quarter, but the long arc: retirement security, financial independence, and the freedom to make choices on your own terms. It's easy to lose sight of that when the world gets loud. This quarter, it was especially loud.

The conflict in the Middle East, and particularly the disruption around the Strait of Hormuz, has dominated the news cycle

and investor conversations since the end of February. Oil prices have moved sharply higher, markets have reacted to each new development, and the tone has felt serious and unsettled. In many ways, that reaction is understandable. These events matter, and the uncertainty surrounding them is real.

But when we step back and look at what history has shown about war and financial markets, a more reassuring pattern begins to emerge.

### What History Tells Us About Markets and Conflict

Across decades of market history, geopolitical shocks have tended to produce fear, volatility, and short-term drawdowns, but they have rarely caused lasting financial damage for disciplined, diversified investors. The initial reaction is often sharp. The longer-term outcome is far less dramatic than it feels in the moment.

The examples are often surprising. During World War I and World War II, the U.S. stock market was up a combined 115%. After Germany invaded Poland in 1939, the Dow rose nearly 10% the following trading day. After Pearl Harbor, the market fell at the open, then recovered those losses within about a month. From the start of World War II through its conclusion in 1945, the Dow gained roughly 50%. Other major conflicts, including Korea and Vietnam, also unfolded alongside periods of positive long-term market performance, despite enormous uncertainty and political strain at the time.<sup>1</sup>

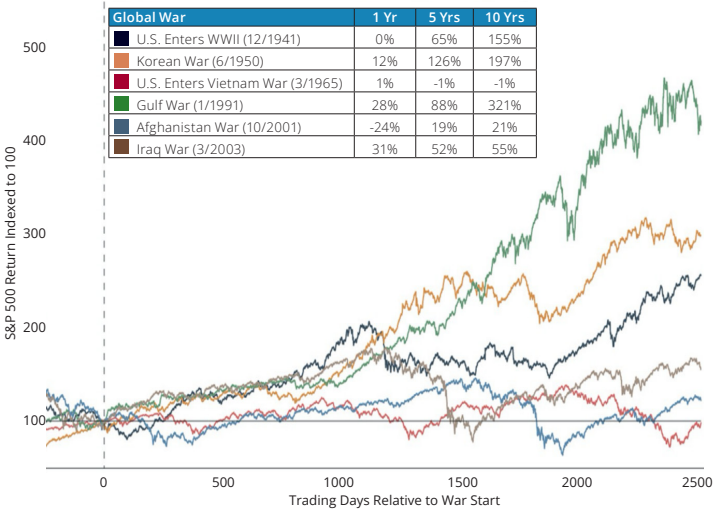
The following charts, sourced from Clearnomics, tell a similar story. Looking across major geopolitical events, the S&P 500 has more often than not been higher one, five, and ten years later.<sup>2</sup>

Clients of Cardinal Point are strategically invested with a focus on long-term performance objectives. We evaluate and report on market and economic conditions to provide our investors with perspective and to put portfolio performance in context, but we do not make sweeping model changes based on short term market movements.

That does not mean every conflict is the same, or that markets simply ignore war. It means that over time, markets tend to absorb even very serious shocks and refocus on the broader drivers of returns: economic growth, corporate earnings, inflation, interest rates, and valuation.

### Wars and the Stock Market

Historical Events and S&P 500 Price Returns 1, 5 and 10 Years After



something already fragile: a recession, a bubble already deflating, or a central bank already tightening policy. War becomes the headline, but the underlying economic backdrop is often doing much of the work. That does not make these periods less unsettling, but it does make simple cause-and-effect explanations less useful than they first appear.

This is one reason we remain cautious about making dramatic portfolio changes in response to fast-moving news. By the time a headline feels most urgent, markets have often already repriced some portion of the risk, and the range of possible outcomes is usually much wider than the commentary suggests. History has repeatedly shown that investors who sell in moments of peak fear often lock in the very damage they are trying to avoid. Those who stay disciplined are usually better rewarded.

There is another piece of context worth keeping in mind. Consumer sentiment today remains well below its long-term average, and historically, periods of very weak sentiment have often been followed by stronger forward equity returns. As shown on the chart below, the subsequent return in the 12 months following periods of sentiment lows has averaged 24.1%, compared to 4.8% following sentiment highs.<sup>3</sup>

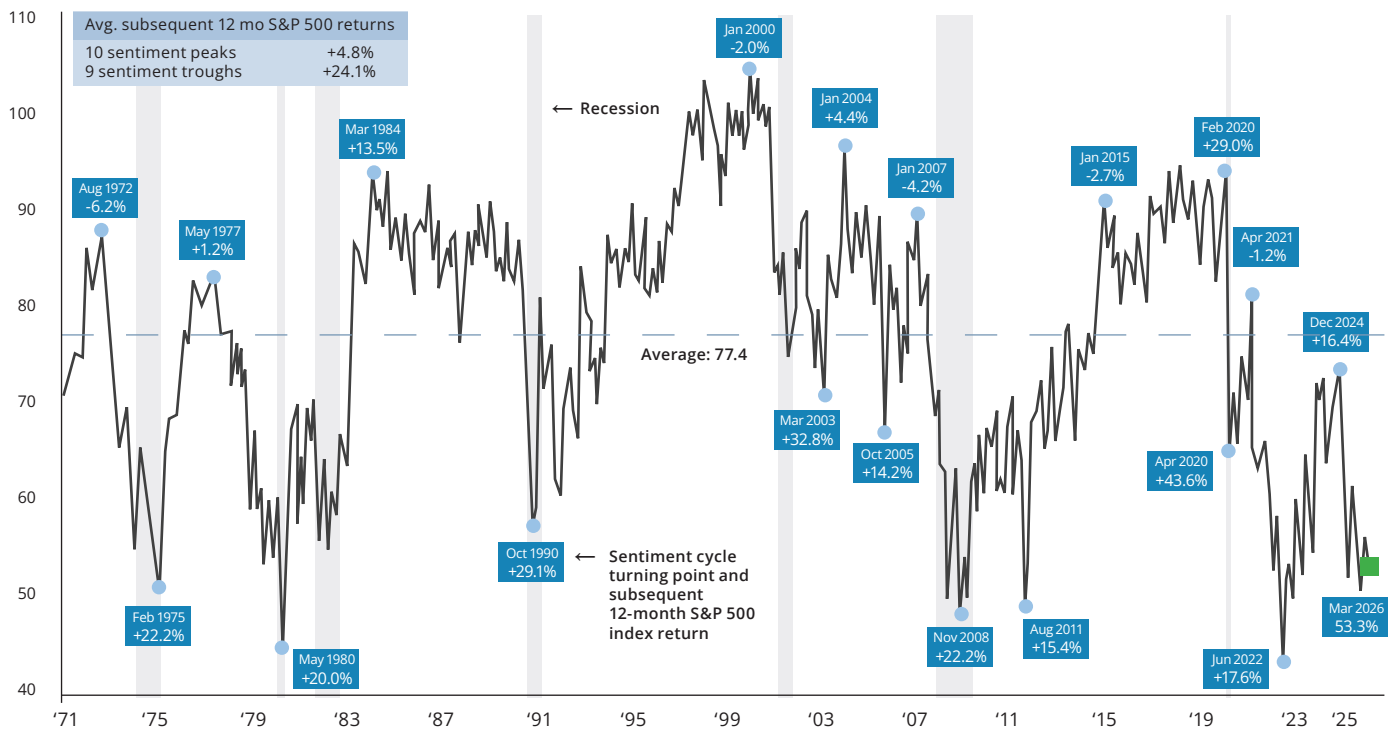
### What Actually Drives Market Outcomes

That last point is especially important. The worst market outcomes in history almost never came from a single headline event alone. More often, a geopolitical shock collided with

### Staying Invested When It Feels Hardest

In other words, the moments when it feels most uncomfortable to remain invested are often the ones when patience matters

Consumer Sentiment Index and Subsequent 12-Month S&P 500 Returns



most. That does not guarantee a particular outcome over the next twelve months, but it is a useful reminder that how things feel in the moment is often a poor guide to what markets go on to do next.



None of this means we are complacent. The current environment carries real risks, and we continue to position portfolios with that in mind through broad diversification, careful attention to risk, and an emphasis on aligning each client's portfolio with their actual goals and spending needs rather than the mood of the market. Volatility is never pleasant, but it is a normal part of long-term investing, not a signal that long-term investing has stopped working.

Which brings us back to what matters most.

When we work with clients on long-term financial outcomes, the variables that usually matter most are not the ones dominating the daily news cycle. They are the ones within your control: how much risk you take relative to your goals, how consistently you save, how thoughtfully you spend, when you choose to retire, and whether your portfolio is built to withstand inevitable periods of uncertainty without forcing decisions at the wrong time. Those choices compound over years and decades.

This conflict, like those before it, will eventually pass. Your financial plan, asset allocation, and investment discipline will matter long after it does.

And yes, the mountains and the orcas will still be there too. That is a useful reminder, and a good reason to get away once in a while.

<sup>1</sup> Historical Dow Jones Industrial Average data and market studies, including *A Wealth of Common Sense* (Ben Carlson) and other widely cited investment research on market performance during major conflicts.

<sup>2</sup> Clearnomics, *Geopolitical Events and Market Performance* (analysis of S&P 500 returns following major geopolitical shocks).

<sup>3</sup> JP Morgan, *Guide to the Markets*, Q2 2026.

## Don't Miss Our Latest Blog: U.S. Immigration and Tax Issues Canadians Need to Understand in 2026

### Overview

For Canadians with U.S. connections, immigration compliance and tax exposure are increasingly intertwined in 2026. U.S. tax residency can arise without a move, a green card, or six months of presence, while estate and gift tax exposure follows entirely different rules. Understanding these distinctions can help prevent unexpected filings, penalties, cash flow issues, or estate tax exposure years later. Proactive, coordinated planning is essential.

### Key Takeaways

- Immigration status and U.S. tax residency are governed by different rules and should not be treated as the same.
- Regular U.S. travel can trigger U.S. tax residency under the Substantial Presence Test, even without spending six months in the U.S.
- Treaty relief and closer connection exceptions require timely filings and consistent documentation across tax and immigration records.
- U.S. estate and gift tax exposure is based on domicile, not day counts, and can apply even when income tax residency does not.
- Advanced planning is critical before purchasing U.S. real estate, relocating, or changing immigration status.

Full article at <https://tinyurl.com/4k6f8fkz>

# Financial Markets Review

## The U.S. View

The quarter started off with solid returns as the U.S. economy showed signs of slightly slowing, while markets anticipated several rate cuts later in the year. Early volatility was driven by a variety of AI articles forecasting rapid, and sometimes detrimental, outcomes in our near future.

March brought a more significant shift, as escalating conflict in the Middle East immediately triggered higher oil prices and renewed concerns about the cost of energy and other related goods.

Job growth has been mixed. While March and January showed solid gains, February saw a dramatic pullback, leading to an overall decent quarter but far from the robust job creation numbers we saw in recent years. The unemployment rate ticked down a fraction to 4.3%, essentially stable over the last year.

Overall economic growth came in below expectations with a revised Q4 2025 number of 0.7% annualized growth, a meaningful slowdown from the stronger pace seen in the middle of last year. Early indications for Q1, based on the Atlanta Fed's GDPNow model, have also been trending downward, currently at 1.3%, suggesting a continuation of a relatively slow economic and job growth environment.

Inflation had shown material signs of moderation, with a year-over-year reading of 2.4% as of February. However, expectations for inflation over the next few quarters have moved higher into the 3-4% range, driven largely by the dramatic spike in oil prices and concerns about spillover effects on goods such as fertilizer, plastics, and food.

Taken together, these trends point to a more challenging backdrop. These job and growth numbers remain stable, but the concern currently facing markets is that slow growth combined with anticipated jumps in inflation levels could lead to a period of stagflation.

This puts the Federal Reserve in a tough spot; slower growth and job creation in the economy argues for relatively lower rates. However, the spike in interest rates means that inflation is moving in the opposite direction of its 2.0% goal and has not

been below that level since early 2021. Current expectations are that we will not see another Fed rate change in 2026.

After briefly dipping below 4.0% mid quarter, the yield on the 10-year U.S. Treasury Bond increased to end at 4.30%. Given this headwind from an increase in rates, the Bloomberg U.S. Aggregate Bond Index saw its total return flatline for the quarter, off 0.05%.

Equity markets showed a similar pattern, as early gains were wiped out in March. For the quarter the S&P 500 declined 4.3%. International developed-market stocks (MSCI EAFE Index) also saw dramatic declines in March but had built up larger gains earlier in the quarter, to finish up 1.2%. Emerging markets were in a similar position, as the MSCI Emerging Markets index finished down 0.2%.

	Value	Blend	Growth
Large	2.1%	-4.2%	-9.8%
Mid	3.7%	1.3%	-6.3%
Small	5.0%	0.9%	-2.8%

Within the U.S. market, we saw a dramatic rotation from a preference for Growth stocks towards Value, one of the most extreme in some time, with Large Value outperforming Large Growth by 12% during the quarter. Small Value led the way overall.

International developed markets saw similar dispersion and a preference for Value over Growth. Large Value led the way, up 2.6%.

	Value	Blend	Growth
Large	2.6%	-1.4%	-5.7%
Mid	2.0%	0.9%	-0.3%
Small	-0.1%	-0.4%	-0.6%

## Asset classes ranked by annual returns (in USD)

2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 YTD
Emerging Markets 37.3%	Cash 1.9%	US Stocks 31.5%	US Stocks 18.4%	US Small Value 28.3%	Commodities 16.1%	US Stocks 26.3%	US Stocks 25.0%	Canadian Stocks 35.6%	Commodities 24.4%
Intl Stocks 25.0%	US Bonds 0.0%	Canadian Stocks 29.5%	Emerging Markets 18.3%	Commodities 27.1%	Cash 1.5%	Intl Stocks 18.2%	Canadian Stocks 13.0%	Emerging Markets 33.6%	US Small Value 5.0%
US Stocks 21.8%	Alternatives -3.2%	US REITs 23.1%	Intl Stocks 7.8%	US REITs 24.5%	Alternatives -5.7%	Canadian Stocks 16.0%	US REITs 8.1%	Intl Stocks 31.2%	US REITs 4.6%
Canadian Stocks 16.8%	US REITs -4.2%	US Small Value 22.4%	US Bonds 7.5%	Canadian Stocks 19.8%	Canadian Stocks -11.4%	US Small Value 14.6%	US Small Value 8.1%	US Stocks 17.9%	Canadian Stocks 1.4%
US Small Value 7.8%	US Stocks -4.4%	Intl Stocks 22.0%	Canadian Stocks 6.6%	US Stocks 15.9%	Intl Stocks -14.5%	US REITs 14.0%	Emerging Markets 7.5%	Commodities 15.8%	Cash 0.9%
Alternatives 7.1%	Commodities -11.2%	Emerging Markets 18.4%	Alternatives 6.4%	Intl Stocks 11.3%	US Bonds -13.0%	Emerging Markets 9.8%	Commodities 5.4%	US Small Value 12.6%	Alternatives 0.0%
US REITs 3.8%	US Small Value -12.9%	Alternatives 9.3%	US Small Value 4.6%	Alternatives 7.2%	US Small Value -14.5%	US Bonds 5.5%	Cash 5.2%	US Bonds 7.3%	US Bonds 0.0%
US Bonds 3.5%	Intl Stocks -13.8%	US Bonds 8.7%	Cash 0.7%	Cash 0.1%	US Stocks -18.1%	Alternatives 4.4%	Alternatives 4.3%	Alternatives 6.0%	Emerging Markets -0.2%
Commodities 1.7%	Emerging Markets -14.6%	Commodities 7.7%	Commodities -3.1%	Emerging Markets -1.2%	Emerging Markets -20.1%	Cash 5.0%	Intl Stocks 3.8%	Cash 4.2%	Intl Stocks -1.2%
Cash 0.8%	Canadian Stocks -15.3%	Cash 2.3%	US REITs -11.2%	US Bonds -1.6%	US REITs -26.0%	Commodities -7.9%	US Bonds 1.3%	US REITs 3.7%	US Stocks -4.3%

## The Canadian View

The Canadian economy's growth and employment rates continue to lag the U.S.; there hasn't been much of a trend over the last six months, with several measures being mixed. The unemployment rate in Canada has fluctuated month to month, most recently at 6.7% in February, roughly in line with a year ago, and down about half a percent from last summer's highs. Meanwhile, job creation has deteriorated, most recently with February showing a net loss of 83.9K jobs, the fourth month in a row with worsening numbers.

Economic output was muted in Q4, showing a minor 0.2% pullback during the quarter. More recent data suggest some improvement with stronger output in areas such as manufacturing, mining, and quarrying have helped with growth thus far in 2026 and may continue to see strength given the increase in many commodity prices over recent quarters. On

the inflation front, there was good news with the year-over-year number falling to just 1.8% as of February.

The Bank of Canada remained on pause during the two meetings in Q1, leaving overnight rates at 2.25%. Similar to the U.S., there are no near-term changes anticipated at the moment as market participants look to see what the inflationary impact is from the Iran war.

Longer-term 10-year Government of Canada yields fell in February but then bounced higher to end the quarter at 3.47%, a minor increase from the start of the year. Bond prices were relatively flat in this environment, with the Bloomberg Barclays Global Canada bond index returning 0.3% for Q1.

The Canadian equity market continued its strong momentum from 2025, and despite a decline in March, managed to finish

with a positive gain of 3.1% for the quarter. U.S. stocks fell 2.6% in CAD terms in Q1. International stocks gained +0.6% in Q1 in CAD. The key drivers for Canada's market were broad-based. Gold, materials, and energy related stocks all contributed to the strong relative return of the Canadian stock market during the quarter.

The Canadian stock market saw gains overall, but returns were dramatically different across sectors, with Small Value companies outperforming Large Growth by nearly 14%.

		Cdn Stocks Q1 2026		
		Value	Blend	Growth
Large		8.7%	3.5%	-2.8%
Mid		4.3%	1.5%	-0.5%
Small		11.0%	9.1%	7.1%

#### Asset Classes Ranked By Annual Returns (In CAD)

2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 YTD
<b>Intl Stocks</b> 16.8%	<b>US Stocks</b> 4.2%	<b>US Stocks</b> 24.8%	<b>US Stocks</b> 16.3%	<b>Canadian Stocks</b> 17.5%	<b>Canadian Stocks</b> -5.8%	<b>US Stocks</b> 22.9%	<b>US Stocks</b> 36.4%	<b>Canadian Stocks</b> 29.1%	<b>Canadian Stocks</b> 3.1%
<b>US Stocks</b> 13.8%	<b>Canadian Bonds</b> 2.5%	<b>Canadian Stocks</b> 22.9%	<b>Canadian Bonds</b> 7.4%	<b>US Stocks</b> 15.3%	<b>Intl Stocks</b> -8.2%	<b>Intl Stocks</b> 15.1%	<b>Canadian Stocks</b> 21.0%	<b>Intl Stocks</b> 25.1%	<b>Intl Stocks</b> 0.5%
<b>Canadian Stocks</b> 9.1%	<b>Intl Stocks</b> -6.0%	<b>Intl Stocks</b> 15.8%	<b>Intl Stocks</b> 5.9%	<b>Intl Stocks</b> 7.7%	<b>Canadian Bonds</b> -9.9%	<b>Canadian Stocks</b> 12.1%	<b>Intl Stocks</b> 13.2%	<b>US Stocks</b> 12.4%	<b>Canadian Bonds</b> 0.3%
<b>Canadian Bonds</b> 0.1%	<b>Canadian Stocks</b> -8.9%	<b>Canadian Bonds</b> 3.7%	<b>Canadian Stocks</b> 5.6%	<b>Canadian Bonds</b> -3.8%	<b>US Stocks</b> -12.2%	<b>Canadian Bonds</b> 5.0%	<b>Canadian Bonds</b> 2.9%	<b>Canadian Bonds</b> 1.4%	<b>US Stocks</b> -2.6%

Indexes used: Cash represented by Bloomberg US Treasury Bills TR. MSCI Canada, MSCI World Ex USA and U.S. Russell series used for Large Value, Large Blend, Large Growth, Mid Value, Mid Blend, Mid Growth, Small Value, Small Blend, Small Growth representations. Alternatives in USD and CAD charts represented by Credit Suisse Liquid Alternative TR USD. Commodities represented by Bloomberg Commodity TR. Nominal Broad U.S. Dollar index for USD comparisons. Additional representations in CAD: Canadian Bonds- Bloomberg Barclays Global Canada, Canadian Stocks- S&P/TSX Composite TR, U.S. Stocks S&P 500 TR, International Stocks- MSCI EAFE NR. Additional representations in USD: Short International Bonds- FTSE WGBI 1-5Yr Hdg, U.S. stocks- S&P 500, U.S. Value- Russell 1000 Value, U.S. Small- Russell 2000, U.S. REITs- DJ U.S. Select REIT, Canadian Stocks- FTSE Canada, Intl Stocks- MSCI World Ex USA Large, Emerging Markets- MSCI EM NR.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Bank of Canada, Capital Economics, Bloomberg Economic Calendar, U.S. Department of the Treasury, CME Group, Trading Economics, JP Morgan Guide to the Markets Q4 2025, YCharts, Morningstar Direct 2026, 10 Charts to Address Client Concerns on 2026 Geopolitical Conflict, James Liu, Clearnomics, April 1 2026, Geopolitics vs Markets, Ben Carlson, A Wealth of Common Sense, March 3, 2026, Federal Reserve Bank of Atlanta, GDPNow Model Estimates, 2026.

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