RESEARCH CAPITAL CORPORATION

Personal Newsletter from Janice Honeyman

SUMMER 2026

Janice Honeyman
BA, CIM, FMA, FCSI
Portfolio Manager

Research Capital Corporation
199 Bay Street, Suite 4500
Commerce Court West
P.O. Box 368
Toronto, ON M5L 1G2
Telephone: 416-860-7781
Fax: 416-860-6798
jhoneyman@researchcapital.com
www.janicehoneyman.com

Accelerating Market Moves: A Permanent Shift?

One of the peculiar, yet defining, characteristics of equity markets is their ability to consistently confound short-term forecasts. We often see upward market movements, even when the overall environment has a broadly negative backdrop.

Thus it was that by early April, markets quickly reversed their course. In fact, the move was reportedly one of the fastest recoveries on record: after the S&P 500 declined by roughly 10 percent by the end of March, it took just 11 trading sessions to fully regain those losses, despite elevated geopolitical tensions and continued conflict in the Middle East. Why the apparent contradiction?

The answer, of course, is that financial markets look primarily to the future, discounting values back to the present, and often not focusing unduly on current events. Equity valuation continues to be anchored in corporate earnings, and investors have been encouraged by the solid earnings reports from the spring, particularly from the tech sector, which had been pressured earlier in the year due to elevated capital spending.

While market cycles have always exhibited swings in sentiment, sometimes more rapidly than others, the pronounced pace of recent developments has raised questions about whether these movements are becoming more abrupt.

Indeed, technology has caused things to move more quickly, automating and accelerating transaction speed, while enabling near-instant dissemination of information. Market participants now operate in an environment where data is transmitted and absorbed in seconds rather than hours or days.

At the same time, demand-side dynamics have shifted. Investing has become democratized, reflected in broader market participation. Lower-cost investment vehicles and expanded access have enabled portfolio construction previously reserved for high-net-worth investors. This has also influenced investor behaviour. The average holding period for equities, once spanning years, is now measured in months. Meanwhile, even as total market values have risen, the capital sitting on the sidelines has grown. In the U.S., money market funds have doubled to around $8.2 trillion in just five years, from their $4 trillion pandemic levels.[1]

However, the shift is not solely demand-driven; supply dynamics have also shifted meaningfully. Many may not realize that the public company universe has contracted as private markets have expanded. U.S.-listed companies have halved from about 8,000 in 1997 to 4,000 today.[2] Yet global market capitalization has expanded from around $50 trillion in 2011 to over $140 trillion today, driven by the rise of the dominant publicly-traded U.S. and Asian corporates.[3]

Do these changes imply a permanent regime shift, where volatility cycles become structurally shorter and sharper? These developments suggest structural change — yet every financial cycle differs from those that come before. New "rules" are continually introduced across economic, demographic and geopolitical dimensions. The world is certainly a different place than it was 10 or 20 years ago. The pace of change may be accelerating, but the investing focus remains the same. For long-term investors, seasoned sailors offer a useful reminder: keep your eye on the horizon, rather than the waves.

1. /www.apolloacademy.com/understanding-demand-for-treasuries-and-why-the-yield-curve-is-steepening/; 2. https://data.worldbank.org/indicator/CM.MKT.LDOM.NO?locations=US; 3. https://en.wikipedia.org/wiki/Market_capitalization

Janice

In This Issue

- Intergenerational Wealth Planning & FHSA
- Why Staying Invested Matters
- Downsizing a Home: Fewer Making the Move
- What Is Behind Equity Market Advances?

Member - Canadian Investor Protection Fund

Intergenerational Wealth Planning: Integrate the FHSA Into Your Plan

As the saying goes, *"Give a man a fish, and you feed him for a day; teach a man to fish, and you feed him for a lifetime."* Last year, 35 percent of homebuyers received down-payment gifts averaging $74,570, while first-time buyers in markets like Vancouver received around $208,000.[1] While meaningful to help buyers enter the market, other approaches may better build long-term financial habits.

From an intergenerational wealth planning perspective, a more structured way to provide support may be to direct funds toward a child's First Home Savings Account (FHSA). Eligible Canadian residents aged 18* and older can contribute up to $8,000 per year, to a lifetime maximum of $40,000. Contributions are tax-deductible, similar to an RRSP, with qualifying withdrawals tax free, similar to a TFSA. The FHSA can generally remain open for 15 years (or the year following a qualifying withdrawal). If opened at age 18, it could remain open until around age 33, when many Canadians prepare to buy their first home.[2]

How does the FHSA help build the next generation's financial skills?

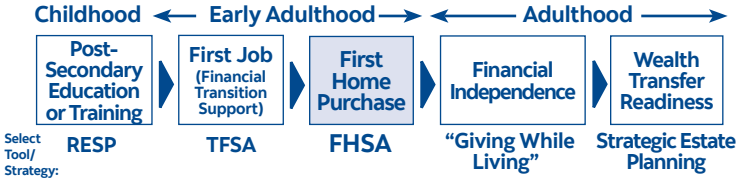
A Reminder: FHSA Potential Growth at 5.5% Annual Return

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

Encourages investing behaviour and enables compounded growth — The FHSA provides meaningful tax-free growth potential. For example, if contributions are maximized from the outset, at an annual return of 5.5 percent, it could grow to $80,461 after 15 years (chart). This can then be withdrawn completely tax free for a qualifying first home purchase, in addition to the tax deductions received on contributions.

Supports structured saving toward a substantial down payment — A first-time home buyer who holds the FHSA can also access the Home Buyers' Plan (HBP) through their RRSP. The HBP allows withdrawals of up to $60,000, subject to available funds and repayment rules. Together, these tools can help establish a structured approach to saving for homeownership. Using the previous example, this could result in over $140,000 available for a down payment.

Illustrative: A Lifecycle of Intergenerational Support



For many HNW investors, planning often begins with education savings and the Registered Education Savings Plan. As children reach adulthood, families turn to the next milestone: the first home. The FHSA may be a natural step in intergenerational support.

Introduces tax-planning awareness over time — The tax deduction does not need to be claimed in the year contributions are made and can be carried forward to future years, even after the account is closed. This creates an opportunity to develop longer-term tax-planning discipline, helping align contributions and deductions with future income levels and resulting in greater tax savings.

Provides flexibility if plans change — While the FHSA is designed to support the purchase of a first home, if a qualifying purchase is not made within 15 years, the balance can be transferred to an RRSP/RRIF without affecting RRSP contribution room. Non-qualifying withdrawals are subject to withholding tax and are considered taxable income.

To learn more about how the FHSA can be integrated into your intergenerational wealth plan, please call.

*Or age 19, depending on age of majority. 1. cmhc.ca/2025MCS; www.forbes.com/advisor/ca/mortgages/gifted-down-payment/; 2. In 2021, the average first-time home buyer age was 33; today, it's around 40.

Aftermath of Major Geopolitical Events: Why Staying Invested Matters

When markets rebounded in April, it was one of the fastest V-shaped recoveries on record (chart). It was a reminder that exiting during periods of strain can be costly. In brief, here are some reasons why:

S&P 500 Days to Recover a 10 Percent Loss

	Period	Days to Recover
Dot-Com Crash	2000	1,166
Global Financial Crisis	2008	1,021
EU Debt Crisis	2011–2012	99
China Yuan Devaluation	2015	103
Interest Rate Hike Fears	2018	137
U.S.-China Trade War	2018	81
COVID-19 Pandemic	2020	103
Interest Rate Hikes	2022–2023	318
Liberation Day Tariffs	2025	55
Iran Conflict*	2026	11

*Iran conflict was a 9.1% decline. Source: J.P Morgan, Bloomberg. *"Why are stocks at record highs with no Iran resolution?"* 4/24/26.

1. Markets often reprice faster than underlying economic or geopolitical realities evolve. Equity markets can adjust quickly to new information, while macroeconomic and geopolitical conditions may evolve over longer horizons. This mismatch can make market moves feel disconnected from fundamentals, as markets are inherently forward-looking.

2. Historically, some of the best-performing market days occurred shortly after the worst. Missing even a small number of those days can materially affect long-term returns, and re-entering the market at higher levels can often prove psychologically difficult.

3. Disruptive events are more common than we may recognize. Geopolitical, economic and financial shocks are a recurring feature rather than the exception. On average, major disruptions occur roughly every two years. Given this frequency, waiting for clarity before investing can mean more time on the sidelines than in the market.

More broadly, history shows that markets have repeatedly absorbed geopolitical shocks and other periods of stress, ultimately recovering and resuming their upward trajectory. Accordingly, staying committed to a long-term investment plan can be one of the best actions investors can take.

Downsizing a Home — Why Fewer People Are Making the Move

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

Those who successfully transition tend to act proactively, motivated by what their next home offers, whether it's simplicity, convenience or a better lifestyle fit. Downsizing can also provide financial advantages by unlocking home equity and reshaping both financial position and lifestyle. A smaller home typically reduces maintenance, utilities and property tax bills, while freeing capital for other priorities.

Yet fewer people are choosing to downsize. Many prefer to remain in their homes as long as possible. A recent survey found that among those over age 50, only 11 percent had a desire to downsize.[1]

This shift reflects broader changes in housing economics and retirement planning. In the past, more homeowners expected to use real estate as a retirement resource. Today, that assumption is less common. Longer life expectancy, improved health in later years and higher overall wealth have contributed to a greater ability to remain in place. At the same time, the rising costs of seniors' housing can reduce the net financial benefit of downsizing, limiting the equity released in practice. Several other factors may also influence the decision:

Emotional impact. Downsizing is not purely financial. Long-time homes are often tied to memory, routine and identity — factors that can delay decisions long after the financial case is clear.

The cost of moving. Selling expenses, including legal fees and commissions, can account for a meaningful portion of proceeds.

Preparing a home for sale (e.g., staging, repairs) adds further expense, as do moving costs and updates needed to settle into a new property. The process itself can also create administrative complexity.

Market uncertainty. Limited inventory has made it difficult to find a suitable property for some, while market price fluctuations can affect what a sale will ultimately yield. In many markets, prices have shifted from their highs.

Trade-offs in housing flexibility. Moving to a rental or community setting may reduce maintenance responsibilities, but can introduce uncertainty around lease terms, fees or future cost increases. Ownership typically provides greater control and predictability.

However, as life circumstances evolve, including changes in health or mobility, the question often shifts from whether downsizing is financially optimal to whether current housing still fits day-to-day life.

This is why early exploration is recommended, before the decision becomes forced by circumstances. It helps to avoid rushed decisions. Spending time in a potential new location across different seasons can help clarify lifestyle fit. In the case of condominiums, reviewing bylaws and restrictions, such as pet rules or renovation limits, well ahead of time can materially affect the decision.

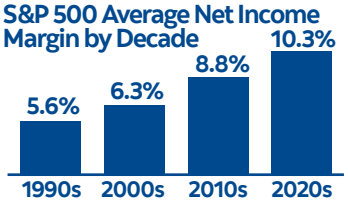
Ultimately, downsizing may be less about finances alone than aligning housing with changing priorities. And, while the home may become smaller, the opportunities can expand in meaningful ways.

1. https://www.theglobeandmail.com/investing/personal-finance/article-what-is-the-right-age-to-downsize-your-home-its-all-about-timing/

The 30,000 Foot View: What Is Behind the Equity Market Advances?

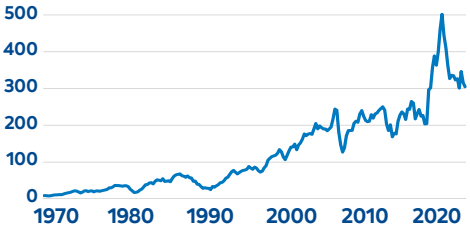
What has driven equity market advances? It's worth repeating: Over longer horizons, one of the key drivers of equity returns is corporate earnings. Viewed over time, profitability has not just held up; it has expanded. U.S. corporate margins have continued to rise, with average S&P 500 net income margins this decade exceeding 10 percent, roughly double the levels seen in the 1990s. Canadian corporate profits have seen a similar trajectory, though aggregate profits have been more sensitive to commodity prices — a reminder that growth in economies and markets is rarely linear.

S&P 500 Average Net Income Margin by Decade



Source:https://awealthofcommonsense.com/2025/09/why-is-the-stock-market-up-so-much-in-the-2020s/

Canada Corporate Profits, 1970 to 2025



Aggregate corporation profits before taxes, X $1,000,000,000

Source: StatsCan T:36-10-0125-01

Of course, earnings growth alone doesn't guarantee strong equity returns. Consider that in the 1970s, an era of high inflation and high unemployment driven by the 1973 oil embargo, earnings growth was strong (+9.9%), yet elevated inflation and weak valuation multiples kept equity returns subdued (see chart).

S&P 500 Key Drivers of Stock Market Performance

Decade	Dividends	Earnings Growth	P/E Change	Annual Returns
1970s	3.5%	9.9%	-7.5%	5.9%
1980s	5.2%	4.4%	7.7%	17.3%
1990s	3.2%	7.4%	7.2%	17.8%
2000s	1.2%	0.8%	-3.2%	-1.2%
2010s	2.0%	10.6%	1.0%	13.6%
2020s	1.5%	9.0%	3.9%	14.4%

Select drivers of equity returns include dividend yield, earnings growth and speculative return or changes in valuations (price/earnings (P/E) change)

Source: https://awealthofcommonsense.com/2025/10/animal-spirits-why-retail-is-outperforming/

Beyond earnings, changes in valuation, driven by interest rates, inflation expectations and investor risk appetite, can significantly amplify or offset underlying trends. Liquidity conditions and central bank policy also play a role in shaping how much investors are willing to pay for a given stream of earnings. Nevertheless, earnings remain the foundational driver of long-term equity performance and a key anchor for continuing market strength.

What Are Rising Interest Rates Telling Us?

In the spring, bond yields rose to levels not seen in decades. The 30-year U.S. Treasury yield reached its highest point since before the Great Financial Crisis of 2008 (chart). Japanese long-term bond yields hit their highest levels this century. Canadian government bond yields also climbed to multi-year highs.

What prompted these moves? One factor is growing concern over government debt levels, which continue to rise with limited signs of stabilization. To finance persistent deficits, governments must issue more bonds. This is particularly notable in the U.S., where elevated defence spending has added to existing fiscal pressures. Japan's debt burden has also risen substantially due to sustained government spending, reaching roughly 248 percent of GDP, the highest globally by this measure.[1] Others point to persistent inflation pressures, reinforced by elevated oil prices from the Middle East conflict.

Together, these factors contributed to a global bond market sell-off in the spring, pushing yields higher. Since the value of a bond at maturity is fixed at issuance, higher inflation reduces the real value of those future payments, making existing bonds less attractive. In addition, elevated fiscal risk can increase the risk premium demanded by investors for holding long-duration government debt. Because bonds trade in secondary markets, falling prices translate into higher yields. As a result, when governments issue new bonds, they must offer higher returns, which pushes yields up across the curve.

Are rising rates a cause for concern? Higher long-term yields have historically weighed on equities through higher discount rates, though that relationship has been less consistent in recent years. So far, equity markets have largely shrugged off the bond market repricing.

One interpretation is that this reflects a gradual normalization of yields rather than a purely restrictive signal. For several years, the yield curve was inverted, meaning short-term rates were higher than long-term rates. Under more typical conditions, long-term yields should be higher than short-term yields to compensate investors for the longer holding period. It is also worth noting that the 30-year U.S. Treasury yield has averaged around 6.2 percent over the past 50 years. By the end of May, it stood near 5.1 percent, still below long-term historical norms.

U.S. 30-Year Treasury Yield, January 2007 to May 2026

However, higher yields are feeding through into consumer lending rates. The U.S. 30-year fixed mortgage rate, a key barometer for housing finance, recently surpassed 6.5 percent. In Canada, the five-year government bond yield, which forms the basis for five-year fixed-rate mortgages, rose above 3.3 percent, its highest level since July 2024. This may weigh further on already weakening housing activity.

Complicating matters, elevated inflation has reinforced expectations that central banks may need to keep rates higher for longer, or tighten further. This marks a contrast to earlier in the year, when inflation appeared to be moderating, and markets had largely priced in rate cuts. It also comes after a prolonged period of substantial fiscal and monetary stimulus, which has eroded purchasing power and widened wealth disparities. Higher interest rates also increase government debt servicing costs, compounding fiscal pressures over time.

What should investors do? For investors looking for exposure to assets that are more resilient in a higher-rate environment, there may be considerations within a diversified portfolio. This includes real assets, businesses with pricing power and companies that generate stable cash flows that are less sensitive to inflation volatility. By contrast, segments of the market reliant on low discount rates, such as high-growth equities, long-duration assets and highly leveraged businesses, tend to be more exposed when yields remain elevated. For now, however, higher bond yields may not necessarily offer a clear signal about the broader economic or market outlook.

1. https://tradingeconomics.com/japan/government-debt-to-gdp

RESEARCH CAPITAL CORPORATION

Janice Honeyman, BA, CIM, FMA, FCSI
Portfolio Manager
Research Capital Corporation
199 Bay Street, Suite 4500
Commerce Court West, P.O. Box 368
Toronto, Ontario M5L 1G2
416-860-7781
E-mail: jhoneyman@researchcapital.com

Please note that comments included in this publication are not intended to be a definitive analysis of tax law. The comments contained herein are general in nature and professional advice regarding an individual's particular tax position should be obtained in respect of any person's specific circumstances. This newsletter was prepared under contract by J. Hirasawa & Associates for the individual noted. The opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of Research Capital Corporation. The information and opinions contained herein have been compiled and derived from sources believed to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy or completeness. Neither the author nor Research Capital Corporation accepts liability whatsoever for any loss arising from any use of this report or its contents. Information may be available to Research Capital Corporation which is not reflected herein. This report is not to be construed as an offer to sell or a solicitation for an offer to buy any securities. Member-Canadian Investor Protection Fund / member-fonds canadien de protection des épargnants.