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“THANK YOU, NEXT”

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By Brahm Satov

Last year was a turbulent one for equity markets, with uncertainty running far higher than normal. We saw the return of the Trump administration to the White House, tariffs moving up and down, the continued escalation of conflict in Ukraine and other parts of the world, and the ongoing exuberance surrounding AI (artificial intelligence). Despite all of this, stock markets were strong. However, some may be surprised to learn that Bitcoin did not fare as well, with the cryptocurrency down more than 10% versus the Canadian dollar in 2025. And for those of you who held precious metals—congratulations. Last year was a banner year for both gold and silver. I’d like to thank Ariana Grande for the title of this piece: “Thank You, Next.”

Many Americans may not realize that, relative to much of the rest of the world, they actually became poorer last year as their currency fell sharply. The U.S. dollar declined approximately 9% versus a basket of major currencies. This was likely driven by U.S. foreign policy, growing pressure on the Federal Reserve to take a more dovish stance, and growing nervousness around the fiscal health and sustainability of government deficits.

Now, keep in mind that the Federal Reserve is meant to be an independent body, free from political influence. Any loss of its credibility will negatively impact the ability to properly implement and maintain monetary policy, potentially de-anchoring inflation expectations that may require more forceful actions in the future to re-establish confidence (the 1970s is a classic example of this). Nonetheless, we witnessed what many would consider an unprecedented attempt to remove one of the seven members of the Fed's governing board, Lisa Cook. This was accompanied by intense pressure placed directly on Fed Chair Jerome Powell. More recently, the U.S. Department of Justice served the agency with subpoenas and threatened a criminal indictment over testimony Powell gave to a Senate committee regarding renovations to Federal Reserve buildings. I won't even go into the broader debates around constitutional norms, civil rights, and the growing accumulation and some may argue abuse of power in this new era—Immigration and Customs Enforcement ("ICE"), Venezuela, Greenland, and, dare I say, even Canada. In my lifetime, I cannot recall a time when uncertainty has felt greater. Thank you, next.

So what will 2026 bring? While no one can say for certain, I would expect continued U.S. dollar weakness, although this may be somewhat tempered depending on the outcome of the midterms. We will likely see a change in the Fed chair, the administration likely would prefer someone more aligned with their strategy, which could point to lower interest rates in the U.S. If you are holding U.S. dollars and haven't already, this may be a good time to give some thought to diversification. A weaker dollar should, in theory, continue to support higher precious metals prices. That said, I have been taking some profits in the sector as investor sentiment has shifted towards euphoria. I acknowledge it could still move considerably higher if more exuberance takes hold, but it's never a bad strategy to take some chips off the table after rapid price appreciation in such short order.

I would also expect the major large-cap U.S. equity indices to be less robust going forward. Valuations remain stretched, and a higher-than-normal level of uncertainty is not fully reflected in prices. In contrast, many foreign markets still appear undervalued and offer solid upside potential. We are grateful for the strong returns markets delivered last year. But as we turn the page and look ahead to what lies ahead well, you know the theme by now. Thank you, next.

Thank you for taking the time to read this, please feel free to e-mail me any feedback or comments.

Sincerely,

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