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The Way I See It

By Sergio Simone

Fundamentals, Headlines, and What Really Matters

There's no shortage of headlines competing for investor attention right now. Geopolitical tensions, elections, energy shocks, and shifting alliances all seem to be happening at once. It's natural to ask what this means for the economy and, more importantly, for markets as we head into 2026.

The starting point, in my view, has to be **fundamentals.** (Really did you expect me to say anything else?).

Corporate earnings remain resilient. Balance sheets, particularly among large and mid-cap companies, are in better shape than many expected a few years ago. Debt maturities have largely been pushed out, cash levels are healthy, and margins – while no longer expanding aggressively – are holding up. The consumer has slowed but not collapsed, and employment remains supportive of ongoing spending.

Inflation, while still a concern, is no longer the runaway train it once was. Energy prices have moderated, supply chains are far more stable, and central banks now have room to be more flexible than restrictive. This creates an environment where growth doesn't need to be explosive to still be meaningful for asset prices.

Against this backdrop, recent geopolitical developments—particularly in Venezuela—have understandably caught investors' attention. The situation is fluid, but from a market perspective, it's important to separate headline impact from economic impact. Venezuela's role in global oil production today is far smaller than it was decades ago, and while changes in sanctions or leadership may affect regional dynamics, the global energy system is far more diversified than it once was.

Markets reflected that reality quickly. Instead of an oil spike, prices softened. That matters. Energy stability feeds directly into inflation expectations, corporate input costs, and ultimately consumer confidence. In short, while geopolitics can create volatility, not every dramatic event translates into lasting economic damage.

We've also entered the year with equity markets near record levels. That alone makes some investors uncomfortable. But historically, markets don't peak simply because they're "high." They peak when earnings roll over, liquidity tightens aggressively, or economic conditions deteriorate sharply. At the moment, none of those conditions appear firmly in place.

The Way I See It

I'm aligned with the thinking expressed by Scott Bessent and others who believe 2026 has the potential to be an outstanding year for markets. Not because risks have vanished – they haven't – but because the underlying structure supporting growth remains intact.

Markets have already digested a great deal of bad news over the past few years: inflation shocks, rapid rate hikes, regional conflicts, and political uncertainty. What's emerging now is a more balanced environment – one where growth continues, inflation cools gradually, and capital can once again focus on fundamentals rather than fear.

One last final thought on discipline.

One thing I can guarantee – because history never fails to repeat this lesson – is that corrections will happen. They always do. Markets don't move in straight lines, and even in outstanding years there are pullbacks that test patience and conviction.

The mistake investors often make is treating corrections as warnings rather than opportunities. In reality, corrections are the mechanism that resets valuations, shakes out excess optimism, and creates entry points for disciplined capital. They are not a signal that the long-term thesis is broken; they are part of how markets work.

Portfolio discipline matters most in these moments. Having liquidity available, maintaining diversification, and knowing in advance where you are willing to add—not react—can make the difference between compounding wealth and compounding stress. The goal isn't to predict the timing of corrections; it's to be prepared for them.

The way I see it, 2026 will reward investors who stay focused on fundamentals, ignore the noise, and lean in thoughtfully when markets temporarily step back. Those moments rarely feel comfortable—but they're often where long-term returns are made.

At KPW Financial, our focus remains on fundamentals, discipline, and helping clients take advantage of opportunities when markets offer them. If you have questions, or would like to schedule a review, I invite you to reach out.

Lifestyle Planning Solutions

by Ryan Simone, CFP, CLU, CHS

Is This the Year to Revisit Investment Leverage?

January has a way of nudging all of us to take stock of where we stand and where we're heading. It's a clean slate, but it's also a strategic moment — a chance to look at your portfolio with a bit more distance and ask whether the tools you're using still match the goals you're aiming for. One topic that often comes up in these early-year conversations is investment leverage. It's a concept many investors have heard about, but not always in a way that feels approachable.

At KPW, we've always believed that most investment decisions fall into one of two broad philosophies. There are countless variations, but these two ideas help frame the conversation in a simple, practical way.

The first is applying conservative strategies to aggressive investments. Think of it as bringing discipline to the parts of your portfolio that have the most growth potential. A classic example is diversification — spreading exposure across sectors, geographies, or themes even when you're investing in higher-octane equities. You're still pursuing growth, but you're doing it with a safety harness.

The second philosophy flips the equation: applying aggressive strategies to conservative investments. This is where leverage often enters the picture. Instead of taking big risks with volatile assets, you use a more assertive tool — borrowing — but apply it to a portfolio built on steadier, more predictable foundations. The underlying investments remain conservative; the strategy layered on top is what adds the acceleration.

This is where leverage becomes interesting. It's not about swinging for the fences. It's about using borrowed capital to enhance what your existing, stable portfolio can already do. It can give you liquidity without forcing you to sell long-term positions. It can help you take advantage of opportunities that appear suddenly. And when the underlying assets are high-quality and the borrowing costs are reasonable, leverage can quietly amplify returns in a way that compounds over time.

Of course, leverage isn't something to approach casually. It magnifies outcomes in both directions, and it requires clarity, discipline, and a temperament that can handle short-term volatility. The risks don't come from the concept itself — they come from misalignment. Leverage only works when it fits the investor, the portfolio, and the moment.

But when those pieces line up, it can be a remarkably effective tool. Investors with diversified, income-producing, or otherwise resilient portfolios often find that leverage allows them to do more with what they already own, without stepping outside their comfort zone or abandoning their long-term plan.

And that brings us back to the timing. The beginning of the year is an ideal moment to revisit whether leverage has a place in your strategy. Interest-rate expectations are shifting. Market leadership is evolving. Capital efficiency is becoming a bigger theme. It doesn't mean leverage is right for everyone — far from it. But it does mean the conversation is worth having.

At KPW, we've always believed that smart investing isn't about being aggressive or conservative. It's about knowing when each approach makes sense. Leverage, when applied to a conservative portfolio with intention and structure, can be one of the most effective ways to enhance long-term outcomes without compromising stability.

The real question is whether it fits your goals as you step into the year ahead.

Wealth & Wisdom

By Kristina De Souza, CFP, CFDS, RHS

Every January, we are surrounded by personal and financial resolutions that promise quick, dramatic change. I have seen it all: no spending for a year, aggressive savings challenges, rigid budgets, and rules that feel more like punishment than support tend to dominate the conversation. These approaches are often framed as fresh starts, but they rely heavily on willpower and perfection.

As a planner who takes a lifestyle approach, I see how quickly these resolutions fall apart. Not because people lack discipline, but because the plans were never designed for real life. Sustainable money habits are usually quieter, more realistic, and far less flashy. Instead of another gimmicky resolution that lasts a few weeks, I prefer tools that fit naturally into everyday life. Real financial progress does not come from extremes or strict rules that remove all joy. It comes from small shifts in awareness that build over time.

One of my favourite examples of this is the “30 Day Rule”. It does not ask you to stop spending or label purchases as good or bad, it simply encourages you to pause long enough to make a conscious choice. If you have ever added something to your cart late at night, felt a rush clicking buy now, and then wondered later why you thought you needed it, you are not alone. I see this pattern constantly with clients and I will admit I have experienced it myself.

Many people earn good money and manage their responsibilities well yet still feel frustrated or confused by where their cash goes. The issue is rarely income alone and more often it’s the small impulsive decisions that add up. These purchases are usually emotional and fast, with very little reflection. Over time, that pattern can quietly erode confidence around money.

The 30 Day Rule is exactly what it sounds like, which is part of its appeal. When you want to make a non-essential purchase, you write it down and wait 30 days before buying it. You are not saying no or shaming yourself for wanting something. You are simply giving yourself time. After 30 days, you can decide whether the purchase still fits your priorities and your cash flow. Often, that pause alone changes the outcome.

This rule works because it focuses on behaviour rather than math. Most impulse spending is driven by stress, boredom, comparison, or marketing designed to create urgency. In the moment, our brains tend to overestimate how much happiness a purchase will bring. Time allows the emotional charge to settle and perspective to return. Many desires fade much faster than we expect once the excitement wears off: what felt urgent often becomes optional.

When people use the 30 Day Rule consistently, the results can feel surprisingly freeing. Most items on a waiting list never get purchased at all, not because of restriction but because the desire naturally disappears. People often realize they already own something similar or that the item was tied to a temporary feeling rather than a real need. When they do decide to buy something after waiting, the purchase feels intentional and satisfying. There is far less guilt or second guessing afterward.

The rule does not need to be complicated to be effective. A simple want list on your phone or in a notebook is often enough. Writing down what you want, how much it costs, and why you want it can be incredibly revealing. This habit works best for things like clothing, home items, tech upgrades, and online shopping, not true necessities.

In a context where many households are managing high housing costs, rising interest rates, and competing priorities, small changes like this can make a meaningful difference. Saving even a few hundred dollars a month through more intentional spending can strengthen an emergency fund, reduce debt, or increase TFSA or RRSP contributions.

One of the most rewarding outcomes of the 30 Day Rule is the mindset shift that comes with it. People often notice they shop less when stressed or tired and feel more aware of what they are actually trying to solve with a purchase. Over time, there is a sense of calm and control that replaces the feeling of being pulled along by trends and ads. Money decisions begin to feel more confident and less reactive.

This emotional clarity is just as valuable as the dollars saved. The 30 Day Rule is not about denying yourself or living without enjoyment. It is about choosing your yes with intention and confidence. You can adjust the timeline or apply it only to purchases over a certain amount if that feels more realistic. After all, personal finance should support your life, not restrict it.

If you are looking for an alternative to gimmicky financial resolutions and want a habit that actually lasts, I truly believe this is a simple and effective place to begin.

"When we try to pick out anything by itself, we find it hitched to everything else..." – John Muir

For many Canadian investors, the global news cycle can feel busy and occasionally contradictory. Markets in Asia may move overnight, Europe may set a different tone through the morning, U.S. economic reports may surprise in either direction, and commodity prices can shift in multiple directions at the same time. Taken together, the flow of information can feel overwhelming. Meanwhile, a well-diversified portfolio often shows only modest day-to-day movement, reflecting the different timelines on which markets and headlines tend to move.

For Canadian investors, this distinction matters in a very specific way. Canada is a relatively small, open economy with deep ties to global trade and commodity markets.

Energy, metals, and agricultural products form a significant share of exports, while the Canadian dollar acts as a bridge between international developments and domestic returns. As a result, events tied to oil prices, global trade conditions, geopolitical tensions, or shifts in major currencies can influence Canadian portfolios even when domestic news appears quiet. The fact is that global developments are not distant background noise; they are part of the economic environment Canadian portfolios are designed to navigate.

There are three main channels through which global events tend to influence Canadian portfolios: commodity and currency dynamics, U.S. economic data, and broader global equity sentiment. These channels operate continuously in the background, driving global market trends even when day-to-day portfolio movements remain subdued.

The first channel involves commodities and the Canadian dollar. Canada's role as a major energy producer means global oil markets play an important role in shaping currency movements. Recent turbulence in oil prices, driven in part by renewed uncertainty around U.S.–Venezuela relations and potential supply disruptions, has contributed to short-term swings in the Canadian dollar. When the Canadian dollar weakens, the value of U.S. and international assets can appear higher when measured in Canadian dollars. When it strengthens, those same holdings may appear to lag, even if the underlying markets are stable. This currency translation effect often explains why portfolio performance can diverge from headline equity moves on a given day.

The second channel is U.S. economic data and interest-rate expectations. Inflation reports, employment data, and consumer spending figures shape expectations for U.S. monetary policy, and shifts in those expectations tend to ripple through global bond markets. Recently, markets have been navigating conflicting signals around the future path of interest rates, including political pressure and public debate surrounding central bank independence. These developments influence bond yields and financial conditions globally, with effects that extend into Canadian fixed-income and equity markets. Because Canadian yields often move in response to changes in U.S. rates, this channel can shape portfolio behaviour even when domestic economic data is limited.

The third channel is global equity sentiment. Overnight and early trading in Asia and Europe often reflects how investors are responding to policy decisions, economic data, and corporate earnings before North American markets open. Futures markets in Canada and the U.S. frequently incorporate these signals ahead of the trading day, helping to integrate global signals into expectations for North American markets. While the direction of global equities and North American futures markets may not always translate to that of the open market, their trends help establish the broader tone for risk appetite and can influence the performance of domestic and international holdings within diversified portfolios.

Viewed together, these channels show how a steady stream of global headlines is constantly being translated into Canadian portfolio values, often in ways that are not obvious day to day. Over time, however, movements in commodities and currencies, shifts in interest-rate expectations, and changes in global sentiment can reshape the backdrop for returns, even when any single news item feels fleeting. That is why most daily market moves are better treated as context rather than calls to action, and why a diversified, long-term strategy remains the most effective way to navigate a world where Canadian portfolios are always “hitched” to global events.

How artificial intelligence may reshape work, margins, and long-term equity returns

Artificial intelligence has moved from the margins of the economy to the centre of corporate strategy. What began as experimental tools confined to research labs is rapidly becoming a foundational technology – one that now touches nearly every industry, workflow, and role within an organization.

As AI adoption accelerates, its influence on productivity, profitability, and competitive advantage is emerging as one of the most important investment themes of the coming decade. As with all transformational shifts, however, its impact on markets will depend not just on innovation, but on execution, valuation and discipline.

A new productivity cycle is emerging

For nearly 15 years, productivity growth across developed economies has been disappointing. Despite widespread digitization, efficiency gains slowed, leading many economists to conclude that the transformation benefits of information technology had largely run their course.

AI is challenging that assumption.

Early adopters are already reporting tangible improvements in task automation, project turnaround times, customer service efficiency, forecasting accuracy, software development speed, and administrative workload reduction. Individually, these gains may appear modest, but at scale, they have the potential to lift corporate productivity meaningfully – and over time, productivity remains the most reliable driver of sustainable earnings growth.

That distinction matters. Markets can move quickly on expectations, but long-term returns are ultimately grounded in real economic output.

The case for structural margin expansion

AI's most immediate financial impact is cost efficiency. By automating repetitive tasks, improving decision-making and reducing error rates, companies can lower labour intensity and streamline operations – particularly in industries with high administrative overhead.

At the same time, AI is enabling new revenue opportunities, including personalized offerings, dynamic pricing models, faster product development cycles, and new data-driven services. The companies that benefit most are likely to be those that reinvest efficiency gains intelligently rather than simply cutting costs.

From an investment perspective, margin expansion driven by productivity is fundamentally different from margin expansion driven by short-term cost controls. One tends to be durable; the other often is not.

A historical parallel: the internet era

The closest comparison to AI in modern history may be the commercialization of the internet in the mid-1990s. That period produced a decade-long surge in productivity as businesses adopted digital workflows, e-commerce, and early automation.

Between 1995 and 2005, labour productivity growth accelerated, corporate profit margins expanded, and equity markets rewarded companies that adapted effectively. At the same time, valuation excesses emerged in areas where expectations ran far ahead of fundamentals.

If AI delivers even a portion of its expected productivity gains, its economic impact could be substantial. As before, however, the greatest rewards are likely to accrue to businesses that translate innovation into sustained cash flow – not simply those associated with the most compelling narratives.

Winners, laggards, and valuation discipline

AI is not a rising tide that lifts all boats equally. Companies with strong data infrastructure, adaptable cultures, and disciplined leadership are better positioned to benefit. Others may struggle to integrate AI effectively, creating a wider gap between leaders and laggards.

For investors, this reinforces the importance of selectivity. AI is not just a technology trend – it is a competitive filter. Over time, capital tends to flow toward companies that demonstrate consistent execution, sound capital allocation, and returns on investment that justify their valuations.

Periods of technological transformation often produce both exceptional long-term opportunities and short-term excess. Distinguishing between the two requires patience and discipline.

What this could mean for equity markets

Equity markets reward durable earnings growth, strong free cash flow, and attractive returns on equity. A sustained AI-driven productivity cycle could support all three, providing a fundamental underpinning for long-term market returns.

At the same time, volatility is a natural feature of innovation-led cycles. Corrections, rotations, and valuation resets tend to occur along the way. For disciplined investors, these periods often create opportunity rather than risk – provided portfolios are positioned thoughtfully and expectations remain grounded.

The bottom line

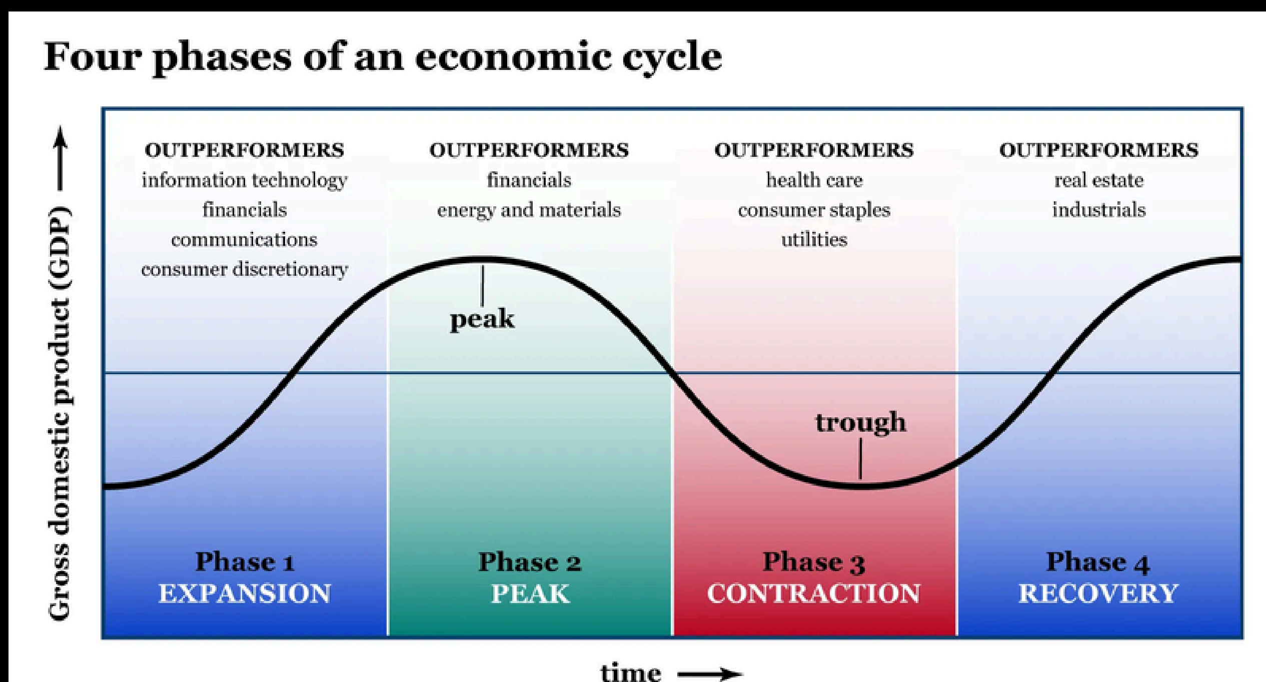
AI is reshaping the future of work in real time. Its influence on productivity, profitability, and competitive dynamics is likely to be one of the defining investment forces of the next decade.

For investors, the challenge is not simply recognizing AI's potential, but understanding how it translates into sustainable earnings power, appropriate valuations, and long-term portfolio outcomes. At KPW Financial, we continue to monitor these developments closely as we assess how AI-driven productivity trends fit within a disciplined investment framework.

Innovation can drive growth – but discipline is what turns growth into lasting wealth.

Where We Are in the US Business Cycle and How to Prepare for What Comes Next

by Sergio Simone



One of the most reliable ways to think about markets is through the lens of the business cycle. While no cycle unfolds in exactly the same way, U.S. economic expansions tend to follow familiar patterns. Understanding where we are in that process helps investors manage expectations, stay disciplined during periods of uncertainty, and position portfolios to take advantage of opportunity when it appears.

From a U.S. perspective, many indicators suggest we are in the later stages of the current expansion. Economic growth has moderated, inflation has retreated from its peak, interest rates remain restrictive, and corporate margins are becoming more sensitive to costs. This does not suggest an imminent downturn, but it does indicate that we are closer to the end of the cycle than the beginning. Historically, this stage has rewarded preparation rather than prediction.

Late-cycle environments in the United States are often defined by contradiction. Economic data can remain resilient and employment conditions may still appear healthy, yet pressures build beneath the surface. Higher financing costs begin to matter, credit conditions tighten, and profit margins become harder to sustain. Market leadership tends to narrow, volatility increases, and equity returns become more uneven.

For investors, this phase can feel frustrating. Markets may move sideways for extended periods, and pullbacks can occur with little warning. Yet this is often the most important stage of the cycle for long-term results. Corrections are not failures of the market; they are a normal part of how excess is reduced and valuations reset. They create the conditions from which future returns are built.
In finance, AI is streamlining compliance, fraud detection, and portfolio modeling. Advisors who once spent hours crunching numbers can now rely on algorithms to generate scenarios in seconds, allowing them to focus on client relationships and strategic planning. In this sense, AI is not a threat but a tool that, when used properly, enhances productivity and unlocks human potential.

This is where portfolio discipline becomes especially important. Rather than reacting to headlines or attempting to time turning points, this phase calls for diversification, selectivity, and flexibility. Companies with strong balance sheets, reliable cash flow, and pricing power have historically held up better during late-cycle periods, while businesses dependent on cheap capital or optimistic assumptions tend to struggle.

The same principle applies to fund selection. In late-cycle environments, U.S.-focused equity strategies that emphasize quality, reasonable valuations, and consistent income have often shown greater resilience. Dividend-oriented and low-volatility approaches can help reduce drawdowns while remaining invested. Value-oriented strategies, particularly those grounded in cash flow and fundamentals, have also tended to regain leadership as speculative excess fades.

Fixed income can play a more meaningful role at this stage as well. With interest rates elevated, shorter-duration, high-quality U.S. bond strategies may offer income while helping to manage interest-rate sensitivity. Flexible or tactical funds that can adjust exposure as conditions change can also provide an added layer of adaptability during periods of uncertainty.

Late-cycle phases are rarely comfortable, but they are rarely wasted. Historically, they serve as the transition between aging expansions and renewed opportunity. Periods of volatility, valuation resets, and shifting leadership often emerge from this stage, creating openings for investors who are prepared to act rather than forced to react.

From a U.S. perspective, we appear to be in that preparatory phase today. The focus is not on predicting the next downturn, but on maintaining discipline, preserving flexibility, and ensuring portfolios are positioned to take advantage of opportunity when markets inevitably reset.

At KPW Financial, our approach remains consistent through every stage of the cycle. We focus on managing risk thoughtfully, maintaining diversification, and positioning portfolios with a long-term perspective. Market cycles will continue to change, but discipline remains the most reliable advantage investors have.

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