



MARCH 2026 NEWSLETTER

MARKET REVIEW

Markets started out well in 2026 but "went off the rails" after the US and Israeli attacks on Iran. Investment wise the shining star has been oil and gas companies, who have experienced a WTI oil price rise from \$57.42 per barrel on December 31 of 2025 to the current price of \$101.44, a 76.7% increase¹. The TSX index has done relatively well due to our oil exposure, and the ex-US world markets have continued to outperform the US. Markets have been "risk off" with the price of gold decreasing 13.8% from the January 29th high¹ of \$5,355 and Bitcoin decreasing 21.07% year-to-date.²

	<u>Mar 31,</u> <u>2025 Close</u>	<u>Dec 31,</u> <u>2025 Close</u>	<u>Mar 31,</u> <u>2026 Close</u>	<u>90-Day</u> <u>Change</u>	<u>1-Year</u> <u>Change</u>
S&P 500*	5,612	6,846	6,529	-4.6%	16.3%
S&P/TSX Composite	24,918	31,713	32,768	3.3%	31.5%
Vanguard FTSE All World ex U.S. ETF*	\$60.66	\$73.56	\$75.10	2.1%	23.8%

*USD currency

Source: FactSet

Published for the friends and clients of
Douglas Duncan Wealth Management

Raymond James Ltd.
#1-5767 Turner Road
Nanaimo, BC V9T-6L8
Toll free: 1-866-729-2830
www.douglasduncanwm.com

¹ FactSet

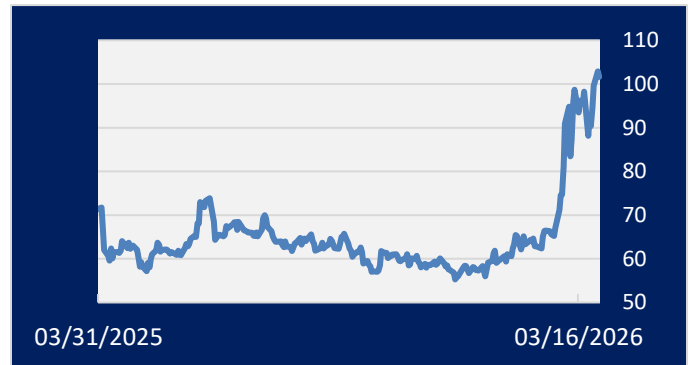
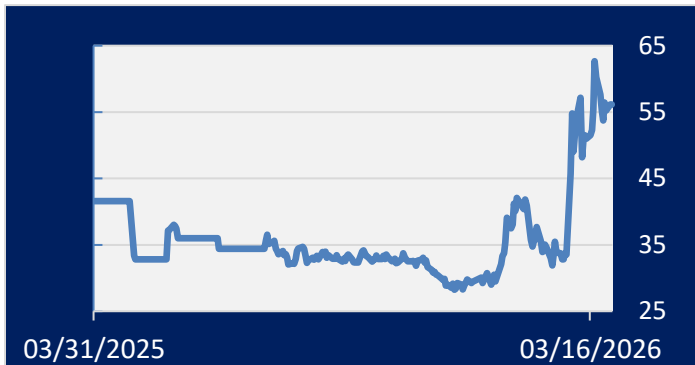
² Google Finance

ENERGY AND INFLATION

With the damage to Middle Eastern oil and gas infrastructure and the partial closing of the Strait of Hormuz, Canada and the US have been fortunate to be self-sufficient in oil and gas. The Europeans have not been so lucky, with natural gas futures spiking sharply.

Natural Gas EU (EUR/MWh)

Crude Oil WTI (NYM \$/bbl)



Source: FactSet

Worldwide, consumers have had to contend with rising gasoline and diesel prices, as crude oil WTI prices have increased from \$66.66 on February 27th to \$101.46 on March 31st.

This has affected energy consumers with the price of regular unleaded gasoline rising from \$1.474 per litre³ on December 31st 2025 to \$2.079 litre⁴ on March 31st 2026, a 41.0% increase. Diesel prices are also up sharply from \$1.612 per litre on December 31st 2025 to over \$2.400 presently, an increase of approximately 48.9%. As ships, trucks, and trains run on diesel this will increase the price of most goods.



Photo taken Mar 30 in Nanaimo, BC

While we have not yet seen official inflation statistics for March we are expecting a sharp increase.

³ Statistics Canada: Vancouver Prices

⁴ BC FSA

FIXED INCOME

Canadian bond yields have increased during the last 90 days, particularly in the 2 to 5 year terms. There are opposing factors affecting these yields with the slowing economy and "flight to quality" lowering rates but rising inflation levels increasing them. For now, current and expected inflation levels are giving us higher bond rates. This has also affected mortgage rates with three-year terms rising from just below 4% to just above 4% (ratehub.ca).

Canadian T-Bills and Bond Yields

<u>T-Bills & Bonds</u>	<u>Mar. 31, 2025</u>	<u>Dec 31, 2025</u>	<u>Mar. 31, 2026</u>
3-Month	2.63%	2.20%	2.32%
6-Month	2.62%	2.28%	2.38%
1-Year	2.54%	2.42%	2.62%
2-Year	2.45%	2.58%	2.83%
5-Year	2.58%	2.91%	3.08%
10-Year	2.96%	3.43%	3.47%
30-Year	3.23%	3.86%	3.89%

Source: FactSet

Ten-year international bond yields have also increased in the last 90-days with the exception of China. European bond yields have increased the most. The EU are net importers of oil and gas and having greatly reduced their imports from Russia, are now vulnerable to fuel shortages.

International Bond Yields (10-Year)

<u>Country</u>	<u>Mar. 31, 2025</u>	<u>Mar. 31, 2026</u>
India	6.58%	7.00%
UK	4.67%	4.85%
US	4.21%	4.31%
Italy	3.84%	3.91%
Greece	3.53%	3.84%
France	3.43%	3.72%
Canada	3.00%	3.47%
Germany	2.70%	3.00%
Japan	1.52%	2.35%
China	1.82%	1.80%

Source: FactSet

CHANGES IN THE B.C. PROPERTY TAX DEFERMENT PROGRAM

The recent B.C. budget has made significant changes that will affect homeowners who defer property taxes. This program is available for people with disabilities and dependent children but has been most commonly used for people over 55 who wish to defer their property tax. The original goal of the program was for people who were "house poor" to continue to live in their homes while deferring the annual cost of property taxes. With the interest rate at Prime -2% (2.45% at present) and simple interest, the cost was not too egregious.

As homeowners analyzed this plan, some chose to defer their taxes while investing the same amount. While you could not come out ahead if you invested in bonds or GICs, a reasonably invested equity portfolio could be expected to return in excess of the deferral cost. The 2.45% is not tax deductible, but if the funds went to a TFSA, or were used by low and middle income taxpayers investing in dividend paying securities, the invested funds would accrue little or no tax.

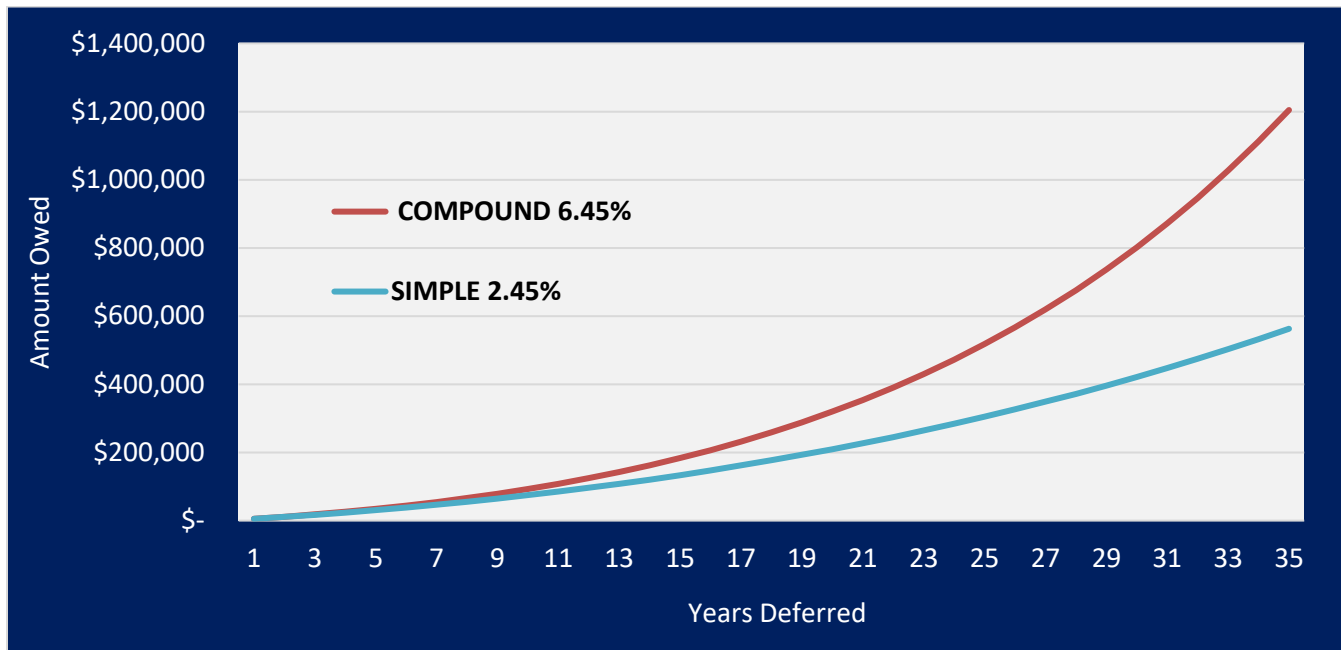
The new budget increases the interest rate on future property tax deferrals to Prime +2% (6.45% at present) compounding monthly. As nondeductible debt, this is a high hurdle to come out ahead when borrowing to invest. **Existing balances are not affected and continue to accrue at Prime -2%.** There is no urgency to pay the existing deferred tax balance at this time.

Our conclusion is that it does not currently make economic sense to defer future property taxes for the purpose of investing. If an opportunity is compelling enough to borrow for, you can likely get an investment loan at less than Prime + 2%, and in most instances can deduct the cost of the interest.

For individuals living in homes they love with prohibitive property tax costs there can be a case for deferring property taxes to stay in the home, but the interest costs will eat into the principal at a much faster rate.

The chart below is an example of an individual deferring a \$5,000 property tax bill starting at age 65 to the age of 90. We used a 7% rate of increase on the property taxes because most municipalities increase their spending at levels far above the inflation rate. Clearly a loan compounding at monthly 6.45% grows exponentially quicker than one at 2.45% with simple interest.

Tax Deferral Comparison



The end value of the loan was \$562,775 under the previous interest rates, and \$1,204,492 under the new interest rates.

RESP CHANGES

RESPs have been an excellent way to save for children's or grandchildren's education, with tax free compounding, the 20% Canada Education Savings Grant (up to \$500), and the one-time only \$1,200 B.C. Training Education Savings Grant (BCTESG.) In the recent B.C. budget the \$1,200 BCTESG will be discontinued on April 1, 2028.

The BCTESG is for children between the ages of 6 to 9, so parents or grandparents may consider opening an RESP prior to April 1, 2028 to get the grant. No contributions are necessary.

After the BC grant expires, we will continue to recommend RESPs as a savings vehicle for post-secondary education.

WINNERS AND LOSERS 2026

There are not a lot of winners when leaders choose to spend taxpayers' money blowing up infrastructure in other people's countries rather than building infrastructure and providing services in their own countries.

Oil and gas companies are exceptions. For example:

Year-to-Date Total Return	
Suncor	52.19%
Canadian Natural Resources	47.32%

Source: FactSet

Economically resilient companies such as utilities outperformed the general markets. Market leadership has changed in 2026 as Costco and CN Rail were our worst and third worst performers in 2025 respectively.

Year-to-Date Total Return	
TC Energy	16.42%
Costco	15.71%
Fortis	9.65%
CN Rail	6.14%

Source: FactSet

Banks gave back some of their 2025 gains as recession fears increase:

Year-to-Date Total Return	
TD	1.26%
RBC	-3.21%
JP Morgan	-8.30%
Bank of America	-10.85%

Source: FactSet

Most large US technology companies underperformed the market:

Year-to-Date Total Return	
Nvidia	-6.48%
Apple	-6.56%
Google	-8.06%
Amazon	-9.77%
Palantir	-17.7%
Microsoft	-23.28%

Source: FactSet

The most high-profile market disaster that we are aware of is Goeasy, a subprime lender that "provides Canadians a path to a better tomorrow, today" (their words not ours) through consumer loans with 10 to 35%

interest rates. Apparently some of the people who were unfortunate enough to borrow at 35% are having difficulty making their loan payments. Goeasy was not a Douglas Duncan recommendation.

Year-to-Date Total Return	
Goeasy Ltd.	-70.88%

Source: Factset

PAST PICKS

Other than oil and gas companies there were few "home runs" for the first quarter of 2026.

In our December 2025 newsletter we suggested that Telus, CN Rail, and the Vanguard FTSE all-world ex-US ETF and daily interest accounts had reasonable risk/reward chances. While none of these produced chest beating returns, none "blew up" and all out-performed the S&P 500.

Year-to-Date Total Return	
CN Rail	6.14%
Vanguard all-world ex US ETF	2.25%
Telus	1.13%
Daily Interest Accounts	0.55%

Source: Factset

We believe that at current market levels investors should focus on reasonable valuations and ensure that they are not exceeding their risk tolerance.

DIVIDEND INCREASES

Holding	Previous Dividend	New Dividend	Increase
BROOKFIELD CORP. (BN)	\$0.06 USD	\$0.07 USD	16.7%
CANADIAN NATURAL RESOURCES (CNQ)	\$0.5875	\$0.6250	6.4%
TC ENERGY (TRP)	\$0.850	\$0.8775	3.2%
CANADIAN NATIONAL RAILWAY (CNR)	\$0.8875	\$0.9150	3.1%

Source: FactSet

SUMMARY AND STRATEGY FOR 2026

Since the February 28th attack on Iran markets have gone "risk off." The disruption of oil and fertilizer shipments through the Strait of Hormuz and the destruction of a number of oil facilities in the Middle East have created higher prices and lowered economic growth expectations. The question for investors is "how long?"

While we are not political scientists, we expect that the repercussions will last longer and have worse consequences than Western media and markets are factoring in at present.

We have been recommending that investors keep some "dry powder" for some time and at present are not in a big hurry to use that cash to add equities. Our plan is to monitor individual equities, and should they reach compelling prices we will recommend adding them on a selective basis.

If you are appropriately invested for your risk tolerance and financial needs, we do not recommend significantly lowering your equity exposure at this time as the markets could snap back if the news is better than we expect.

If you have any changes to your financial situation or concerns with your investments, please keep Meaghan or Mark informed so we can help you plan ahead.



**Mark
Duncan**

Senior
Financial
Advisor



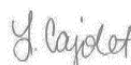
**Meaghan
Douglas**

Senior
Financial
Advisor



**Ian
Douglas**

Consultant



**Lisa
Cajolet**

Administrative
Assistant



**Heath
Dean**

Investment
Associate



**Michelle
Dieterich**

Administrative
Assistant

If you have friends or family who have expressed an interest in finding a new advisor, we would be delighted to hear from you. Just call our office at 250-729-2830 and we'll take it from there. Thanks!

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