

JW S06E01 James Gauthier

Fri, Jan 30, 2026 3:27PM • 20:30

SUMMARY KEYWORDS

Stock markets, geopolitical impact, Donald Trump, tariffs, gold sector, US dollar, artificial intelligence, Federal Reserve, inflation, money supply, bond market, portfolio diversification, investment strategy, market correction, economic stability.

SPEAKERS

Pat Bolland, James Gauthier

Pat Bolland 00:16

Well, here we are at the beginning of 2026 after a crazy 2025 ... a good one for the stock markets, but there were a lot of moving parts, let's just say, on a geopolitical basis. So James Gauthier is going to join us. He's the Chief Investment Officer at Justwealth, and he knows, or should have, all the answers. James, Happy New Year,

James Gauthier 01:02

and to you, Pat. Good to see you again. Good to see you.

Pat Bolland 01:06

I do want to start with 2025 because when you think about the beginning of 2025 or the hallmark for '25 was geopolitics, politics, Donald Trump down in the United States, election in this country. So let's start with that. And the first thing I think that happened were tariffs that Donald Trump announced. What were your thoughts on those? And then we'll expand a discussion in politics in general.

James Gauthier 01:33

Yeah, it did come pretty early in the year. I mean, it was, it was around beginning of February. I don't remember the exact date, but that was a groundbreaking change in how global trade is going to work going forward. I believe it certainly sounded scary when it first came out. And initially, Trump's attack on tariffs was focused on North America, so Canada and Mexico, China, and then eventually Europe got into it, and it expanded, but it set the year off on a pretty negative tone, and we had a couple of pretty negative months early on, February, March, April, but things turned around very quickly, and as we we know now, year ended up just fine,

Pat Bolland 02:19

Yeah, but he did call Canada the 51st state, or at least when Trudeau was ... Well, he did it after Carney came in as well, but Trudeau was the initial governor, if you will, of the 51st state. Has it ruined, do you

think, or did he start ruining, the relationship between Canada and The United States, and does that affect the stock market.

James Gauthier 02:43

So what it does is it certainly grabs headlines, and it it hits people's emotions. Canadians, I mean, we're a proud country, proud citizens, proud to be here. And I think most Canadians, historically would call Americans are our best friends, not not everybody and not all the time, but you know, even even siblings fight once in a while. I certainly got the impression from people that I spoke to that something fundamentally has changed. There is this has struck a serious chord, and people were very deeply emotionally affected by the disconnect that we seem to be having with our southern neighbors. It grabs a lot of headlines. People get engaged. Want to talk about it. Want to focus on it. It really does not affect the stock market in the long run. It does have temporary effects. I mean, as I just mentioned, February, March, April, not great months in the stock market, which was right after all of this turmoil got started, but calmer heads prevailed only a few months later, and it ended up being a fabulous year. So negative headlines do not equal negative stock markets.

Pat Bolland 03:58

In fact, the Toronto market did better than the American markets.

James Gauthier 04:02

Toronto was one of the best performing markets in the entire world, the developed world last year, which nobody would have predicted that back in February, not one person.

Pat Bolland 04:11

Do you think James that Mark Carney as a former Bank of Canada governor and running the Bank of England? Do you think that gave credibility to the Toronto markets, or, again, is it just politics and it doesn't affect anything?

James Gauthier 04:27

I don't think that affected the performance of our stock market. It might affect the credibility of our leader. I mean, Justin Trudeau kind of went out on a pretty sour note. Confidence was not high. The Liberal Party of Canada was not well perceived in polling. But what what Carney went on to accomplish in terms of winning the election and leading the country afterwards was quite the turnaround. So somebody must have had confidence in his background, in his ability to deal with the. United States. Maybe that ended up indirectly having a positive impact on the stock markets, but I don't think there's a direct correlation there.

Pat Bolland 05:09

With the caveat that one of the top performing sectors, if I read it right, was the gold sector on the Toronto Stock Exchange, and we have a lot of those, obviously. And one of the drivers of gold, in my view. And you and I have discussed this at length in the past, as I consider gold a currency, a competing currency, and it's competing, really, against the US dollar. What are your thoughts on gold? And I kind of know what the answer is going to be there. But how about the US dollar? I'll bet you get a lot of questions about that.

James Gauthier 05:40

I do. So I got lots of questions on both actually and they are inversely correlated. Gold is priced in US dollars, so when the US dollar performs strongly, that's usually negative for gold. And vice versa, when the US dollar weakens, that positively impacts gold, especially when you translate it into Canadian dollars. But two very separate discussions here. So both, both gold and in the US dollar are currencies of a form. US dollar is a fiat currency that's a little more explicit. Gold also has some practical purposes. I mean, it's used for jewelry primarily, but also other scientific applications and the gold being used as a currency. And I know technically it is. It's not really a currency. It's not the same as fiat currencies. In some ways, maybe it's better, because it doesn't have a central bank that can print more of it. It has miners that can dig up more of it, but that's pretty limited supply. Gold is very much a fixed supply system. It's a lot of it gets recycled, and there's not really material changes to the supply of gold every year, and it's really the demand side of gold that affects the price of it. So when people tend to get nervous about politics or just markets declining in general, people will seek out gold as a safe haven asset because they always have traditionally. That doesn't mean it's a good reason, but that's people's natural tendency to do it. And when you have a fixed supply and increased demand, it can move those prices sharply. The same thing was done with cryptocurrency which also has a similar fixed supply. Bitcoin as an example, which stopped making them so the supply is unchanged. You get increased demand, a fixed supply, price spikes up. That's just natural supply and demand. It's economics. But again, it doesn't mean that it's a good choice or a good investment. At some point the demand will wane and it will spike down. You know, that's that's different from a fiat currency, where it's more about what is inflation and how much is the central bank printing, and what are the company's economic or not, the company, the country's economic impacts? There's a lot more currencies. Fiat currencies are a lot more complicated.

Pat Bolland 08:17

What are your thoughts then on the gold shares that have been a driver on the TSX.

James Gauthier 08:22

So gold companies are a little different than gold the commodity gold, the commodity is it's just a commodity. It doesn't do anything. Company has the ability to make profit, it can issue debt, it can do lots of different things that takes advantage of the commodity. So gold companies, when the price of gold goes up and companies have gold inventory that automatically makes them more valuable. So the fact that gold had such an amazing year in 2025 means that gold companies should have had an amazing year in 2025 Canada does have an abnormally large exposure to gold companies. So that's one of the reasons that explains why the Canadian market did much better than than other markets that have less exposure to gold companies,

Pat Bolland 09:11

Moving away from the politics and the geopolitics. James, if we could, one of the things people have been talking about for more than just 2025 is artificial intelligence, AI kind of came to the forefront because it's more of a consumer product than good in 2025 What are your thoughts on AI and how it's affecting the stock market?

James Gauthier 09:34

Well, I mean, a lot of companies that are considered AI companies, or have exposure to AI sector have performed quite well. A lot of the US, large technology companies, Nvidia in particular, is very exposed to the AI sector. There is a tremendous amount of investment going on in AI right now, and what that means is there. Buying the products made by the companies that build the infrastructure for AI. So they've done well, there's a lot of investment to support those expectations for higher profitability. AI itself is not really a profitable venture at the moment. It's still very early stages, and people are still trying to figure out, you know, there's lots of interest, there's lots of investment, there's companies that are building that into their plans, but it's not yet quite a viable economic proposal. So we're going to get to the point where it's going to be okay. Start showing me the money. Enough with the hype. Show me the money, and that might still be a couple years down the road before it comes through in any meaningful manner. It's not like a mature industry like finance or making cars or things like that that's been around for decades or centuries. This is emerging, and it's just coming into the retail world. Now, like you said, the advances in AI really haven't been there's been no like tremendous breakthroughs in 2025 or in the past few years. It's just becoming available to the public through things like chat, GPT and you know, things that you know Elon Musk is building, and some, some other initiatives that hasn't really translated yet into something that like, Yes, this is definitely the future right now. There's just an expectation that it's likely going to play a larger role in the future. So people are buying into it.

Pat Bolland 11:35

Okay, one thing that's started to happen towards the end of '25, and I'm going to look towards 2026 in some of this commentary, because there's a concern that there's kind of like a wall of worry. The stock market keeps going up. It was hitting record highs, and people are thinking that there's got to be a correction coming. What do you think about that?

James Gauthier 11:57

It's natural, that that's human nature. So people look historically and say, Well, you know, good years are kind of always followed by bad years. So we just had a good year, so we should expect a bad year.

Pat Bolland 12:09

We've had three good years.

James Gauthier 12:10

I know that compounds the the angst. If you wanted that wall of worry that you're talking about people, it's hard to beat that out of people's mindset here is what I would say. Inflation has persisted at an elevated rate ever since it spiked a few years ago. It's come down a little bit. But inflation is a sign of there's too much money out there, and it's devaluing. The currency is devaluing, making the price of everything more expensive. The fact that the stock market keeps going up, to me, is no different than inflation. It's stock inflation. So because the markets have gone up is not an indication that they're going to come down. It's more of a function of there's too much money out there. So if the markets are going to have to come down for a reciprocal reason, it's because the money supply is decreasing, and there's no sign of that happening anytime soon. As long as there's too much money out there, the stock market and other financial assets, for that matter, gold or other things, they could also continue to stay elevated without a correction happening.

Pat Bolland 13:25

Good point, and we continue to get earnings following through, and we still have the stocks moving higher because those earnings are coming through. But you make an interesting point about money supply. In that money supply, to a degree not exclusively, is controlled by the Federal Reserve down the United States, and Donald Trump is weighing in there as well. Again, this is kind of a 2026 discussion, but we could see a change in the Federal Reserve in the short term. What does that do to the stock market?

James Gauthier 13:57

Yeah, so Jay Powell's term is coming up. Donald has been quite forthright in saying his affections for Jay Powell are not great. So a change will be coming, and there's already been some change to the makeup of the board. So the board consists, I'm not sure how many members in total, there's voting members and non voting members. And then there's the chair Jay. Powell is the chair that position will change in 2026 unless something remarkable happens. So there will be a change. Anytime you have change, I think it probably gets overly scrutinized. All indications would be it's going to be a Trump friendly nominee, and whether that plays out or not, we'll have to wait and see. But the Fed has always supposed to have been independent, and there is pressure on that. Donald doesn't like the independence. He wants to control everything, including the central bank, which is against kind of American philosophy and American policy and other kind. For that matter, too. So it's I'm uncertain about how that's going to play out. I have a feeling that if Donald tries to get too aggressive in what he's trying to control with the Fed, in terms of either who he puts in there or the directions that he gives them, either through tweets or any other means of his communication. I think he's going to get pushback from his own party, from certainly from the other party, and from the American people. There's a lot of people that are very traditionalist and believe in Charters of freedoms and things like that. And I think there's a limit to how far Donald can push things, and I think the central bank is one of those things that's going to be proven to be off limits for him, and that should overly that should be positive for markets in the long run.

Pat Bolland 15:47

Yeah, interesting, because I know you run almost 100 portfolios for Justwealth, and a lot of your portfolios are well, most of your portfolios, I would guess, are invested in the United States, but are you changing your outlook that you might look at other places in the world because they're doing okay, despite what's happening in the United States?

James Gauthier 16:11

Well, I can say clearly and firmly that we are not making any changes because of all of the rhetoric and nonsense that is happening in the markets. As I just said, last year was a year of all kinds of unrest, disruption, unconventional means of governing, bad feelings, and the markets did just fine. There's no the United States is not going to become a wasteland. They are the leader of the capitalism. They have the largest stock market in the world. They are the financial engine of the world at the moment and well into the future. Even Donald can't ruin that. No matter what he tries to do, like I said, people are going to hold him accountable when he goes too far, he's retracted his own comments. How many times you know the the taco trade, Trump always chickens out. He can only He can say whatever he wants,

whether it's capitalized tweets or press releases or public appearances, he'll say whatever he wants. He's and most of it's usually proven to be unfactual. So there's limits, and people get all wound up and emotional and think that the US dollar is going to go to zero or the US economy is going to suffer. The US economy underperformed last year. Sorry, the US stock market underperformed last year. The economy is doing actually really well. I have no fear about the US dollar the United States, and we're not making any adjustments based on the theater of politics.

Pat Bolland 17:51

Okay. Last question, I write a bond column for Investment Executive, and there has not been really a lot going on in 2025 or going into 26 in the bond area. To my way of thinking, do you share that sentiment?

James Gauthier 18:10

Well, bonds are always boring. Nobody likes to talk about bonds. I do. I'm probably more of a bond supporter than than most people. Not because I think they're a superior investment. They represent an important asset class. So bonds are the conservative part of most people's portfolios. There are, really, in my mind, there are two legitimate asset classes. There are stocks, there are bonds. Anything else is manufactured marketing of trying to build cases while they belong in people's portfolios. But there are two core components. The bonds are the stable part. They're income producing. They are predictable. They are not very volatile, so boring. The stocks are the sexy part. They're the ones that everyone likes to talk to. They can have great positive years, but they can also have great negative years. They are far more volatile, but the growth engine of most people's portfolios. So depending on where you are in your investment life cycle, you know, bonds might be more appropriate, or stocks might be more appropriate, or maybe it's a blend of both, but bonds do have an important role to play. It's been fairly calm in the bond market, because the uncertainty politically is keeping interest rates in a pretty tight range. And when interest rates don't move much, bond prices don't move much, you continue collecting your coupons, which is, you know, three to 4% per year. But outside of that, it's nothing too dramatic. When bonds get exciting is when the stock market tanks, because that's usually when bonds do really well, and that's all part of the diversification approach to portfolio construction. When people say, okay, oh yeah, bonds do matter, but when they're not doing well, people kind of forget about them.

Pat Bolland 20:00

James, always a pleasure to chat to you.

James Gauthier 20:04

Been great. Pat, good to see you again.

Pat Bolland 20:06

See you in a couple of months... James Gauthier, a chief investment officer, Justwealth Financial.