RESEARCH CAPITAL CORPORATION
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Media View of the Markets vs My View of the Reality

Current Observations

- Market was mixed: Dow and Russell 2000 hit record highs; NASDAQ and S&P 500 recently dipped below their 50-day moving average (negative sign).
- Investment backdrop is judged as largely favourable despite headwinds: inflation and interest rates.
- Higher geopolitical risk (Iran) could lift oil and transportation costs.
- Corporate earnings outlook called exceptional, driven partly by the AI build-out and productivity gains from AI adoption.

Market Performance

- **Dow:** record highs.
- **Russell 2000:** small-cap record highs.
- **NASDAQ and S&P 500:** fell below 50-day moving average (short-term negative indicator).
- Equity indices diverged.

Investment Backdrop

Broad environment is considered favourable.

Headwinds:

- Inflation is higher than before.

- Interest rates are higher than before.

- Unresolved war with Iran > threat of higher oil prices.

- Higher oil > higher **transportation costs >** spreads through the economy.

Corporate Earnings & AI

Central thesis: share prices follow earnings.

Earnings up > Leads share prices higher.

Earnings outlook is described as exceptional by many.

Drivers:

- **AI Build-out** supported revenue and efficiency.
- Companies adopting AI > higher **productivity.**

Media Bias & Investor Behaviour

- Media exploited human **negativity bias** (risk/threat-focused attention).
- News emphasized exceptions (crashes, bankruptcies) over slow-moving positives.
- Bad news: **fast** and **telegenic**; good news: **slow**, often not newsworthy.

Consequences:

- Media often **scares investors** into selling or avoiding reinvestment.
- News delivered **out of context**, lacking long-term perspective.

Public Sentiment

According to Liaison Strategies data, only about **44%** of Conservative supporters stated they are "very proud" to be Canadian, compared to **72%** of Liberal voters.

A CNN segment analyzing public sentiment regarding the 4th of July stated that **65%** of Republicans and **24%** of Democrats said the 4th of July is not worth celebrating. As well, it was stated that **7 out of 10 Americans** said the American dream no longer exists.

Long-Term Perspective

Many long-term trends are positive**.**

My recommendation: consider the long-term trend, avoid reacting to media-driven fear, and remain invested.

In closing, I hope you all have had an enjoyable Canada Day week and that you are finding time to savour all that our great Country has to offer!

As always, if you have any concerns or questions regarding your portfolio, call me to discuss them. I am always available for your call.

Sincerely,

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