

28 April 2025

RICHARDSON
Wealth

Market Ethos

The latest market insights from
Richardson Wealth



Craig Basinger

Corrections come in different shapes and sizes

“What happens in the stock market today has happened before and will happen again.”

- Jesse Livermore, *Reminiscences of a Stock Operator*

It is true that if you look back far enough you can come across very similar scenarios for just about anything that is happening. While it may be hard to believe there were past periods where U.S. government policy announcements induced corrections or sent markets haywire, it was actually more common decades ago. Government policy in more recent history, the last couple decades, has been more market friendly perhaps because of the percentage of the U.S. population with a 401k (their version of RRSP).

Anatomy of a Correction

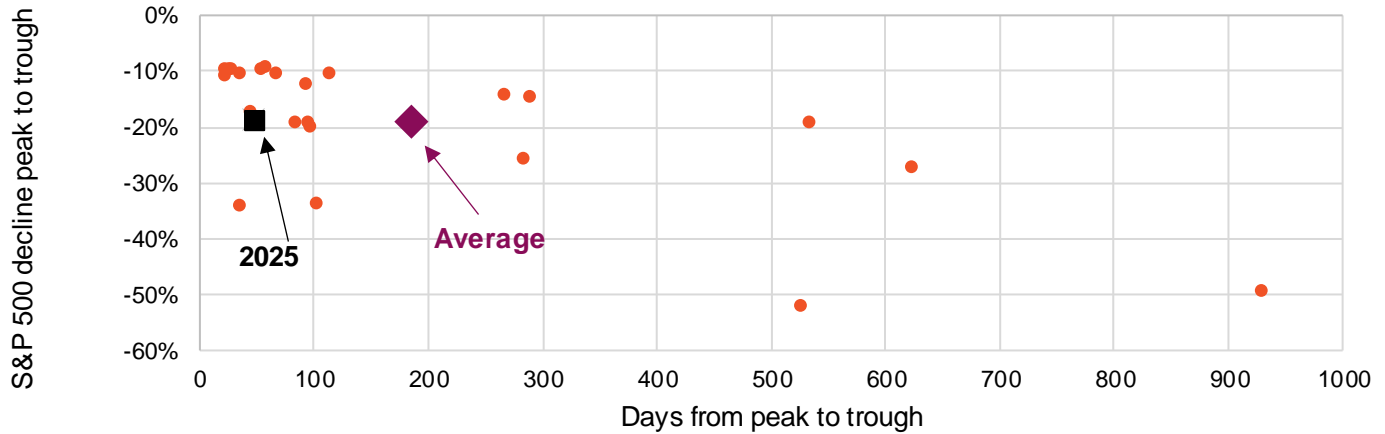


Corrections, or periods of market weakness, experience similar paths from correction to trough to recovery. But every correction is somewhat different. The starting point, the speed, the duration, the cause(s), the bottom and the recovery all vary substantially from one to the next. And to be frank, the last few corrections have been especially unique, assuming we can measure degrees of uniqueness. All would agree Covid was a very different period of market weakness — you would have to go back a long time to see a global health crisis causing markets to drop that fast and then recover that quickly. The inflation-induced correction of 2022 certainly was not a plain vanilla correction. And now we are in a 100% policy-induced correction.

[Sign up here](#) if you do not already receive the Market Ethos directly to your inbox.

Most of us have probably seen those statistics that talk about the average drop in markets, how long it takes to reach bottom and how long to recover. The challenge with these is that the 'average' hides so much variance in the data, does it really help provide insight? The following graph contains every S&P 500 correction since 1975, with the decline in the S&P 500 and the number of days to reach the bottom. To simplify, we will assume the current correction bottomed on April 8. That may or may not hold true as this year progresses. Clearly the variance in experiences is very high, limiting any insight from a simple 'average'.

Corrections come in all different shapes and sizes



Source: Bloomberg, Purpose Investments, all corrections from 1975-2025

The variance in duration and depth of corrections isn't the most challenging aspect of investing. The bigger challenge is the variance in performance of portfolio diversifiers or defensive holdings. Especially given the high level of uniqueness of the past few corrections. For instance, during the Covid correction bond yields fell, providing a good stabilizer while the US dollar rose. But international equity exposure fell as much as the S&P and gold declined as well, not offering much diversification benefit. In 2022, a correction triggered by rising inflation risks was very different. Bonds were clearly no winner, and neither was gold and international diversification. The U.S. dollar was the best diversifier for a portfolio. Now in 2025, international equities have held up much better, bonds have been flattish, the US dollar has not helped but gold is shining bright.

Diversification benefit during past 3 corrections - peak to trough

	TSX	International	Bonds	USD	Gold
Covid 2020	Red	Red	Green	Green	Yellow
Inflation 2022	Yellow	Red	Red	Green	Yellow
Trade 2025	Yellow	Yellow	Yellow	Red	Green

Source: Bloomberg, Purpose Investments, colours based on diversification benefit - red bad, green good, yellow meh

Herein lies the challenge. It would be understandable for investors to have shied away from international equities following Covid and 2022, believing the diversification benefit was kaput. Then came 2025 with international equities holding up better and rebounding strongly, almost back to all-time highs. Flows are currently very high into international equities. Or who hadn't become frustrated with gold during the previous two corrections compared to the love of gold during this period of weakness. Inflows to gold bullion ETFs have taken off. And maybe bonds feel subpar so far this correction (we would point to large bond outflows in the past few weeks). **Reacting after the fact is rarely a successful strategy when it comes to portfolio construction.**

Diversify your defense

We cannot overstate the dangers of recency bias, even more elevated than normal due to the uniqueness of recent periods of market weakness. The inconvenient truth is different defensive strategies work better in some corrections than others. This applies to bonds, credit, commodity, international equities, factor exposures and alternatives. We don't believe this current correction is over and weaker economic growth may be the next phase. This may flip what has worked so far, benefiting bonds and the U.S. dollar while perhaps hurting gold.

There are some key conclusions in our opinion. Just because a defensive diversifier has produced muted benefit in one of the more recent periods of weakness doesn't mean it's broken — it may just not be its kind of correction. Conversely, one type of diversifier that has worked well shouldn't result in performance chasing as the next phase or correction may prove very different. **Diversifying your defense across a number of different diversifiers has become paramount given unique corrections.**

Source: Charts are sourced to Bloomberg L.P., Purpose Investments Inc., and Richardson Wealth unless otherwise noted.

The contents of this publication were researched, written and produced by Purpose Investments Inc. and are used by Richardson Wealth Limited for information purposes only.

*This report is authored by Craig Basinger, Chief Market Strategist at Purpose Investments Inc. Effective September 1, 2021, Craig Basinger has transitioned to Purpose Investments Inc.

Disclaimers

Richardson Wealth Limited

The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of Richardson Wealth Limited or its affiliates. Assumptions, opinions and estimates constitute the author's judgment as of the date of this material and are subject to change without notice. We do not warrant the completeness or accuracy of this material, and it should not be relied upon as such. Before acting on any recommendation, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice. Past performance is not indicative of future results. The comments contained herein are general in nature and are not intended to be, nor should be construed to be, legal or tax advice to any particular individual. Accordingly, individuals should consult their own legal or tax advisors for a dvice with respect b the tax consequences to them.

Richardson Wealth is a trademark of James Richardson & Sons, Limited used under license.

Purpose Investments Inc.

Purpose Investments Inc. is a registered securities entity. Commissions, trailing commissions, management fees and expenses all may be associated with investment funds. Please read the prospectus before investing. If the securities are purchased or sold on a stock exchange, you may pay more or receive less than the current net asset value. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

Forward Looking Statements

Forward-looking statements are based on current expectations, estimates, forecasts and projections based on beliefs and assumptions made by author. These statements involve risks and uncertainties and are not guarantees of future performance or results and no assurance can be given that these estimates and expectations will prove to have been correct and actual outcomes and results may differ materially from what is expressed, implied or projected in such forward-looking statements. Assumptions, opinions and estimates constitute the author's judgment as of the date of this material and are subject to change without notice. Neither Purpose Investments nor Richardson Wealth warrant the completeness or accuracy of this material, and it should not be relied upon as such. Before acting on any recommendation, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice. Past performance is not indicative of future results. These estimates and expectations involve risks and uncertainties and are not guarantees of future performance or results and no assurance can be given that these estimates and expectations will prove to have been correct, and actual outcomes and results may differ materially from what is expressed, implied or projected in such forward-looking statements. Unless required by applicable law, it is not undertaken, and specifically disclaimed, that there is any intention or obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

Before acting on any recommendation, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

The particulars contained herein were obtained from sources which we believe are reliable but are not guaranteed by us and may be incomplete. This is not an official publication or research report of either Richardson Wealth or Purpose Investments, and this is not to be used as a solicitation in any jurisdiction.

This document is not for public distribution, is for informational purposes only, and is not being delivered to you in the context of an offering of any securities, nor is it a recommendation or solicitation to buy, hold or sell any security.

Richardson Wealth Limited, Member Canadian Investor Protection Fund.
Richardson Wealth is a trademark of James Richardson & Sons, Limited used under license.