



## Important Topic : AI & Jevons Paradox

Last month, we hosted a virtual meeting with TYP Capital, who provided an introduction to artificial intelligence (AI), how rapidly it is advancing, and the ways it is likely to shape our lives in the years ahead.

Technological shifts of this magnitude naturally raise questions and concerns. History shows that periods of change often feel uncomfortable because the final outcomes are uncertain. A question we hear frequently is: “How will my job change, and will it even remain relevant?”

We believe there is a strong and optimistic case for the world that AI is helping to create.

It is true that certain tasks, and even some roles, will evolve or become less necessary over time. However, history also shows that innovation rarely eliminates work altogether. Instead, it changes how work is done and expands who can access valuable services. As technology lowers costs, services that were once expensive or inaccessible become available to a much broader audience, creating new demand and new opportunities.

Consider the scope of many professional roles today.

- A lawyer drafts contracts, negotiates terms, manages filings, advises clients, and identifies risks.
- An accountant reconciles books, prepares working papers, manages audits, and prepares tax filings.
- A consultant scopes projects, conducts interviews, builds presentations, and oversees implementation.

AI tools dramatically reduce the cost and time required for certain components of these jobs, particularly repetitive or manual tasks. And when costs fall, demand tends to rise. **This dynamic is known as the Jevons Paradox.** Dr. Torsten Slok, Chief Economist at Apollo has provided us with excellent data showing this.

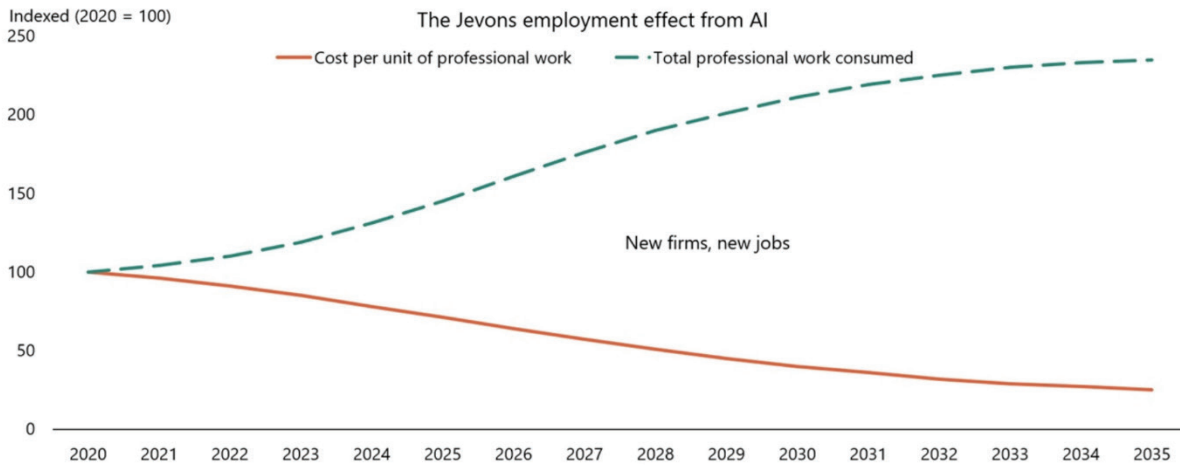
Historically, when steam engines made coal use more efficient, Britain did not consume less coal, it consumed more. The same pattern appears to be emerging today in professional services. Lower costs are expanding markets rather than shrinking them.

This has led some economists to describe what we might call the Jevons employment effect: when the cost of professional work declines, the addressable market expands, increasing the total number of firms and workers operating in that field. This includes new businesses launched by younger entrepreneurs who can now compete with larger, established firms on specific tasks.

Recent data supports this trend, with unemployment among younger workers declining and business formation reaching historically high levels.

The key takeaway is that cheaper inputs do not shrink industries — they often grow them. AI is positioned to increase both productivity and employment by enabling people to focus more on judgment, relationships, creativity, and strategic decision making.

### The Jevons employment effect: As professional work gets cheaper, demand outruns automation



Note: Illustration. Source: Apollo Chief Economist

\*Charts provided by Apollo, April 28th 2026\*

### Unemployment rate for young people declining



Sources: US Bureau of Labor Statistics (BLS), Macrobond, Apollo Chief Economist

\*Charts provided by Apollo, April 28th 2026\*

Weekly business formation exploding higher, likely driven by AI

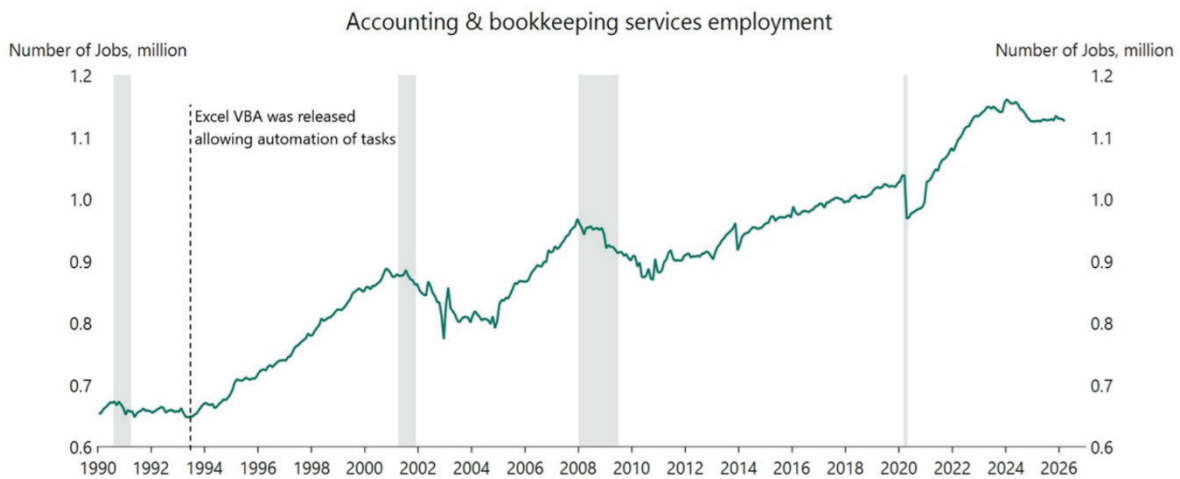


Sources: US Census Bureau, Macrobond, Apollo Chief Economist

\*Charts provided by Apollo, April 28th 2026\*

We've seen this before. When Microsoft released Excel in the early 1990s, it introduced powerful automation through spreadsheets and Visual Basic. Rather than reducing the need for accountants, Excel dramatically lowered the cost of financial analysis, reporting, and record keeping. These services became accessible to far more businesses — and the number of accounting and bookkeeping jobs increased, not decreased. The result has been more accountants, not fewer, see chart below.

Excel has had a positive impact on employment in accounting and bookkeeping

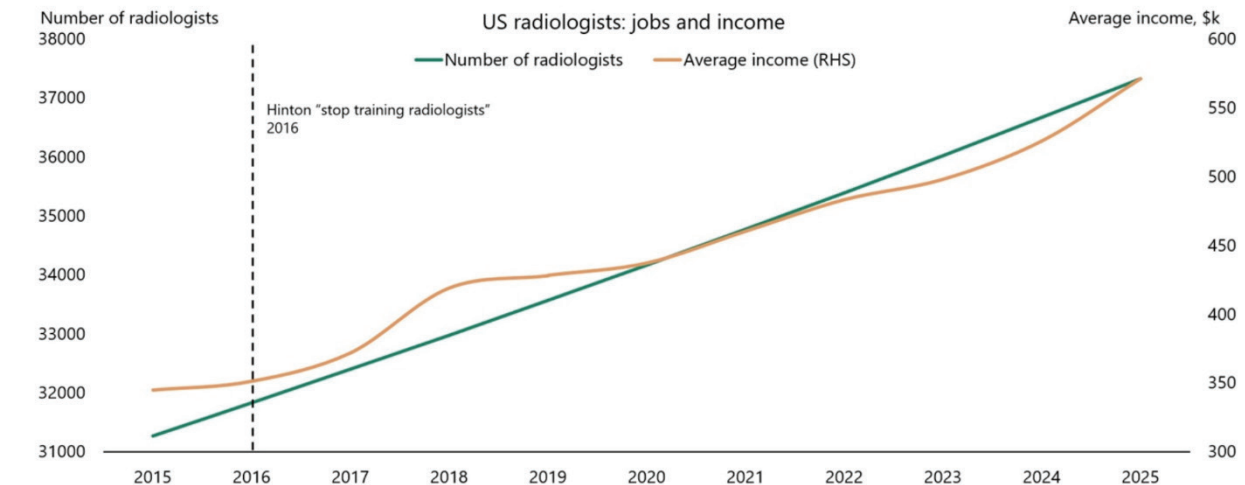


Sources: US Bureau of Labor Statistics (BLS), Macrobond, Apollo Chief Economist

\*Charts provided by Apollo, May 7th 2026\*

A decade ago, AI was supposed to replace radiologists. Today, radiologists make more than \$500,000 per year, and their employment continues to grow, see chart below. Reading scans is a task, not a job, and when the task gets cheaper, demand for the job grows.

### The radiologist paradox



Sources: CMS Provider Data Catalog (National Downloadable Files), endpoints 30,723 (2014) and 36,024 (2023) per Rosenkrantz et al., AJR 2024; Medscape Physician Compensation Reports 2016–2026, Apollo Chief Economist

\*Charts provided by Apollo, April 29th 2026\*

## An Optimistic Outlook

The lesson from history is clear: technology rarely replaces people wholesale. Instead, it reshapes work, expands opportunity, and increases the value of human judgment. AI will continue to improve efficiency, lower costs, and expand access — but it will also elevate the importance of skills that machines cannot replace, such as experience, insight, empathy, and decision making.

Rather than fearing a shrinking future, we believe AI points toward a more productive, more accessible, and ultimately more opportunity rich economy. As with every major technological shift before it, those who adapt and embrace new tools stand to benefit the most.



## Market Update – May 2026

May was another positive month for markets, continuing the strong momentum from April and pushing year-to-date returns higher. Markets appear to be supported by solid corporate earnings and expectations for a growing economy.

In general, a growing economy is a constructive backdrop for investors. When businesses are expanding and earning more, markets tend to respond positively.

There has also been discussion around interest rates. Under normal conditions, investors expect to earn a higher return for lending money over longer periods of time, since there is more interest rate uncertainty if you commit to a longer-term loan and one should be compensated for that. However, over the past couple of years, the opposite was happening, where short-term rates were higher than long-term rates, which is unusual and often viewed as a predictor of a recession. These statistics are based off a small sample size, and the predictions of a recession from many economists did not come to pass.

We are now seeing a move back toward a more typical pattern, which aligns with expectations for continued economic growth.

Looking forward, we are cautiously optimistic in the short term and remain positive over the medium and long term.

Index	Month	Year to date
Bonds FTSE Canada Universe Bond Index - CAD	1.30%	1.60%
Canadian Equity - S&P/TSX 60 Index - CAD	1.90%	9.40%
US Equity – S&P 500 - CAD	5.20%	10.00%
International – MSCI EAFE Index - USD	2.40%	9.10%
Global Small Companies - CAD	5.10%	15.60%
Emerging Markets - MSCI Emerging Markets Index - CAD	8.90%	25.90%
Real Estate - Dow Jones® Global Real Estate Index - USD	- 0.60%	9.80%
S&P/TSX Preferred Share Index - CAD	1.60%	3.90%

YCharts 05/31/26

Have a great month and let us know if there is anything we can do for you,

Meir & Adam



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