

PENNOCK IDEA HUB

eResearch Corporation is pleased to feature an investment article by Edward Pennock, who is a seasoned investment professional. He, together with other experienced investment specialists, has formed a comprehensive investment website known as **Pennock Idea Hub**.

One of the features of the website is **The Morning Call**, a daily article that features an insightful commentary on the market.

Today's article begins on the following page, and is entitled:

The Earnings Recession Is Officially Over

You can access the **Pennock Idea Hub** website at the following link:

<http://pennockideahub.com>

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Bob Weir, CFA
Director of Research

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Wednesday, March 1, 2017

The Morning Call

The Earnings Recession Is Officially Over

The Q4 S&P earnings are up +5%. Two up-quarters. Earnings are rebounding. The prospects are for that to continue. That is the fundamental under-pinning for the Trump Bump.

The market is also taking comfort from the iteration of his campaign promises. That is exactly what the market needed to hear. Those waiting to see the details will leave a lot of money on the table. The reaction to his speech is straightforward. USD up. Stocks up. Treasury prices down.

The criticism is the lack of numbers. Good sound bites. "Renewal of the American spirit. Factories scattered like tombstones. Historic tax reform. Massively-reduced job-crushing regulations". Sceptics will stay that way. We like that Trump is doing what he said he would. How non-political?

Governor Dudley said yesterday that the "Case for a Hike is Compelling". He also said that "sentiment has improved quite markedly, post the Election". We have written extensively about 1994. The market finally got it. The FED was raising because the economy was shifting into high gear. The market took off. If Yellen does raise 3 times this year, markets should rocket. So far the rising tide has raised all boats. We read that as signalling that we have not hit the mid-point of the Bull Run YET.

Canada had a good day yesterday. Trump reminded us of his Executive order to allow Keystone. Trudeau was the only foreign politician to be named. Our immigration policy of using a "POINTS" system to rank Immigrants was praised. Justin was praised for his commitment to Female Entrepreneurs. It was a huge success. Congrats to Christia Freeland for the idea.

The other signpost we are following is the Stock:Bond spread. That is what happened during the summer of 1987. It closed with a vengeance. The trigger was portfolio insurance. Everybody has forgotten about that product.



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This cycle's pro-cyclical product is the ETF. Redemption leads to forced selling. In effect, market orders. Most do not realise that at times of stress, there are large fees. Market Impact. Liquidity Pricing Issues.

We seem to be experiencing that currently in the gold markets. Bullion is down. Not that much. Gold stocks are getting hit way harder.

Invest the Money.

Regards,

Edward Pennock CFA, Founding Partner

ABOUT PENNOCK IDEA HUB

We are creators of independent equity research. The Pennock Idea Hub team members are veterans of the investment industry. Much of our team has spent their careers at Merrill Lynch, Deutsche Bank, RBC Capital Markets, and Wood Gundy. We have taken every aspect of research back to the studs and returned to first principles. The Pennock Idea Hub marries the interests of the sell- and buy-side.

We offer the best research for institutional investors by: only publishing research from veteran Analysts; eliminating the inherent conflicts of the traditional sell- and buy-side relationship; ensuring team accessibility; and collaborating with clients to nurture our collective success.

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