PENNOCK IDEA HUB

***e*Research 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:

Where Is The Market's Focus?

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

Pennock Idea Hub
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The Morning Call

Where Is The Market's Focus?

Was it going to be Happy Anniversary for the S&P? Today, in 2009, the market turned up. Then, the close was 677. Yesterday, it was 2363.

That move has added $21.0 Trillion in value. There have been Heart-in-Mouth moments like the "Flash Crash" in 2010. The Market in "Bull" years is the equivalent of 127 human years. If you compare it to the Bull market after the 1987 Crash, that one went from there to the year 2000. It was interrupted by the Asian Crisis/ Long Term Capital scare. Lots of time left? Yesterday, the 10-year Treasury traded down to a +2.657% yield. That is the highest level this year. It does remind us of the run up to the 1987 Crash.

This is Draghi's Day. We know he rightfully worried about the coming elections in France (April 23) and Holland (March 15). He argues that the bump in inflation is transitory. The Eurozone's growth is "Fragile". The Outlook is "Clouded".

Anti-climactic? Heard it all before? He tapered. From Euro 80B per month to Euro 60B. It is the first step in policy change. Yet he said that there would be no change in rates for an "extended period".

Retail sales have to be under scrutiny and duress. Radio Shack is going back into bankruptcy. They are closing 200 stores. A further 1300 are under "Review". The rout in retail continues. The second derivative of that is the owners of the Shopping Malls. Between low rates and "stressed" tenants, the CAP rates appear to be at risk.

China reported their CPI at +0.8% year-over-year. The PPI however, was up +7.8% year-over-year. Their trade deficit is either a "one off", or it is REALLY important.

Finally, markets are having an OMG moment about Oil. Yesterday, the price of WTI dropped 5%. It is down another 2%+ today. EIA Inventory levels came in at 4X the estimates. They forecast that production would rise to +9.53 mm bbls/day in December of this year. Every month since September 2016, the AIE has revised that number higher. The industry has drilled more and produced more than the EIA has forecast for each of the last 6 months.

It is worth noting that the EIA methodology has changed. They are moving from basic field level forecast to a well level type. U.S. production is expected to exceed 10 mm bbls/day by spring of 2018.

In Canada, Shell is selling down its Oil Sands investment from $8.5B.

A Border Adjustment Tax would kill the Canadian stock prices. A tax on gasoline by the USA would pay for the lower tax rate cuts. A surcharge on Natural Gas would get the coal miners back to work. Buy a Railroad. BTW, the hedgies played an integral part in this run up of Oil prices. They fuelled the move. That they were wrong does not matter.

What is the Market focused on? It all looks pretty good to us. We are working off our “overbought”. Yes, nervous, but focused on the market.

Invest the Money.

Today in Y2K the Nasdaq closed above 5000 for the first time.

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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