

## 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:

### **This Time Next Week It Will Be A Lot Clearer**

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

<http://pennockideahub.com>

---

**eResearch** was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: [www.eResearch.ca](http://www.eResearch.ca).

Bob Weir, CFA  
Director of Research

**Note:** All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by eResearch Corporation, are strictly those of the Author and do not necessarily reflect those of eResearch Corporation.



# Pennock Idea Hub

Research Reinvented

Monday, March 13, 2017

## **The Morning Call**

### **This Time Next Week It Will Be A Lot Clearer**

We might have called it a week of events that cannot be predicted. We have the Dutch Election on Wednesday. Polls suggest that, while Wilder will do well, that he cannot win. The rest of the parties will have to form a coalition to form a government. How tenuous that is will depend upon how close Wilders gets to winning. The U.S. debt ceiling expires. The G20 meets. Prime Minister May gets her Brexit vote today? But, what happens if she doesn't?

It is Central Bank week for markets. The FED is now thought to be raising rates for sure on the 15th. Beware the Ides of March. The BOJ has a decision. So does The Bank of England and the Swiss National Bank. Surely this is baked into the markets.

We do not subscribe, at this time, to the "Three Steps and a Stumble" rule. In 1994, the Fed raised and we took off and kept running till 2000, interrupted only by the Russian bankruptcy, the Asian Crisis, and Long-Term Capital. Greenspan was new on the job. He did, correctly, flood the system. That episode underscores why rates have to be "normalized" as soon as possible.

The Longs on Oil were cut again, but by only -20mm bbls to 402mm. It had increased from mid-November to the end of February by 275mm bbls. The ratio of Longs to Shorts is 8.67:1. Its recent high was 11.5:1. The U.S. rig count was up by 12 to 768. As one commentator wrote, the Saudis and the U.S. shale producers have battled to a draw. We agree. The Saudis will start to shift back to market share concerns.

Much is being made of the underperformance of the Small Caps. They are down -1.6% in the last 3 months. The S&P is up +5%. Historically, small caps lag in a tightening cycle. Fundamentally, their Net Debt-to-EBITDA is usually about twice that of the large caps. Lower corporate tax rates will benefit larger companies. We view this divergence as confirmation of the BULL market in large caps.

The Bitcoin ETF (COIN) was off -20% yesterday as the SEC slammed the door on their currency. Unfortunately, that level of volatility works against its acceptance.



# Pennock Idea Hub

Research Reinvented

Invest the Money.

Today, in 1987, they took INCO out of the DOW.

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.

#####