

## 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:

### **When We Look Back, What Will We See?**

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

<p><b>Note:</b> 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.</p>
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Research Reinvented

Friday, March 24, 2017

## The Morning Call

### When We Look Back, What Will We See?

We are a week away from Quarter end. We have seen significant market moves. Sentiment is improving because there is some optimism that Trump will pull off the vote today. Mnuchen is talking about a comprehensive tax plan by the end of August.

Bonds though are worried. The 10 year is at its 100 DMA. The spread between the 2 year and 10 year was +3.55% on March 1st. Today it is +4.16%. The yield curve is falling. Almost always this turns into a drop in optimism. The high-yield ETFs and the equivalent iShares are down 2% this month. The last time we saw this type of decline was December 2015. Who remembers January of 2016? Stocks were down 10%. Coincidentally, the Russell 2000 is sitting on its 100DMA.

WTI is also down 12%. That is the worst point decline of this year. Other commodities are surprising some investors. Tumazos wrote: "We like to look at monthly world steel output like a "world flash GDP report." January-February 2017 world steel output surged 5.8% despite one fewer calendar day, causing a 1.67% drag where, otherwise, the gain would have been 7.5% adjusting for the absence of Leap Day. We attribute the strength to (1) restocking; (2) increased global confidence in world economic growth due to Trump, UK, and French deregulation trends; and (3) legitimate moderate GDP gains.

"The March 2017 \$173/ton OCC (old corrugated containers) price is up from \$71/ton in March 2015, and compares to a March 2010 \$183/ton all-time high and January 2009 \$27.50/ton all-time low. Exports of over 30 m.t. of wood fuel pellets for renewable energy, firm wood markets as housing and remodelling rebound, record containerboard exports, continued domestic containerboard growth, tissue, sanitary pulp, liquid packaging, and food service papers all growth". *"Containerboard resembles the boomlet in iron ore, met coal, and steel scrap but for different reasons. Both in the U.S.A. and overseas, nearly all world containerboard capacity additions in recent years have been scrap based, and now there is not enough OCC scrap even with roughly 80% OCC recycling rates in the U.S.A."*



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The durable goods new orders were good. Planes up 48%. Cars and Trucks down 1%.

There is a change in the McClellan Oscillator. It is momentum-based. Interestingly Banks, Healthcare, Energy, and Technology are all in the Green. Any move up will be confirmative to the Oscillator. Instead of being a Short-Term Top it may be a Hard Bottom.

This market is way too dangerous to short.

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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