

## 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:

### **It Is The Economy, Stupid! (Bill Clinton)**

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

Wednesday, March 29, 2017

## **The Morning Call**

### **It Is The Economy, Stupid! (Bill Clinton)**

The EIA stats today are probably more closely anticipated than at any time recently. If they are negative, then there is no investment reason to jump in on the “long” side. The analysis of the spreads between the HY energy securities and regular HY vehicles is warranted. "Overall, this approach translates into 180-380bps and 60-110bp of widening in HY energy and ex-energy spreads, respectively, if 12-month oil futures approach \$40. This would translate into overall HY spreads rising 75bps-150bps to 485-560bps". Source UBS. That is the big risk: \$40 oil.

Retail funds have seen an outflow of \$7.2B YTD. Last year at this time there were \$8.6B of Inflows. Does the retail customer know what they are getting into? NYSE margin debt is at all-time highs. It rose by +4.9% to \$513B for January. There is a history of all-time highs peaking just before large declines; in 2000 and in 2007.

In the Spring of 2015, the all-time high was followed by a 10% pullback. It bears watching as an indicator of demand for stocks. There was a record outflow of \$8.9B from U.S. Equity Funds in the last period.

We are watching the Financials because they will lead us higher. How are their businesses doing? How are they managing their mortgage origination business? Notably, banks with more non-performing loans increased their share of "refinancing" more than banks with fewer non-performing loans. Interesting. The group is then waiting for the steepening of the yield curve. Stay Tuned.

Trump's agenda rolls on. Companies that want to build "The Wall" must submit their offers to the DHS by April 4th. The wall must be at least 18 feet high, cannot be climbed, prevents digging below it for at least six feet, and has a U.S.-facing side that is "aesthetically pleasing."

Trump is ripping up regulations. They are going to start talking about nothing but tax reform. Those two are the biggies in our view. So, despite the fact that it is "getting late early"...



# Pennock Idea Hub

Research Reinvented

Invest the Money

Today in 1999, the Dow closed above 10,000 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.

#####