

BNN MARKET CALL

eResearch Corporation is pleased to provide an excerpt from today's BNN Market Call Newsletter.

It features the Market Outlook from a leading investment analyst with a commentary (see below) and a 45-minute video interview (see link [HERE](#)).

MARKET OUTLOOK

John C. Hood, president and portfolio manager at J.C. Hood Investment Counsel
Focus: Options and ETFs

It is an interesting week in financial markets. Facebook was body-slammed over data harvesting and alleged data collusion with Russia. Donald Trump appears to be softening his stance over NAFTA and the auto sector, and now he is looking at tariffs on China. Meanwhile, China elects Xi Jinping in perpetuity and threatens to retaliate.

My only concern is what Eric Reguly (The Globe & Mail) describes as the possibility that the FANG stocks may well be the next to be gobsmailed by anti-trust regulators (Google has 90 per cent of search ads) and, in my view, by class-action lawyers suing for breach of privacy or litigation over AI and unmanned Uber vehicles. As Reguly argues, however, the apparent savior in this is Trump. By dropping corporate tax rates and allowing U.S. firms to repatriate potentially US\$2.5 trillion at an even lower rate, this will be added to capital markets and tech stocks. So I remain bullish on the USA but, nevertheless, worry sometimes that AI algorithms will continue to redefine their roles, while we sleep only to wake up in chaos.

In Canada, I have dropped my previous asset allocation by roughly half (from 15 to 20 per cent down to 10 per cent) while still retaining the banks, as they have U.S. exposure. The reason for this is that the government is rudderless. While economic growth the past two years was strong, that story has rapidly become stale. Foreign investment is down, particularly in the energy sector, because of overregulation; we cannot get pipelines built and Ottawa is only verbally supportive. Second is taxation: the U.S. is dropping rates and our previous corporate tax advantage has evaporated, not to mention a ludicrous "carbon tax" and deficit spending.

Canadian energy companies are buying U.S. assets, not Canadian. The loonie is dropping and foreign policy and trade initiatives (for example, in India) have been an embarrassment. I have, therefore, replaced some Canadian assets with 5 to 10 per cent developed EAFE and emerging market ETFs. Should I change my mind about Canada, I know what assets I will be selling and subsequently buying but, for now, I am out.

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Bob Weir, CFA, Director of Research

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