

## **BNN MARKET CALL**

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

It features the Market Outlook from a leading investment analyst with a commentary (see below) and a 46-minute video interview (see link [HERE](#) ).

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### **MARKET OUTLOOK**

Hap Sneddon, Chief Portfolio Manager and founder of Castlemoore Inc.  
Focus: Macro Portfolio Strategy

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The current market structure reflects a positive pro-growth and rising inflation view, with financials, energy, materials, consumer discretionary, industrials, and now Canadian technology showing strong relative strength while defensives and interest-rate sensitive sectors such as utilities, bonds, and consumer staples show weaker.

The underpinning for this situation is based on expectations on economic data, inflation, and major central banks rate path and speed.

On the plus side, housing, jobs, inflation (growth), and earnings data are decent, but there is more backfilling required as retail sales, total hours worked, real wages, and manufacturing come in weak or declining.

The two biggest inputs to price increases (housing and wages) are a bit of a mixed bag, but are generally supportive of growth. In Canada, housing sales are down, yet prices are up for the most part. In the U.S.A., housing has seen a recovery just under or over their 2007 highs depending on the region. Wages are not inflationary today, but tight labour markets and minimum wage increases across Canada will work into prices eventually.

Rising rates at the U.S. Federal Reserve (the Bank of Canada is trying its best) were quietly a watershed event eight months ago, well before the markets began pricing them in. Time will tell how this second phase of central bank experiments plays out and if they are appropriately getting in front of the curve or trying to manufacture investor consensus.

If we are still early for rate normalization (that businesses, governments, and individuals really cannot handle a steady march higher in rates), there will be opportunities in the next few months in defensive and interest-rate sensitive securities as rates weigh on the market and, eventually, the economic cycle.

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Bob Weir, CFA, Director of Research

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