

BNN MARKET CALL

eResearch Corporation is pleased to provide two excerpts from Wednesday's BNN Market Call Newsletters.

Set out below are the respective Market Outlook commentaries from two leading investment analysts, plus Links to their respective 45-minute video interviews.

MARKET OUTLOOK

Michael Simpson, senior vice-president and senior portfolio manager at Sentry Investments
Focus: North American dividend stocks

In 2018, volatility and uncertainty has returned with a vengeance. The market has to grapple with the trajectory of interest rates, trade policy, and earnings and profit outlook. The VIX Index, a measure of volatility, has increased from 9.1 in early 2018 to its current level of approximately 21.

The USA, with a stronger economic outlook, may see three rate increases in total. But retail sales have been weaker of late and auto sales in the USA declined 2% in the month of February. Consumer confidence in the USA declined for the first time in 2018. The Canadian market has lagged the S&P 500 for several years and we think it could improve its performance vis-a-vis the U.S. market if we get a positive resolution to NAFTA and if there is good news from Royal Dutch Shell regarding a \$40 billion investment in an LNG plant in northwest B.C.

The markets will be choppy and volatile. If you have invested in a quality company that pays a dividend and it has declined in price and this company has the ability to raise its dividend, our strategy would be to buy more shares of quality companies when they decline. A stock yielding 7% has a payback period of approximately 10.2 years.

In Canada, we're projecting two rate increases in 2018, as the Bank of Canada has to manage overinvestment in the housing sector and elevated levels of debt. We have seen an increase in some agricultural commodities (corn and soya beans). If we get some national infrastructure projects in Canada then growth will pick up. Overall, we see the USA having stronger economic growth in 2018 and favour those Canadian companies that can export into the U.S market.

Lastly, investors should stick with their plan and not be fazed by short-term fluctuations in the market. We are into the ninth year of an economic expansion and, although we have had tax rate reduction in the USA, we feel it is more prudent to take a more defensive posture in our portfolios.

Michael Simpson 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

TWITTER: [@SentryInvest](#)

WEBSITE: www.sentry.ca

MARKET OUTLOOK

David Driscoll, President and CEO of Liberty International Investment Management Inc.
Focus: Global Equities

We expect increased volatility across all asset classes – stocks, bonds, commodities, and real estate — meaning investors have to be patient and diligent to find buying opportunities. Stock valuations still appear to be stretched. The market could easily go sideways for the next two years until earnings catch up to current prices. Or, in the interim, the stock market could fall 20% to return to proper equilibrium.

For investors, it is important to:

- Hold cash to prepare for market corrections or to take advantage of buying opportunities. We currently hold 20% cash times the client's equity weighting. If the portfolio is 100 per cent equities, they will hold 20% cash. If the asset mix is 50% stocks and 50% fixed income, they will hold 10% cash (50% multiplied by 20%).
- Stop reaching for yield. A stock's current yield is not as important as the dividend growth rate. The average dividend payer on the TSX Index increased its dividends by 9% this year. For the S&P 500 Index, it was 11%. Dividend growth is necessary to offset inflation. Buying a stock with a high yield but no dividend growth means that inflation eats away at an investor's spending power and the value of the investment deteriorates over time. This is especially bad for retirees.
- Take advantage of opportunities. If a stock drops 20% more than the overall market performance and there is nothing wrong with the business model, this often presents buying opportunities.

<continued>

David Driscoll 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

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