BNN MARKET CALL

***e*Research Corporation** is pleased to provide two excerpts from Monday'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 Sprung, President of Sprung Investment Management
Focus: Canadian Large Caps

Despite a strong start in January, global stock markets became unnerved in the latter part of the first quarter of 2018. Rising trade tensions contributed to the unease investors exhibited as the USA took a stronger stance on bilateral trade negotiations through the enactment of targeted tariffs. In addition, inflation and rising interest rates caused concern amongst investors.

The dominant technology stocks that had been largely contributing to the markets' advance came under pressure as political scrutiny prompted calls for greater regulation in the industry.

Whether or not the above factors are indicative of a protracted market downturn remains to be seen. Certainly we have been of the opinion that valuations have been stretched following ten years of market advances. In this environment, value rather than momentum will become more important in stock selection. Investors should continue to seek well financed, well managed companies that are selling at attractive price levels.

VIDEO: Michael Sprung 45-Minute Video Interview <CTRL-CLICK> HERE

TWITTER: @SprungInvest
WEBSITE: Sprunginvestment.com

MARKET OUTLOOK

Christine Poole, CEO and Managing Director at Globeinvest Capital Management
Focus: North American Large Caps

The global economic recovery is under threat from growing trade protectionism. Heightened speculation about a trade war along with geopolitical tensions have increased market volatility and price swings.

Reported economic data, indicators, manufacturing and services survey data, and sentiment measures suggest economic growth is sustainable, with no signs of a recession on the horizon. Historically, an inverted yield curve precedes the onset of a recession. The U.S. Treasury yield curve is flattening, but still positive. Stocks also have never peaked before the yield curve inverted.

The upcoming earnings season should provide significant fundamental support for equities. Q1/18 earnings per share (EPS) for the S&P 500 companies is expected to be up 17% year-over-year and, after factoring the typical pace of beats, EPS growth may surpass 20%. Growth is broad-based, with all sectors expected to report both positive revenue and earnings growth.

With the recent pullback, valuations are now looking more reasonable, with the price-to-earnings (P/E) multiple for the broad market indexes closer to historical averages. For the TSX, the forward P/E is 15.1 times, compared to 18.2 times at year-end and the long term median of 15.0 times. Similarly, for the S&P500, the forward P/E is 16.8 times versus 18.6 times at the end of 2017 and the long-term median of 15.5 times.

While the trade dispute is nothing more than a war of words for now, it does add a new risk to global economic growth. As witnessed by the U.S. tariffs on steel and aluminum imports, policy was substantially less severe than initial rhetoric. The apparent progress in NAFTA negotiations and President Trump's consideration in rejoining the TPP provide optimism that U.S.-China trade differences can be resolved with minimal economic disruption.

VIDEO: Christine Poole 45-Minute Video Interview <CTRL-CLICK> HERE

Market Call Newsletter

BNN.CA

To access the BNN Home Page, <CTRL-CLICK> here: BNN

To go to BNN Market Call Afternoon, <CTRL-CLICK> here: Market-Call-Afternoon

To go to BNN Market Call Tonight, <CTRL-CLICK> here: Market-Call-Tonight

BNN's Morning Newsletter and evening Market Call Newsletter can be delivered to your inbox by going to <CTRL-CLICK> here: **www.bnn.ca/subscribe**.

***e*Research** 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.

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 *e*Research Corporation, are strictly those of the Author and do not necessarily reflect those of *e*Research Corporation.