BNN BLOOMBERG MARKET CALL

***e*Research Corporation** is pleased to provide two excerpts from Friday's BNN Bloomberg Market Call Newsletter.

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

Darren Sissons, Vice-President and Partner at Campbell, Lee & Ross
Focus: Global Equities and Technology

Given the high levels of market volatility, the highly politicized global backdrop and waves of negative press, behavioural finance considerations are now meaningfully impacting stock market performances, currencies, and commodity prices.

Behavioral finance, for those unfamiliar with the term, considers how investors emotions, social, cognitive, and psychological factors affect market prices. Negative news on Canadian real estate is now causing emotional buyers to shun or delay their purchases, which will negatively impact the Canadian economy. Rising interest rates in the U.S.A. are strengthening the greenback at the expense of the loonie, which is changing corporate investment decisions here at home. Canadian tourists are recalibrating their travel plans due to the weakness of the loonie. On the flip side, positive news flows on interest rates are drawing waves of investors to financials (i.e. banks and insurance companies), making it a somewhat overcrowded trade. Likewise, the strong performance of FAANG stocks is drawing a huge investor following into highly priced securities.

The problem with following the crowd, be it by buying high demand securities or by avoiding out-of-favour sectors of the economy, is that it typically creates a poor portfolio performance over time. When investors buy what everyone else is buying, the growth is priced in. Frequently, new investors buy at the top of the market limiting their upside. Likewise, shunning the out-of-favour energy and mining sectors in the last 18 months, for fear of losses, has been a major mistake. Following the herd is a sure path to mediocrity.

The big winners since the global financial crisis have been safety trades: consumer staples, telcos, and utilities. Investors are now selling their safety trade winners, absorbing the capital gains tax hit and, in many cases, buying securities with strong investor demand in high-valuation industries such as cannabis, China Internet, and bitcoin. Meanwhile, staples, telcos, and utilities have sold off substantially and now have attractive yields and inexpensive valuations.

A more rational approach is to step away from the emotion, to periodically evaluate and rebalance your portfolio. When sectors fall out of favour with the masses, it represents opportunity. When investors flock to a sector of the economy, it represents risk.

VIDEO: Darren Sissons 45-Minute Video Interview <CTRL-CLICK> HERE

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MARKET OUTLOOK

Bryden Teich, Portfolio Manager at Avenue Investment Management
Focus: North American Equities

I think certain sectors of the Canadian stock market represent very strong value for long-term investors at today's levels. Economic growth continues to expand moderately in both Canada and the U.S.A., and consumer inflation remains muted. Short-term interest rates look poised to move higher as the U.S. Fed continues to normalize interest rates. Long-term inflation expectations, however, remain anchored, so I expect that a further gradual flattening of the yield curve should be expected. This signals that we are pushing into the later stages of this economic expansion.

Over the next six to 12 months, there is a cyclical tailwind behind the earnings of major sectors of the TSX Index (financials, energy) and this will provide a strong boost to corporate profits. On this estimation, I believe the TSX should perform strongly over the next year.

VIDEO: Bryden Teich 45-Minute Video Interview <CTRL-CLICK> HERE

WEBSITE: www.avenueinvestment.com

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