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BNN BLOOMBERG MARKET CALL

***e*Research Corporation** is pleased to provide two excerpts from Tuesday'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

Benj Gallander, President of Contra The Heard Investment Letter
Focus: Contrarian Investing

The summer stock doldrums are beginning. Although I don't believe in the mantra "sell in May and go away," this is often a wise time to take tax losses instead of waiting until the end of the year. If a person wants, they can always buy the positions back after 30 days once the losses have been crystallized. At this time of year, I also tend to avoid buying stocks.

VIDEO: Benj Gallander 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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MARKET OUTLOOK

Jon Vialoux, Research Analyst at CastleMoore Inc.
Focus: Technical Analysis and Seasonal Investing

DON'T BE SO SENSITIVE

Having just entered the historically weaker time of year for stocks between May and October, investors typically rotate to defensive areas of the market in order to hedge against equity market volatility. These areas include utilities, REITs, and bonds, or the so called "yield sensitive" areas of the market. But, with the economy showing the perfect setup for higher rates of inflation, investors may want to scrutinize their yield sensitivity within portfolios.

Looking at the consumer price index, excluding food and energy, from a non-seasonally adjusted perspective, the gauge of inflation is up by 1.4 per cent in just the first four months of the year, the second strongest start to the year in the past decade. Consumers are seeing prices rise at the fastest pace in years for categories ranging from household operations to personal care items. This does not even include the impact of higher fuel costs. Fortunately, consumer spending has yet to realize any significant impact from these inflationary pressures.

One area is particularly vulnerable to inflationary pressures in the months ahead. Average hourly earnings of production and non-supervisory employees are trending well above average so far this year, on track to break the 2.6 per cent annual rate that analysts are closely monitoring. The number of open opportunities in the economy does not help. A recent report on job openings and labour turnover indicates that openings are at the highest level on record, many of them found in the technology sector. A significant skills gap and an economy at full employment will force companies to pay more to attract the workers required to expand in this new tax era.

These inflationary pressures, as long as they persist at the present rate, threaten to keep the U.S. Fed active in normalizing rates, thereby pressuring yields higher and taking a toll on treasury prices, quite possibly during the average period of strength for the asset class through the summer months. As a result, bond proxies are also vulnerable, warranting a review of portfolios for rate sensitivity at a time of year when these defensive bets have typically out-performed broader equity markets through the third quarter.

VIDEO: Jon Vialoux 45-Minute Video Interview **<CTRL-CLICK>** [HERE]

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