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

Cameron Hurst, Chief Investment Officer at Equium Capital Management
Focus: U.S. Equities

This continues to be a more complex investing environment with multiple horizons and myriad catalysts, foremost among them are interest rates.

To quickly summarize Equium Capital's top-down views:

- Interest rates are going higher;
- The yield curve is flattening, led by short rates;
- North American inflation is in something of a Goldilocks zone;
- Credit quality is not yet a problem;
- Global growth is good, although best in the U.S.A. and less robust elsewhere;
- Emerging market risks are real and rising.

Under the surface, we see global equity breadth narrowing and credit indicators flagging increased stress, both of which cause our process and positioning to be more conservative and to invest in fewer neighbourhoods around the world.

The tricky part in this cycle is the secular reversal of interest rates. No longer can investors flock to bonds and bond proxy equities like consumer staples when things get rocky. More to the point, a significant part of our fund's out-performance year-to-date came from avoiding pain, not chasing return. Being underweight bonds and focused in short-duration exposures actually protected capital even though equities have had a bumpy year.

Avoiding interest rate-sensitive sectors like telecom and staples (the latter shockingly down 12 per cent through June 7) significantly helped returns YTD and demonstrates the importance of resisting multi-decade muscle memory of declining interest rates.

While we see lots of concerning trends, there remain many attractive and investable neighbourhoods in which to place capital. We remain very comfortable with medical equipment, U.S. financials, especially those exposed to short-term rates, and software and services. On a more tactical basis, we maintain exposure to U.S. exploration and production companies, consumer discretionary, and the U.S. and European small cap, the latter in small, liquid scale.

U.S. credit spreads and sovereign credit-default swaps (CDS) trends suggest risks are rising, but in a gradual, orderly manner that has not yet choked off the broader bull market. Market tops are made over time with gradual, observable breakdowns of more and more stocks and industry groups. Remaining focused in leadership and exiting failing positions throughout this process protects capital and enables higher highs until we reach the actual market top. Conversely, the worst thing investors can do at this stage of the cycle is buy weakness and hold on to failing positions.

VIDEO: Cameron Hurst 45-Minute Video Interview **<CTRL-CLICK>** HERE

(BW: Sorry the below links are broken)

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MARKET OUTLOOK

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

The current U.S. economic expansion is the third-longest in U.S. history (dating back to 1854), and is now in its 108th month. Only the expansions in the 1990s and 1960s were longer. The unusually severe recession in 2008-2009 and the sluggish pace of the recovery are reasons cited for its lengthy duration. The tax reform package passed last year may also be a catalyst for the extending of this recovery in the form of lower corporate taxes and accelerated depreciation. The latter should encourage capital spending and drive economic activity.

The employment situation is robust in the U.S.A., with the unemployment rate at 3.8 per cent in May, near cyclical lows.

The U.S. consumer feels good, as measured by consumer confidence and sentiment indexes, which are remaining at historically high levels. Personal consumption represents about 70 per cent of U.S. GDP and is the key driver of the American economy. In Canada, the unemployment rate was 5.8 per cent in April, the lowest level since 1976 for the fourth consecutive month.

With wage inflation remaining inexplicitly and relatively contained, the path to higher interest rates should be measured and gradual. Notwithstanding a less accommodative stance by central banks globally, policy decisions will remain somewhat data dependent.

While we are attuned to the potentially negative influence of trade protectionism and geopolitical instability on the global economy, the base case of ongoing economic growth driving corporate profit growth prevails for now. Equities remain our preferred asset class.

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

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