

BNN BLOOMBERG MARKET CALL

eResearch Corporation is pleased to provide two excerpts from Wednesday'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

**Norman Levine, Managing Director of Portfolio Management Corp.
Focus: North American Large Caps**

If you are an index ETF or mutual fund owner, or even a closet-index fund owner (most bank-run funds fall under that category, but they would never admit to it), you have not made much money this year in North American stock markets. Finally, the active manager has been given the opportunity to outperform, after many years under-performing.

Index funds do best when markets are rising rapidly, as the U.S. market has generally done since March 2009. Active managers generally out-perform in slow-rising, flat, down, and volatile markets, such as the one we are beginning to see now. What worries us looking forward are trade wars. Historically, they have been disastrous for economies and stock markets when implemented.

So far, what we have seen initiated by the U.S.A. is quite mild, and we believe somewhat tied in to the upcoming congressional elections. In response, we have somewhat increased our cash positions on a net basis. Should things become more heated, we would be inclined to increase our selling in the future. We hope we don't get to that situation.

VIDEO: Norman Levine 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

TWITTER: @levinepmc

MARKET OUTLOOK

Stan Wong, Director of Wealth Management and Portfolio Manager at Scotia Wealth
Focus: North American Large Caps and ETFs

At mid-year, global equity markets have continued their largely range-bound pattern as investors evaluate competing tailwinds and headwinds. On the positive side, solid economic data along with strong corporate earnings momentum has been encouraging. But markets have been held back by escalating global trade tensions, a flattening yield curve, and the idea of “peak earnings.”

Indeed, investors have taken somewhat of a risk-off approach to equities in recent weeks, evidenced by the out-performance of the more defensive equity sectors (utilities, consumer staples, real estate, and telecom). Other safe-haven asset classes, including the U.S. dollar and government bonds, have also moved higher. Yet, at the same time, decent global economic data along with strong earnings momentum, corporate tax cuts, and fiscal stimulus in the U.S.A. have provided a very supportive backdrop.

Equity markets clearly appear to be nearing a critical juncture. An eventual easing of trade tensions would allow for stocks to break out to the upside. On the other hand, a recipe of overly-tight monetary conditions and unexpected inflation increases along with additional trade skirmishes could alternatively result in a break-down in stock prices.

We take a cautious-but-constructive approach to the current scenario. Ultimately, a full-scale trade war is in no party’s interest and it would stand to reason that eventual trade agreements will come to pass. Yield curve fears also appear somewhat premature. Fundamental and technical views of the equity markets remain promising, giving us the viewpoint that equities will out-perform fixed income investments in the intermediate term.

In Stan Wong Managed Portfolios, we are most heavily weighted towards the financial, technology, and consumer discretionary sectors while underweight defensive areas such as consumer staples, real estate, and utilities. We favour high-quality, growth, and momentum approaches to equities. As well, dividend growers should continue to out-perform dividend payers as interest rates continue their upward trends. When looking at geographic regions, we mainly prefer the U.S.A. along with Asia (emerging and developed) over other areas. On balance, we see global-equity markets out-performing fixed-income markets in the intermediate term. Lastly, as the economic cycle matures, we anticipate more volatility ahead and stress the importance of stock and sector selectivity.

VIDEO: Stan Wong 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

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