

## **BNN BLOOMBERG MARKET CALL**

**eResearch Corporation** is pleased to provide two excerpts from Thursday'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.

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### **MARKET OUTLOOK**

**Kim Bolton, Portfolio Manager at Black Swan Dexteritas**  
**Focus: Technology Stocks**

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So far this year, the U.S. stock markets have been pretty impervious to all the trade noise, but the same cannot be said for Europe and, especially, Asia. An additional observation this year is the occasional sector rotation between the U.S. "value" categories (capital goods, banks, materials, energy, and the like) and the momentum/growth sector (namely tech). This consolidation phase is a healthy sign for the secular bull market to continue its march higher. The two big macro catalysts required for a sustained and material break higher in U.S. equities are U.S. dollar weakness and a trade settlement. Those two developments will mean more upside for emerging markets (especially China) against the American stock market.

The BSD portfolio management team still believes in a 3,000 price target for the S&P 500 this year (which is an additional 6 per cent lift from current levels), and the technology sector will lead this advancement. Continued earnings improvement will be the stimulant to a continuation of an earnings-driven secular bull market. At present, the forward P/E for the S&P is 16.6 and the five-year average is 16.2; we are nowhere near peak multiples and this confirms there has not been any large multiple expansion yet. All of this while the 10-year Treasury is under 3 per cent. We can easily make the case for more P/E expansion in our future.

According to Thomson Reuters, second-quarter S&P 500 operating EPS now look to be up 24 per cent, with 79 per cent of those having reported beating expectations. Confirming the stronger willingness of businesses and consumers to spend, the S&P top line growth should be up 9.4 per cent. There should be little doubt about how strong the consumer is now. The rest of 2018 should be

no different, with current consensus expectations for third and fourth quarter S&P operating EPS growth of 22 per cent and 20 per cent, respectively.

All this said, we are also expecting an August/September sell-off. On average, U.S. mid-term election years have pullbacks, particularly in the summer months.

Remember though, that the earnings-driven bull market is alive and well and there is little reason now to abandon ship. The highs are not in yet. Stay the course.

**VIDEO:** Kim Bolton 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

**WEBSITE:** [www.bsdtmi.com](http://www.bsdtmi.com)

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## MARKET OUTLOOK

**David Baskin, President of Baskin Wealth Management**  
**Focus: North American Large Caps**

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Robust corporate earnings coupled with continuing accommodative monetary policy has led to the continuation of the equity market rally, particularly in the U.S.A. While the economies on both sides of the border have shown fairly strong growth, labour markets have continued to surprise with a combination of strong employment growth and very low growth in wage compensation, easing fears about growing inflation.

At the same time, there are some signs that the bloom on the economic rose is starting to fade. In particular, housing markets in the U.S.A. look quite weak and new auto and truck sales are mediocre. Our view is that investors still have many opportunities to benefit by investing in high-quality companies with sustainable market advantages in sectors which we expect to show continuing growth, including technology, leisure, and healthcare.

**VIDEO:** David Baskin 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

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Bob Weir, CFA, Director of Research

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