

BNN BLOOMBERG MARKET CALL

eResearch Corporation is pleased to provide an excerpt from Monday's BNN Bloomberg Market Call Newsletter.

Set out below is the Market Outlook commentary from a leading investment analyst, plus a Link to his 45-minute video interview.

MARKET OUTLOOK

Gavin Graham, Contributing Editor at The Income Investor Newsletter
Focus: North American and Global Large Caps

With the S&P 500 up 9% for the year against the S&P/TSX's flat performance, investors in U.S. stocks have done well, but the strength has been narrow and concentrated in technology stocks, mainly in the highly-valued FAANG stocks. With U.S. short-term rates up to 2.25 per cent and other three increases over the next year at least indicated by the U.S. Federal Reserve's dot-plot forecast, stocks face increasing headwinds.

With investors able to get a risk-free 2.8% in two-year U.S. Treasuries, and with the yield curve between two-year and ten-year U.S. bonds narrowed to only 0.2%, past experience suggests the yield curve will invert soon, which has always been a precursor of under-performance by equities.

Meanwhile, Canadian short-term rates have tripled from 0.5 per cent to 1.5 per cent and are likely to rise further due to the excellent news of a NAFTA dispute resolution. This has led to under-performance of interest-rate sensitive sectors such as utilities, pipelines, and REITs, which now look attractive, as do energy stocks with the rise in oil and gas prices, and the announcement of Royal Dutch Shell's \$40 billion LNG project expected this week (positive announcement on Tuesday).

Investors should be taking profits on sectors that have performed particularly strongly, such as technology, raising cash and buying short-term debt, while retaining exposure to non-correlated assets such as infrastructure and gold. The latter looks especially attractive, given its lacklustre performance at a time of rising inflation and geopolitical tensions such as the Iranian sanctions, Italian budget worries, and Russia's aggressive attitude.

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

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