BNN BLOOMBERG MARKET CALL

***e*Research 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

Rob Lauzon, Deputy Chief Investment Officer at Middlefield Capital Corporation
Focus: North American Equities

We remain positive on equity markets generally, with a continued emphasis on equity income securities in developed markets. Interest rates continue to move higher in the later stages of the current economic recovery, with annualized U.S. GDP growth rates in the 2.5 to 3 per cent range and relatively benign inflation in the 2 per cent range. We expect the U.S. 10-year rate to remain within a range of 3.0 per cent to 3.25 per cent for the foreseeable future.

As a result, we believe one has to be more selective in terms of asset mix in order to generate better risk-adjusted returns. More recently, in light of the foregoing macro factors, there has been a rotation out of higher-valued sectors like technology and into more defensive sectors like utilities/pipelines, healthcare, and real estate, all of which have out-performed the broader market since June of this year.

We have modestly increased our weighting to these more defensive sectors in recent months, with a focus on our best ideas in each sector in both the U.S.A. and Canada. On October 1, both countries announced that a trade agreement to replace NAFTA was reached, which is expected to come into effect in early 2019. This has eliminated a major market headwind and associated tariffs on the products from the three member countries. A new trade deal, together with the LNG Canada project being greenlit, and a sustained increase in oil prices, is serving to dramatically improve the sentiment toward Canada and Canadian equities.

Emerging markets are in a bear market, reflecting their vulnerability to credit risk and trade war ramifications. Recent economic data confirms China's economy is slowing and it could be much weaker much sooner than widely expected. We are watching this dynamic closely for signs of spill-over of decreased enthusiasm for U.S. stocks

VIDEO: Rob Lauzon 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

WEBSITE: **middlefield.com**

MARKET OUTLOOK

Gordon Reid, President and CEO of Goodreid Investment Counsel
Focus: U.S. Equities

While this market cycle is getting long in the tooth, there are signs that an economic recession and market correction may be mild.

First, interest rates continue to be low by absolute measures and our estimation is that rates may rise only another 150 basis points before reaching their terminal rate for this cycle.

Secondly, corporate America has never been in better shape, partly due to governmental stimulus, but also from the good governess that followed 2008. Fundamentals are strong and the backdrop benign.

VIDEO: Gordon Reid 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

WEBSITE: **www.tmwg.ca**

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Bob Weir, CFA, Director of Research

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