BNN BLOOMBERG MARKET CALL

***e*Research Corporation** is pleased to provide two excerpts from Monday'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

Jeff Parent, Chief Investment Officer at Castlemoore Inc.
Focus: Technical Analysis

It is very possible that we are at the beginning of a bear market. The large two-day drop we saw between October 10 and 11 was well above average and broke major trend-lines. The slide continued down to the February-April support, where we have had a minor bounce. If the support on the S&P 500 at 2,627 can hold, then we will be more optimistic.

Don't be confused by strong bullish days. In the 2008-2009 bear market, about half of all trading days were positive, with many daily gains being more than 5 per cent.

To add to the current situation, it has been a very difficult year: earnings are like a minefield, tradeable trends have been difficult to find, investors are being whipsawed, and even the strong tech has topped off. We are entering a seasonally strong period, but caution is required. Cash levels should be high until support is confirmed. Be willing to sell at a loss.

VIDEO: Jeff Parent 45-Minute Video Interview **<CTRL-CLICK>** HERE

WEBSITE: www.castlemoore.com

<continued>

MARKET OUTLOOK

Ross Healy, Chairman at Strategic Analysis Corporation and Portfolio Manager at MacNicol & Associates Asset Management
Focus: North American Large Caps

The market is tired. It has been carrying a load of increasingly over-valued, over-weighted and over-hyped stocks for some time, and it seems as if it doesn't feel like it anymore.

Compare, for instance, the action of the FAANG stocks recently with what happened to them in the January-February sell-off. Then, they set back to the bottom of short-term trading channels and gave us a terrific trading opportunity. This time, the channels have not held – ostensibly on weakening fundamentals – and I think that their bear market has begun. We are not in a crash mode (at least not yet) and there will be lots of chances for trading, but you are no longer "investing" in these stocks.

The second group of doozies that we are watching is those companies which have buying back very highly-valued shares, which has driven some of those valuations to absurd levels. They are not breaking yet, but the values are so poor that they will. The market does not reward management stupidity forever.

What the market has been selling, however, are the stocks which were the centre of the market catastrophe in 2008: The autos and housing-related stocks have been massacred, while the banks have been poor performers despite good fundamentals. This market has been like France's Maginot Line: ready for the last war. As a consequence, there are some really cheap stocks here whose fundamentals are actually improving while their stock prices plunge.

From our perspective, the market as epitomized by the S&P 500 itself is in a channel, bounded by 2,550 on the bottom and a little over 3,000 at the peak. I expect it will find its feet at that lower level and will rebound again, but perhaps not to new highs unless they are very small new highs. Hype aside, the values are thin, profits are flat year-to-year as defined by NIPA, and sales growth is very indifferent.

The market needs a rest; just don't rush it to take one.

VIDEO: Ross Healy 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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Bob Weir, CFA, Director of Research

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