

BNN BLOOMBERG MARKET CALL

eResearch Corporation is pleased to provide two excerpts from Tuesday'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

**Christine Poole, CEO and Managing Director at GlobeInvest Capital
Management
Focus: North American Large Caps**

The pull-back in October has reset investor expectations on future growth, dampened market euphoria, and improved equity valuations. Utilities and consumer staples stocks have led the recovery from the late October bottom so far, suggesting a more defensive repositioning within equities.

With the U.S. mid-term elections now behind us and the outcome consistent with expectations, the two major uncertainties facing markets are the pace of U.S. federal funds rate increases and the trade war between the USA and China.

At its most recent meeting, the Federal Reserve iterated its plan for further gradual tightening. The goals of central banks include currency stability, low inflation, and full employment. With core personal consumption expenditures (PCE) inflation on target at 2 per cent and U.S. unemployment at a 49-year low of 3.7 per cent, there is no reason to believe the U.S. Fed will deviate from its stated plan.

While financial markets are obsessed with higher interest rates, the consumer and business community appear to be less so. U.S. consumer sentiment and confidence as well as small business sentiment remain at near historically high levels. Manufacturing and services surveys continue to affirm robust expanding activity.

Third quarter earnings season for the S&P 500 companies is nearly complete, with earnings per share (EPS) up over 25 per cent year-over-year. Excluding the beneficial impact of lower corporate taxes, underlying EPS growth is estimated to be 17 per cent. For the year, EPS is expected to be up 23 per cent, and then moderating to 9 per cent in 2019.

Key cycle indicators do not suggest a pending recession. Nonetheless, cautionary management commentary regarding the impact on future profit growth of elevated input costs, a stronger U.S. dollar, tariffs, and softness in certain end markets/geographies is concerning. The extent to which these factors negatively impact ongoing corporate profit growth will be closely monitored.

VIDEO: Christine Poole's 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

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MARKET OUTLOOK

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

The correction we have been going through seems to be in its final stages as individual stocks show signs of extreme oversold conditions. That said, at Goodreid, we believe times are changing. The strong economic conditions are forcing the hand of central bankers, and the Fed will likely end the expansion by tightening rates to the point of forcing a recession sometime late next year or early 2020. The alternative is to allow inflation to take hold. For almost a year, we have slowly harvested gains in companies that benefit from strong economic conditions and transitioned into more defensive situations.

VIDEO: Gordon Reid's 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

WEBSITE: <https://www.goodreid.com>

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Bob Weir, CFA, Director of Research

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