BNN BLOOMBERG MARKET CALL

***e*Research 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.

MARKET OUTLOOK

Peter Hodson, Founder and Head of Research at 5i Research
Focus: Canadian Small and Mid-Cap Stocks

It has been a very tough few months for mid-cap investors, who seem worried, stressed, and despondent. The venom in which good and great stocks are being sold is surprising. Investors are acting as if it is 2008 all over again, but it is not. All we are seeing is worry; no one seems to be looking at the fact that we have full employment, 8 per cent expected earnings growth, low inflation, low valuations, and low interest rates.

Companies such as CCL Industries, NFI Group, and Kinaxis are being crucified for missing earnings even though they have created lots of long-term value in the past five years. Energy-sector investors are the most despondent we have ever seen even though the oil price is still twice its financial crisis low. We can name TSX stocks down 50, 60, 80 per cent, and more. Tax-loss selling will almost ensure more stocks go down than up over the next four weeks. So what is an investor to do? Doing nothing is not a bad idea.

This period of market "hate" will pass. Sure, we are maybe setting up a recession in the economy but, even so, it will be short (as they usually are) and then interest rates will peak. It might be time to reconsider those utility stocks if you are indeed worried. The market malaise will pass. Last time we checked, full employment was good for the economy. Investors worried about inflation might remind themselves that a bit of inflation is not that bad, anyway. Start looking for the phrase "soft landing" next year. Some sectors are slowing (such as semiconductors), but growth is not dead. Take a cue from corporate activity: All we are seeing is dividend increases and takeovers. Corporations are far more confident than investors right now.

VIDEO: Peter Hodson's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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MARKET OUTLOOK

Andrew Pyle, Senior Wealth Advisor and Portfolio Manager at Scotia Wealth Management
Focus: North American Equities

Investors are getting caught up in what some believe is the start of the next major correction in equities. A near-reversal of all gains made in New York stocks since the start of the year and roughly a 7 per cent drop in the TSX is a far cry from a correction; I believe this is still a typical late-cycle tremor. Earnings growth expectations were overly elevated coming out of the summer, and the reaction to tech misses underscores how much exuberance was built in.

There is no evidence that either the USA or Canada are on the verge of a downturn and little risk that either country's central bank will overshoot on rate hikes given the benign inflation environment and turbulence in markets. If the Fed starts to sound less hawkish in December, then I would expect the U.S. dollar to come off the boil as it did in the summer. This would provide some support to commodities and emerging markets.

The coincident slide in crude oil prices is reminiscent of early 2016 when the major averages had the worst first four days of a trading year on record, but is really a trend reversion towards the mean. From its low under $30 in 2016 to the recent spike to $75 on WTI, the crude price average would be just over $55. This is what we hit this week. On a weekly chart basis, the three-year moving average is close to moving above the five-year line, suggesting a near-term break-out back towards recent highs. I see this as an opportunity to add back into the portfolios pure oil plays like Suncor, which is finding support around $43. Also, companies like the Mullen Group (one of our top picks).

Europe and trade still pose significant risks to the outlook and potentially can bring the timeframe for a recession closer. I would expect the early phase of a slowdown or contraction in North America to start towards the end of next year, but if there is no Brexit deal, coupled with a change of government in the U.K., and if tensions in Italy also deepen, then a further slide in global equities might tip consumer and business confidence here at home. The one positive feature is that trade issues have settled down a bit since the U.S. election.

VIDEO: Andrew Pyle's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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