

## **BNN BLOOMBERG MARKET CALL**

**eResearch 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.

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### **MARKET OUTLOOK**

**Jason Mann, Partner and Chief Investment Officer at EdgeHill Partners**  
**Focus: North American Equities**

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U.S. market strength, which had been holding up versus the rest of world, finally cracked in October. There is still catch-up to the downside for the U.S. market to move more in line with global markets. We have been a broken record, warning about the over-valuation of growth stocks such as cannabis and the FAANGs.

Until recently, this growth-at-any-price trade has led to under-performance of higher-quality, more profitable stocks, while money had been deployed into ever more expensive growth stocks, in many cases without any earnings. October was the end of the growth out-performance for this cycle, in our view, and we are now seeing sector and style rotation to quality, dividend-paying, lower-volatility stocks. There are many months ahead of us for this rotation to continue if we are correct. The drop from growth to value for a stock can be a long way down.

Global growth appears to have peaked, with Germany and Japan actually posting negative GDP quarters. U.S. earnings remain strong, but the rate of change is slowing and we expect margins to be pressured in coming quarters.

Is this just a growth pause or a growth rollover? It is too early to tell.

The other big question is whether the U.S. Fed will take a pause after a December rate hike. If so, the long-end of the curve should move lower, and the defensive U.S. 30-year treasury bonds, which are historically used as a flight-to-safety asset, should do well.

We are playing defense in our funds after having reduced risk across the board in our portfolios over the last few months, and if nothing else, we expect this volatility to last for a number of additional months.

**VIDEO:** Jason Mann's 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

**WEBSITE:** [www.ehpfunds.com](http://www.ehpfunds.com)

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## MARKET OUTLOOK

**Bryden Teich, Partner and Portfolio Manager at Avenue Investment  
Management  
Focus: North American Equities**

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Investors around the world have had very few places to hide over the last few months as virtually all asset classes experienced heightened volatility and negative returns. We believe that certain sectors within Canada offer better value than the U.S. stock market more broadly. The earnings yield on the TSX offers very compelling value versus other parts of the world and we remain focused on capturing this yield.

Investor sentiment in Canada also remains very negative and the recent sell-off in oil prices and continued issues over lack of pipelines and oil differentials have only made the situation worse. We are hopeful that some of this negativity with regards to the energy sector clears up during 2019 as the Canadian oil differential starts to close towards more normal levels.

Concerns over trade and tariffs, rising interest rates, and a slowing global economic growth picture are issues that are expected to continue into 2019. For these reasons, we believe it is important for investors to retain a defensive posture while owning a diversified portfolio of high-quality companies with consistent earnings and cash flow.

**VIDEO:** Bryden Teich's 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

**WEBSITE:** [www.avenueinvestment.com](http://www.avenueinvestment.com)

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Bob Weir, CFA, Director of Research

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