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

Kash Pashootan, CEO and Chief Investment Officer at First Avenue Investment Counsel
Focus: North American Dividend Stocks and Portfolio Constructions

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Market boost from Fed's dovish tone unlikely to last:

- The Fed has changed its language from "long way to normal" to "close to normal." The 10-year Treasury yield is now 3 per cent from 3.2 per cent.
- The Fed will likely hike in December and then be more patient.
- Why is the Fed turning dovish? Expect growth to slow in 2019.

Use any Santa Claus rally to reposition your portfolio for 2019:

- Expect Q4 trends to continue through Q1/19.
- Tech and momentum down 9 per cent and industrials down 8 per cent.
- Utilities up 4 per cent, staples up 3.5 per cent, and real estate remains in place.
- Defense will be key in the first half of 2019.

Oil can stay below $50:

- Recall oil was at around $50 for the majority of 2015, 2016, and half of 2017.
- Recall global growth jumped from 2.5 per cent in 2016 to 3.1 per cent in 2017.
- Global growth is now slowing into 2019 and supply is at all-time highs.

Our dividend growth fund is 4 per cent energy versus 18 per cent TSX.

VIDEO: Kash Pashootan's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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MARKET OUTLOOK

Ryan Modesto, Chief Executive Officer, 5i Research
Focus: Small and Mid-Cap Canadian Equities

Markets are currently hitting the refresh button. The rate of growth that companies have experienced in the past is beginning to normalize with the help of trade wars also biting into results. This lower growth expectation has led to valuations falling, particularly at companies that were past darlings. Essentially, investors are less willing to pay a premium for companies because they are expected to grow at a slower rate.

There are two things to keep in mind here. The first is that fundamentals are still growing and. secondly, recent declines have already adjusted valuations. On growth, while slower than in the past, earnings in the USA continue to grow on top of past strong results. So, while the rate is slower, it is not as though revenues and earnings are in a state of decline. For better or worse, the economy and companies within it cannot grow at ever higher growth rates indefinitely.

On the valuation side of things, U.S. markets are now trading right around their longer-term averages for earnings, in the 15 to 16 times range. Investors that were concerned about valuations in the past are now getting valuation levels that are much easier to digest.

The TSX is also sitting right at the long-term valuation range around 16 times trailing earnings, but facing a few headwinds with the energy industry.

We think it is important to remember that pullbacks and corrections can happen without a market crash or recession. Markets tend to follow the fundamentals over the long-term, leading us to believe that investors who can stick to finding growing companies with strong balance sheets will be well served.

VIDEO: Ryan Modesto's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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