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BNN BLOOMBERG MARKET CALL

***e*Research 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

Hap Sneddon, Chief Portfolio Manager and Founder of Castlemoore Inc.
Focus: Technical Analysis and Macro Portfolio Strategy

It seems like the dire wolf is at the doorstep again and bigger than during the earlier part of the year.

Technical damage has occurred but some significant positives cannot be overlooked, including indexes holding above the February and April lows, the U.S. dollar rolling over painfully slowly, copper holding in, and yields with indicators at extremes.

We have seen sentiment become exceptionally washed out, whether it is measured by CBOE put/call ratios, investor surveys, or the Fear and Greed Index. Even if we can build on a bounce, or not, markets are due for a bullish move over the course of the next few months.

VIDEO: Hap Sneddon's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

COMPANY TWITTER: **@CastleMoore**

PERSONAL TWITTER: **@Hap_Sneddon**

WEBSITE: **www.castlemoore.com**

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MARKET OUTLOOK

Douglas Kee, Chief Investment Officer of Leon Frazer & Associates

Focus: Canadian Dividend Stocks

Major global economies peaked in late 2017 and have trended down ever since. The Purchasing Managers' Index has declined from a high of 54 to around 52, led by moderating growth in China, Japan, and Europe. Offsetting these declines was the continued strength in the U.S.A. and Canada.

We expect North American growth to moderate in 2019 given the effects of higher interest rates and declining liquidity. Employment growth remains robust especially in the U.S.A. and wage pressures are building but still remain quite low. Canada's growth will be challenged in 2019 due to a moderating housing market and declining business investment in the energy sector. 2019's growth will be lower and in an expected range of 2.0% to 2.5%.

With a moderating economy and inflation running near a 2.0% target, the U.S. Federal Reserve has indicated that there may be fewer rate hikes in 2019 than previously expected. We expect a 25 basis points (bps) bump on Wednesday but the Fed may indicate a wait-and-see data dependent strategy for next year. The Bank of Canada will follow the Fed's lead on the magnitude of rate hikes as they do not have any flexibility with the soft Canadian dollar.

Recently, bond yields have trended down with the U.S. 10-Year Bond Yield dropping from 3.25 per cent to 2.85 per cent. This is reflecting the economic slowdown prospects and potential trade war fears. There is a disconnect here with the supply side of the equation, where the combination of quantitative tightening and deficit financing may pressure rates up.

Over the last few weeks, the U.S. equity market has been pasted, wiping out the positive gains year-to-date. The S&P 500 is now trading at the low end of our valuation range and testing support levels. The S&P/TSX peaked much earlier in the year with oil prices and is now testing at valuation and support levels as well. Earnings momentum has peaked and our expectation is that earnings growth for 2019 will be in the 5%-10% area, down from about 20% expected for 2018.

We have been cautious on the equity market this year and have accumulated some cash through dividends as well as by trimming positions. We favour companies in our backbone sectors such as banks, utilities, pipelines, and telecom services. These companies provide current income and superior dividend growth prospects.

BNN BUSINESS NEWS NETWORK

Market Call Newsletter

VIDEO: Douglas Kee’s 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

WEBSITE: **leonfrazer.com**

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