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

David Fingold, Vice President and Senior Portfolio Manager of 1832 Asset Management

Focus: U.S. and Global Equities

As bottom-up stock pickers, we don't make market calls. We have no targets for market averages and don't manage money relative to the indexes. We invest in a concentrated portfolio of high-quality companies that we think will do well over the next three to five years. Our most concentrated funds such as the Dynamic Global Discovery Fund own 20 companies, while a more diversified portfolio like the Dynamic Global Dividend Fund owns 25 companies. We also offer the Dynamic Global Asset Allocation Fund, a balanced fund with a concentrated portfolio of equities and fixed income.

When we own companies that are in cyclical industries, we do have a positive medium-term view of the industry. The industries we presently like include, but are not limited to: life science tools (Thermo Fisher), construction (Belimo, Sika), defense (Elbit Systems), semiconductors (Inficon), composite materials (Schweiter), and uniform rentals (Cintas).

Many of the industries we have invested in are not deeply cyclical. They include, but are not limited to: food ingredients (Chr. Hansen), coffee (Strauss), medical technologies (Becton Dickinson), health insurance (UnitedHealth), animal health (Zoetis), payments (MasterCard), and pest control (Rollins).

When we are negative about an industry, we don't invest in it at all and assess the impact of negative developments in that industry on our other investments. We are presently negative about commercial aerospace, automotive, energy, and mining and, therefore, have no investments there at all. We are also concerned about the extremely high valuation and lack of growth of companies in the utility and REIT industries and have no investments there. The fixed income positioning of the Dynamic Global Asset Allocation Fund is zero weight corporate bonds and no exposure to duration. Our favored currencies are the U.S. dollar, the Japanese yen and the Swiss franc.

Investors should consider whether they are taking appropriate risks with respect to commodity prices, interest rates, and currencies. Most investors don't. They buy the index or use a closet index portfolio manager and take risks they don't understand.

Simply put, we invest in companies we like and have no exposure to developments in the global economy that concern us.

VIDEO: David Fingold's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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MARKET OUTLOOK

amie Murray, Head of Research at Murray Wealth Group
Focus: North American Equities

The stock market, as measured by the S&P 500, peaked at the beginning of autumn, closing just above 2925 on the first two days of October. After tumultuous activity, with large swings in both directions during October and November, we have seen capitulation in December. The market is currently more than 15 per cent off its early autumn highs.

While signs of slowing economic activity abound, it was unreasonable to expect that U.S. economic growth could be sustained at levels approaching four per cent for an extended period of time. U.S. GDP growth was 3.4 per cent in Q3. This is not the stuff that recessions are made of.

Members of the U.S. Federal Reserve Board are still concerned enough about economic activity reaching inflationary levels that they are normalizing (raising) interest rates to slow the economy.

At this morning's S&P 500 index levels, the market is currently trading at about 14.5 times 2019 earnings estimates. This is a very modest level. We continue to believe that this is another so called "correction" although it is now severe. Market-wise, sentiment and funds flow is indicative of extreme negativity which is a contrarian indicator and indicates positive surprises could be ahead.

Other positives: Unemployment has dropped although we believe "underemployment" is still prevalent (especially among young adults), commodity prices are low (e.g. gasoline prices have fallen to levels about 10 cents below the average of the last 25 years), there are no signs of inflation, and productivity, which is benefitting from the increased use of artificial intelligence, is holding down prices across almost the whole of the consumer goods sector.

We remain optimistic on the outlook for the next several years and continue to believe that well-run companies with solid growth prospects will provide superior investment returns to patient investors.

VIDEO: Jamie Murrays' 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

WEBSITE: **www.tmwg.ca**

BLOG: **https://murraywealthgroup.com/news/**

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