BNN BLOOMBERG MARKET CALL

***e*Research Corporation** is pleased to provide two excerpts from Monday'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

Bruce Murray, CEO of The Murray Wealth Group

Focus: North American Growth Stocks

The stock market, as measured by the S&P 500, peaked at the beginning of autumn, closing just above 2,925 on the first two days of October. (BW: the SPX actually reached 2940.91 as its high.)

After tumultuous activity with large swings in both directions in 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 4 per cent for an extended period of time. U.S. GDP growth was still 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 16 times 2019 earnings estimates. This is a not an extreme level. We continue to believe that this is another so-called "correction," although it has been severe. (BW: Most pundits consider a "correction" to be a decline of 10%. The recent downdraft in the SPX reached a decline of 20.08%, which is actually "bear market" territory.)

Market-wise sentiment and funds flow was indicative of extreme negativity, which is a contrarian indicator that further positive surprises could be ahead.

Other positives: Job creation has been very strong and unemployment has dropped, although we believe "under-employment" is still prevalent especially among young adults; commodity prices are low (for example, 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 is holding down prices across almost the whole of the consumer goods sector, benefitting from the increased use of artificial intelligence.

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: Bruce Murray's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

WEBSITE: **tmwg.ca**

MARKET OUTLOOK

Barry Schwartz, Chief Investment Officer and Portfolio Manager at Baskin Wealth Management

Focus: North American Large Caps

Falling markets are discouraging and disconcerting. It is natural that investors want to protect their portfolios when it seems like the market is going down on a daily basis. Stock markets are volatile, but the pendulum tends not to swing in one direction for too long. At some point, the market will price in all the (perceived) bad news and start to recover. Warren Buffett has the best response: "If you wait for the robins, spring will be over."

During these turbulent times, the best course of action is to control your emotions and not lose perspective. When we are faced with such extreme volatility, we always ask ourselves the following question: Am I certain that my assessment of the current situation is rational or am I being influenced by other factors?

Our strategy in the face of market declines has remained consistent for over 25 years. We believe that the North American economy is neither so good that interest rates will rise too far, nor is it so weak that a recession is imminent. Just as it has in the last 10 years, we believe that the North American economy will continue its slow ascent and will suffer its usual fits and starts. We are moving ahead with the same cautious approach we have always taken. While we remain fully invested, we will stick to high-quality corporations that have strong balance sheets, that generally have a history of raising dividends, and that have a long runway of growth for their products and services.

There is no doubt that the market will face its fair share of headwinds during 2019. That said, valuations are the cheapest we have seen since 2011 and 2015. Investors that stuck with stocks during those periods were well rewarded. We believe the result will be the same going forward today.

VIDEO: Barry Schwartz's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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