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

Rick Stuchberry, Portfolio Manager at Wellington-Altus Private Wealth

Focus: Canadian large-Caps and International ADRs

Currently, it is much easier to be bearish than bullish. While we may have been wrong not calling the bear market cycle sooner, we continue to think this will be short-lived. That said, a bear market cycle can last on average for 300 days and, if this downturn in the market is not short-lived as we expect it will be, it could be another 300 days or more in the mud.

The stock market sold off 25 per cent on Black Monday in 1987 and still closed the year higher because it occurred in a growing economy. Our current economy is one of the most innovative in history: we have another leg of progress in Web 3.0, artificial intelligence, blockchain, and an overall digital disruption in the legacy economy. As we look forward with this positive backdrop, it is nearly impossible to be bearish, yet the market is very much so due to the uncertainty.

In order for the stock market to grow, we need this uncertainty to be sorted out. While some of what is causing it will be easy to solve, some of it is truly a challenge that could take an immeasurable amount of time. The issue that will take the longest to sort out is the U.S.A.-China conflict, which is truly a fight for control of the 21st century. For 30 years, we have witnessed the meteoric rise of China. The USA has officially taken issue with China's growing strength and, as of 2018, it is basically said that China has to go through them to take control of the future. America's recent actions have categorically shown that they will do everything in their power not to lose this war. While this political environment is an uncomfortable place to be, it could become a new normal for us and we may need to get used to it. Like the cold war with Russia, this new cold war with China could last for some time.

Through history, we have seen that the market reacts badly to uncertainties. While most of the other uncertainties are coming from the White House, we think we will go back to the old sentiment in time. We always like to say that political uncertainties are a buying opportunity. One thing to be thankful for is the fact that the U.S. constitution does not allow for a permanent president and change is inevitable — in this case for the better.

We felt our approach to hold significant cash balances and strong balance sheet companies was the right thing to do, but we still did not get the results we wanted. The positive is that the companies we hold are strong and while the market dragged them along for the ride, we believe they continue to be good investments in the long run. In the future, we intend to keep a significant cash balance as markets show vulnerability and to take advantage of weaker markets to make investments in companies we believe in.

VIDEO: Rick Stuchberry's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

WEBSITE: **www.stuchberrygroup.ca**
TWITTER: **@stuchberrygroup**

MARKET OUTLOOK

Jason Del Vicario, Portfolio Manager at HollisWealth

Focus: North American Growth Stocks

Much has changed in the past few months. We feel that the equity markets are signaling, at the very least, a marked slowdown in economic activity. Given we are 10 years removed from the last recession and that recessions generally have happened on the backs of central banks raising rates, we are concerned that economies across the world are already in recession (especially in Europe) or likely to experience recessionary times in the near future.

The yield curve continues to flatten and has, in fact, inverted across certain maturity dates. Rate-sensitive sectors like autos and home builders have rolled over and these tend to lead economic activity.

While the latest U.S. jobs report was strong, we note that this is a lagging indicator and jobs reports are often strong prior to a recession. In short, we take our cues from price/volume action and are as conservatively positioned as we have been in the past five years.

If we follow the bouncing ball, we agree with the likes of Ray Dalio in that the course of action for central banks during the next recession will be as follows:

1. Lower rates to 0 per cent (like in 2008).
2. Print money (also like in 2008).
3. If the first two policies are not enough to jump-start GDP, they will engage in "helicopter money," putting funds directly into consumer hands.

While this time is likely not the same as 2008, we feel there are enough similarities worthy of careful examination. For example, 2008 saw a simultaneous popping of a housing bubble and sub-prime debt (both were related, of course). This time, we feel that the marked increase in covenant light corporate debt is where we will likely see problems and contagion. We are carefully monitoring junk debt spreads for signs of cracks.

Putting this all together, we have taken the opportunity to raise cash and divert allocations to non-correlated assets such as those noted above. We do however continue to own many of the companies that meet our strict selection criteria with a focus on those that we feel can do well during periods of economic weakness. Companies such as Ross Stores, Couche-Tard, and Boyd Group were strong through the recession and we expect they will do well during the next one as well. This may well be a "normal" correction, but from where we sit this feels anything but normal.

We remain data-dependent, but at this time we are more concerned with protection rather than growth of capital for our clients.

VIDEO: Jason Del Vicario's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

WEBSITE: **www.hillsidewealth.ca**
TWITTER: **@jasondelvicario**
BLOG: **www.hillsidewealth.ca/blog**

#####

BNN.CA

To access the BNN Home Page, <CTRL-CLICK> here: BNN

To go to BNN Market Call Afternoon, <CTRL-CLICK> here: Market-Call-Afternoon

To go to BNN Market Call Tonight, <CTRL-CLICK> here: Market-Call-Tonight

BNN's Morning Newsletter and evening Market Call Newsletter can be delivered to your inbox by going to <CTRL-CLICK> here: **www.bnn.ca/subscribe**.

*e*Research Corporation

***e*Research** was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eResearch.ca.

Bob Weir, CFA
Contributing Analyst

Note: All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by *e*Research Corporation, are strictly those of the Authors and do not necessarily reflect those of *e*Research Corporation.