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

Josef Schachter, President of Schachter Energy Research Services

Focus: Energy and Energy Service Stocks

I am now in the bull camp for energy, believing that the bottom for crude and the energy stocks was on December 24. The recent bounce in the general U.S. and Canadian major market averages appears to be a classic bear market rally, which will end very shortly.

I expect a test of the lows for the key averages over the next two months and maybe some new lows for some like the Dow Jones Industrials Index. It would not surprise me if the FAANGs got more defanged and lead the markets lower.

Fundamental reasons for more downside would be problems with Q4/18 earnings or company outlooks, the trade dispute not making progress on intellectual property, the Mueller investigation outcome being problematic for Trump, the ongoing closure of the U.S. government getting testier, or Democrat policies getting more worrisome for business.

Downside for the Dow Jones Industrials could be to the 20,000 area, the S&P/TSX Energy Index could be back to the 130 area and WTI could retreat to between US$42 to US$45 levels. This would create another table-pounding buying opportunity.

We expect to see WTI prices reaching over US$70 per barrel in Q4/19 and for the S&P/TSX Energy Index to reach the 200 level. AECO should be able to hit the $3 per thousand cubic feet level in late 2019. This year will be a very rewarding one for energy investors after the recent pain.

VIDEO: Josef Schachter's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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MARKET OUTLOOK

Keith Richards, President and Chief Portfolio Manager at ValueTrend Wealth Management

Focus: Technical Analysis

I think it is not an exaggeration to state that the markets have been a wee bit volatile lately.

Peak to trough drawdowns from October to December 24 were more than 20 per cent on the U.S. markets (S&P 500) and some 16 per cent on the Canadian markets (TSX 300). Following that little implosion, markets rallied to retrace more than half of their drawdowns over the past three weeks. It is enough to make your head spin.

Despite the rally, markets are not yet out of the woods, but they are looking better.

Evidence for remaining cautious, yet flexible, includes the significant December break-down; virtually every market index fell below key support levels that had held during 2018. Yes, they are now getting back above support, but the break-down was widespread. In fact, even after recent rebound some 65 per cent of stocks that comprise the S&P 500 are well under their 200-day moving average. In plain language, this means that two thirds of the major U.S. stocks are still trending down. That can change as markets show strength, but we are keeping an eye on that development.

Another thing to keep in mind is that there is a market cycle (Elliott Wave pattern) of a five-wave bull market followed by a three-stage decline. The three-stage down-pattern comes after a speculative finish to the bull market. That may (or may not) have occurred in 2017. I am not predicting 2017 was the final leg of the bull market, but there is potential.

Meanwhile, markets are showing early signs of a short-term over-bought condition due to the recent rally. A pull-back after such a strong rally is to be expected, but a break of the 2018 lows on the SPX (mid-

2,500s) might be considered damaging. Such an occurrence may suggest that the Elliott Wave three-stage bear market pattern may indeed be in place.

Conclusion: We expected to see a short-term pull-back that might last a number of days given the over-bought conditions. We should keep an eye on the longer-term patterns of the market for a material break-down of support.

VIDEO: Keith Richards' 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

WEBSITE: **valuetrend.ca**

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