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

Tyler Mordy, President and CIO at Forstrong Global Asset Management

Focus: ETFs

A cozy consensus has gathered around the idea that we are now at the end of the cycle that began in 2009. But persistently trying to pinpoint the end assumes there will be a "big one" soon, that markets are always balancing on a crumbly ledge between blue skies and calamity.

If only it were that binary and simple. What if, instead, a series of smaller "resets" extended the life of this unique cycle? In fact, to date, this has happened. This cycle's major corrections coincided with significant economic downturns and adjustments, most notably the European crisis from 2011 to 2012, the commodity collapse and U.S. dollar surge that began in mid-2014 and lasted until early-2016.

It is happening again with the current hot mess (for lack of a better word) we find ourselves in.

Underpinning these resets has been some key post-crisis regulators. They are the circuit breakers that constrain the overall level of economic growth and, ultimately, provide relief. Most crucially, high debt levels around the world have restricted how much rates can actually rise. Routine consolidation phases have occurred along the way as interest rate sensitivity acted to slow economic growth. This latest episode has been no exception.

Commodity prices, which have been highly volatile in the post-crisis period, have worked similarly. Rising prices negatively impact net global consumption, investment, and liquidity. In fact, every global recession in the past 50 years has been preceded by a sharp increase in oil prices. Conversely, on all recent occasions when the oil price has at least halved, faster global growth followed. 2018 saw a sharp fall in oil prices which should contribute to overall higher growth in 2019.

Then there is valuation. This has become more of a behavioral regulator and the rules of investor engagement have changed after 2008. Whenever prices surge and perceived values grow too rich, memories and predictions of another crisis are triggered, restricting overall investor enthusiasm. What is not well known is that most stock markets outside of the USA remain well below their late-2000s highs in both local currency and U.S. dollar terms. Deep corrections have plagued the post-crisis path.

Where to next? Looking back, each of these periods provided renewal and rebirth, breathing life back into a now born again bull market. This episode will be no different. To be sure, there is real risk that end-of-cycle fears become self-fulfilling and feed into a more serious downturn. Other pressure points have surfaced too, notably broken leadership of the FAANG stocks.

Global macro growth expectations are now the most pessimistic in 10 years, more so than at the major equity bottoms in 2011 and 2016. While U.S. economic and earnings growth will slow steadily over the next 12 months, it will be more gradual and modest than most investors fear.

China's slowdown is already ending in response to easier policy and the economy is likely to accelerate back to an above-trend pace. Further, the euro area's soft patch is also likely to give way to firmer data, aided by currency weakness and stronger growth in Asia.

In short, world growth is likely to settle back to a simmer. What is more, given deeply depressed sentiment, a series of upside surprises is highly probable. Instead of mainlining more misery this year, investors should equally focus on what could go right.

VIDEO: Tyler Mordy's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

WEBSITE: **forstrong.com**
BLOG: **https://www.forstrong.com/global-thinking/**
PERSONAL TWITTER: **@tylermordy**
COMPANY TWITTER: **@ForstrongGlobal**

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MARKET OUTLOOK

Andrew Pyle, Senior Wealth Advisor and Portfolio Manager at Scotia Wealth Management

Focus: North American Equities

Markets are in the middle of a late cycle normalization following the move from an extreme over-buying situation in August to being over-sold in December. Anticipation of a near-term recession was over-played and fundamentals currently show continued, albeit slower, growth in North America for the time being.

There has been a disconnect in data with U.S. job growth remaining solid as retail sales became weaker, even though the likes of Wal-Mart have posted strong results. There is going to be a lag in the benefits from tax credits south of the border, but we should see sales pick up late in the first quarter and this will produce a healthy base effect for second quarter U.S. GDP.

Investors need to be aware that this current rally is still taking place towards the end of the cycle and we are even more vulnerable to a repeat of what happened in the second half of last year.

Another potential risk is getting too bulled up on the supposed shift in direction of the Federal Reserve policy. If equities continue to grind higher and economic numbers come in stronger for the second quarter, I believe the Fed might step back in with another rate hike before the market expects it. Most analysts keep pointing to the second half for when there will be a move, but I expect the Fed will want to take out insurance well before then in case the window for tightening shuts entirely.

For Canada, the outlook for stocks marries the USA, assuming that USMCA gets signed into law and commodity prices push higher into the summer. Bank stocks are in the middle of their post Q4 rebound and have some room to run, which should give the TSX a lift, but this rally has a limited shelf life in my opinion. In a single digit return environment, investors are going to have to make an important decision into mid-year. Take a potential 5% to 10% return on a balanced portfolio and bank it, or roll the dice on the view that a recession does not emerge until later in 2020.

I still like emerging markets and especially China. Concerns over the country's growth prospects and debt were overdone last year, and we have yet to see the full benefits of an explosion in foreign direct investment abroad as the U.S.A. pulls back its horns.

VIDEO: Andrew Pyle's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

WEBSITE: **pylegroup.ca**

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Bob Weir, CFA
Contributing Analyst

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