BNN BLOOMBERG MARKET CALL

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

Cameron Hurst, Chief Investment Officer at Equium Capital Management

Focus: U.S. Equities

There are times in the market when things just seem to balance out. Often, after a period of pronounced volatility, such as the major drawdown in Q4 and subsequent relief rally of the last two months, markets can enter a period of digestion. With notable reasons for both optimism and caution, we find ourselves relatively more balanced than usual.

Noting our strategy has portfolios very modestly overweight equities and underweight fixed income would suggest now is not the time to be leaning aggressively one way or the other. Instead, pick your spots and focus exposures in areas of durable market leadership, knowing that we could be in for a few minor pull-backs as the market digests a 19% rally from Christmas Eve to March 5, which is remarkable by any measure.

Over the coming couple of months, we should see a resolution, either higher or lower, and we will tactically reposition accordingly. In the meantime, portfolios should be geared to participate, but from a place of safety and taking only calculated investment risks.

What is keeping us positive and engaged in risk assets?

- Monetary policy and liquidity-tightening reversed course hard, most notably at the Fed, but also at the European Central Bank.
- Global trade tensions appear to be moderating with the U.S.A. and China finding a middle ground.
- Chinese authorities are supporting the market and the economy is showing signs of stabilization.

- Valuations are not outlandish.

What are we watching more carefully for negative developments?

- Decelerating global growth.
- Market pundits are already talking about the Fed being done with balance sheet reductions by September, so an extension of this on more positive economic data could be hard on the market because of liquidity implications.
- Credit spreads have not tightened back and there is a record proportion of investment-grade debt one rating cut from junk at the same time as the spread between two-year and five-year U.S. Treasuries (which is the most economically sensitive) has gone negative.
- Chinese trade issues, while improving, are not yet resolved and President Trump has demonstrated he is as happy to set up a meeting as he is to walk out on one. We want to see dry ink on an agreement before relaxing about trade.
- Our conditional factors are presently mixed, notably with asset managers and transports showing weak relative strength and U.S. political risks increasing.

Broadly speaking, we favour exposures in software, fintech, medical devices, and mid-stream energy within the USA, but also have roughly 10% allocated to broad-based emerging markets, specifically Brazil.

VIDEO: Cameron Hurst's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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MARKET OUTLOOK

Andrew Pink, Portfolio Manager at LDIC Inc.

Focus: North American Mid-Caps and Large-Caps, Preferred Shares, and Fixed Income

Following severe volatility in Q4, markets have traded in a considerably more orderly fashion year-to-date. Broad economic fundamentals remain positive, particularly in the U.S.A. and markets are no longer overreacting to geopolitical headlines.

We see sustained low unemployment, contained inflation, improving consumer confidence trends, and relatively strong GDP growth — again, more so in the USA.

Combined with accommodative central banks and the potential near-term end of the China-U.S.A. trade war, we remain optimistic for North American markets through the balance of 2019.

While we continue to favour conditions in the USA and related investments, we deployed a defensive strategy late last year, trimming our U.S.-listed allocation by about 10% to a range of 30% to 35%.

We repatriated U.S. cyclical exposure (discretionary, regional banks, technology, industrials) back into high-quality, dividend-paying Canadian companies in more defensive sectors (REITs, telcos, and utilities). We continue to see compelling investment opportunities south of the border and hold a large number of Canadian-listed investments that are levered to the U.S. economy.

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

WEBSITE: LDIC.ca

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