

BNN BLOOMBERG MARKET CALL

eResearch Corporation is pleased to provide two excerpts from Tuesday'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

Daniel Straus, Head of ETF Research and Strategy at National Bank Financial

Focus: ETFs

National Bank's economists and strategists see the U.S. economy taking a breather after a strong 2018. Even though the year finished on a rough note, the rebound has been sharp and ongoing, and our strategists are keeping their 2019 growth forecast unchanged. However, they see challenges ahead for the U.S. dollar, potentially from a more cautious Federal Reserve.

Canada's economy has been hampered by stalling consumption, but investment intentions in transportation, finance, and manufacturing shine a bright spot on potential growth sources. While Canada should be a core allocation in most Canadian's portfolios (with an eye to limiting home bias), we are highlighting some low-volatility strategies this go-round to express our risk-aware positioning.

Our strategists write that the China-U.S.A. trade war may be de-escalating, but that does not necessarily imply the disappearance of protectionism and its harmful economic effects. The U.S.A. may still impose tariffs on national security grounds, this time affecting auto imports. Such a move would disrupt global trade with knock-on effects tipping Japan and Germany (both major auto exporters) into recession. With hard Brexit fears also on the horizon, our strategists have therefore de-emphasized developed markets for the coming quarters, tilting more heavily to Canada and the USA, despite the persistent disquiet in those markets.

With all this turmoil brewing under the surface, how to approach the fixed income side of a portfolio? Our economists have recently noted that central banks around the world seem to be abandoning their recent conviction of decent economic growth in 2019. However, in the words of National Bank's

chief economist Stéfane Marion, “DO NOT trust the central banks at this point in the cycle,” writing that they “Might turn hawkish soon enough on the back of stronger economic data or better geopolitics.”

Given this push-and-pull on the possible pathway of interest rates, we think it prudent to allocate a little towards a broad-based, actively managed fixed income mandate to provide ballast and cushion to a portfolio.

VIDEO: Daniel Straus’ 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

WEBSITE: nbc.ca

MARKET OUTLOOK

Christine Poole, CEO and Managing Director at GlobeInvest Capital Management

Focus: North American Large Caps

Stock markets have largely recovered from the sharp sell-off in December. Any sustainable upward move from here will be contingent on continued corporate profit growth. Our focus remains on monitoring the underlying economic fundamentals, which do not indicate an imminent U.S. recession.

Reasons behind the disappointing and markedly subdued payroll gains in the U.S. February jobs reports include: impressive gains in January, the government shutdown, and the harsh, cold winter weather. Nonetheless, job growth appears to be moderating, which optimists attribute to a constrained supply of skilled labour. The U.S. unemployment rate remains near cyclical lows at 3.8%.

While still in expansionary mode, manufacturing activity in the USA is slowing. In contrast, the service sector has rebounded after the government shutdown. Encouragingly, consumer confidence has snapped back up in February after three consecutive months of declines.

Notwithstanding a weak Q4/18 GDP report, Canada’s labour market appears to be relatively healthy, with February’s report coming in well above consensus expectations, led by strong job gains in the private sector. Wage gains rose 2.3% year-over-year, the highest in five months. The unemployment rate remained unchanged at 5.8%.

Global economic growth is decelerating, as evidenced by the recent OECD report which revised its global GDP growth rate to 3.3% in 2019 (from 3.5%) and 3.4% in 2020 (from 3.5%) compared to 3.6% in 2018, with significant weakness in the euro area. Policy uncertainty and persistent trade tensions are contributing to the slowdown.

In response, central banks are taking a pause in monetary policy normalization and, in some cases, announcing stimulus measures. A negotiated trade settlement between China and U.S.A. would help to alleviate global growth concerns.

VIDEO: Christine Poole's 45-Minute Video Interview <CTRL-CLICK> [HERE](#)

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