BNN BLOOMBERG MARKET CALL

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***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

Norman Levine, Managing Director at Portfolio Management Corp.

Focus: North American Large Caps

We have been carrying an above-average amount of cash since the fall of 2018 as we thought that world economies would slow and that markets would follow suit. We have been part right. Yes, world economies have slowed and are expected to continue slowing for the near future.

In the fourth quarter, stocks took a brutal dive based on that slowing and sharply declining interest rates, which were foreshadowing slower growth. However, so far in 2019, markets around the world have reversed and have recovered all of their previous losses despite no improvement in the economy or any increase in interest rates, which would foreshadow a more favourable economic outlook.

In addition, corporate profits are expected to have a tough time showing much meaningful growth this year. For those reasons, we will continue to carry more cash than normal but are looking for opportunities when they present themselves.

VIDEO: Norman Levine's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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MARKET OUTLOOK

Stan Wong, Director and Portfolio Manager at Scotia Wealth Management

Focus: North American Large Caps and ETFs

Global equities have retreated this month with the MSCI All Country World Index nearly making new all-time highs at the beginning of the month. Year-to-date, the rally has been impressive with the world equity index up around 11 per cent. However, global economic data of late has been softer than expected and U.S.A.-China trade talks appear to have stalled with tensions ratcheting higher. As well, investors continue to be wary of the risks of an aging economic and market cycle. These factors have led to a consolidation in equities over the past few weeks with the technology, industrials, and materials sectors leading the declines.

On the positive side of the conversation, U.S. corporate earnings expectations are recovering, the labour market is solid, and monetary policy continues to be accommodative. With the earnings reporting season nearly over, about 77 per cent of S&P 500 companies have announced positive Q1-2019 earnings surprises thus far marking a 1.4 per cent year-over-year growth for the quarter. Generally speaking, the U.S. macroeconomic backdrop looks constructive with slowing yet growing GDP. The U.S. economic expansion is only a few months away from setting a new record. Here in Canada, the consensus forecast is for a more tepid GDP growth rate of 1.5 per cent for 2019.

We continue to favour U.S. equities over Canadian equities. We also like emerging markets, particularly in Asia as stimulus measures in China help consumption and economic activity in the region. However, the eventual outcome of the USA-China trade talks will significantly affect our allocation to this area.

Lastly, we currently have no exposure to the troubled Eurozone region. Overall, we prefer companies with high-quality attributes and strong balance sheets as the global macroeconomic backdrop matures and uncertainty rises. Financials, consumer discretionary, communication services, and healthcare presently serve as our largest sector weightings. Over the next several quarters, we expect a continued shift to more defensive, less cyclical, and lower beta stocks in our portfolio models. Finally, we continue to advocate an active approach and emphasize prudent stock and sector allocation.

VIDEO: Stan Wong's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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