

Market Positives (U.S. data)

Relatively low interest rates – Fed did what it said it would do.

Low unemployment

Good earnings last quarter

Market Negatives (U.S.)

Trade wars and potential impact on earnings (Recent Apple guidance)

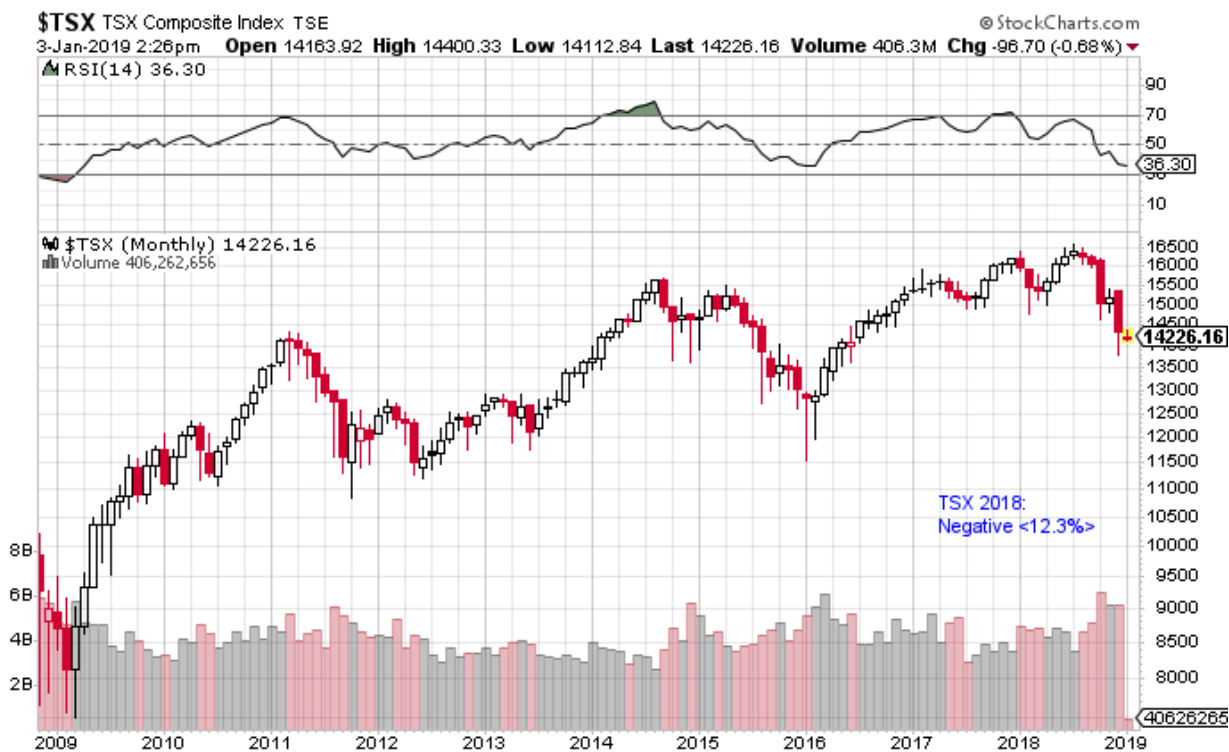
Growing political instability – potential indictment of sitting U.S. President

Market Negatives (Cda)

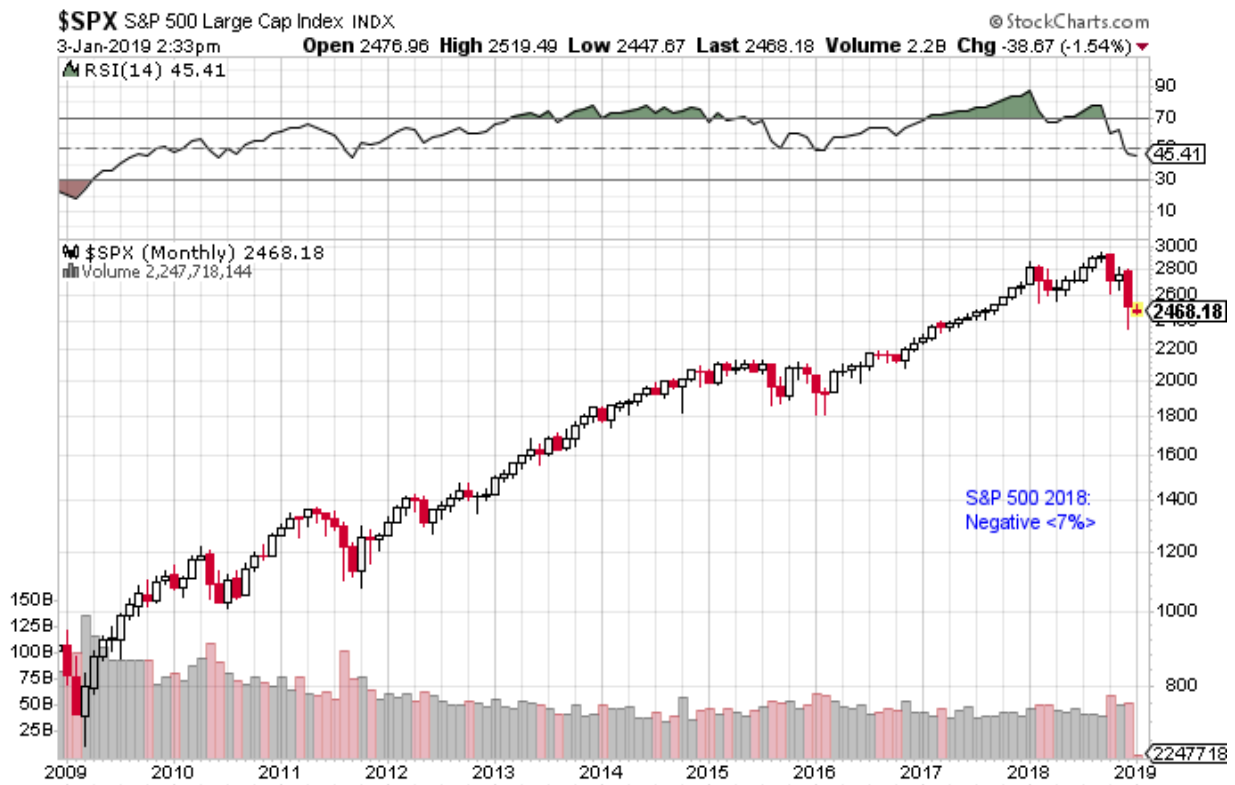
Effective *destruction* of energy sector which represents 1/3 of our economy.

Mounting personal debt

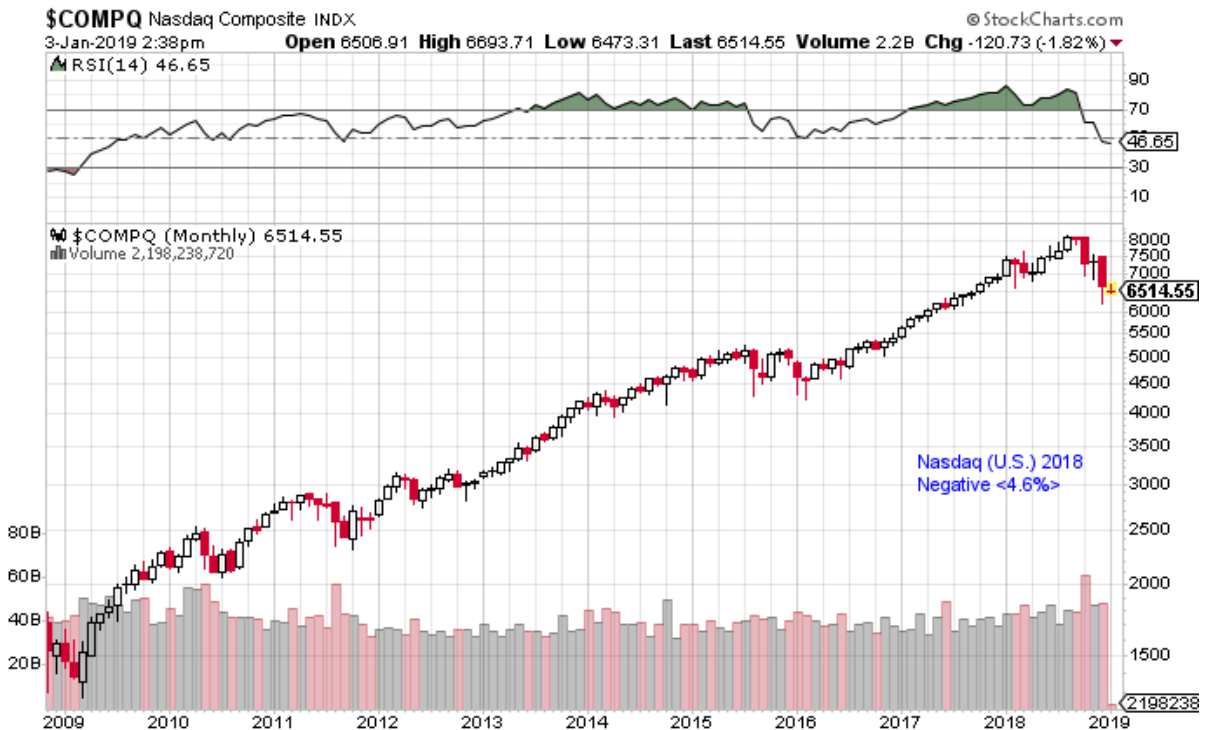
Canadian market 2018 <12.3%>



S&P 500 U.S. Broad Market 2018: <7%>



Nasdaq U.S. market 2018: <4.6%>



When you look at these longer-term charts, they offer perspective.

One thing that is immediately noticeable is that the U.S. is much more diverse economy than our own and that market historically, has been more stable. The volatility in our market can be explained in part, by the cyclical nature of resources on which our economy is dependent. That said, Canada represents a great place to invest for income-oriented investors, particularly because of the dividend tax credit. The last few years in Canada have been poor for growth, but great for income. 5% cash yield in a taxable Canadian account translates into approximately 7% as pre-tax interest equivalent when five-year Canada bonds are yielding just over 2% - a negative net rate of return when you consider tax and even moderate inflation.

The charts above also show you market returns for the calendar year. In fact, the correction is deeper from each market peak, which occurred in Canada back in July and in the U.S. early in October.

Having just experienced the longest bull market in history, it has only included two corrections – in late 2015 and this current one. This is highly unusual, as history would suggest 10% pull backs should occur much more frequently than our recent history.

I continue to look for a bottom in which to place a lot of cash. The buy the dip scenario has not been immediately successful in this correction but of course, any such notion is driven by time.

The deeper this or any pullback gets, the more tempting will be the voice of emotion.

My job is to remind you of reason.

It is pretty simple, and I remind clients every time I see them. In the last 100 years of market history, any North American market correction has resulted in markets that are higher within six years. By no means a guarantee but simply history – a benchmark.

If you thinking of a few weeks or even months you may think you have it all wrong. If you are willing to invest for years, this market as any will provide opportunities.

Happy New Year!

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. ***This commentary reflects my opinions alone, and may not reflect the views of National Bank Financial Group.*** In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

National Bank Financial

Rob Hunter
Vice President
Senior Investment Advisor

Sources: Stockcharts.com, Reuters

National Bank Financial is an indirect wholly-owned subsidiary of National Bank of Canada. The National Bank of Canada is a public company listed on the Toronto Stock Exchange (NA: TSX).

This information was prepared by Rob Hunter, an Investment Advisor with National Bank Financial. The particulars contained herein were obtained from sources that we believe reliable but are not guaranteed by us and may be incomplete.

The opinions expressed are based on our analysis and interpretation of these particulars and are not to be construed as solicitation or offer to buy or sell the securities mentioned herein. National Bank Financial may act as financial advisor, fiscal agent or underwriter for certain of the companies mentioned herein and may receive remuneration for its services. Rob Hunter, National Bank Financial and/or its officers, directors, representatives, and associates may have a position in the securities mentioned herein and may make purchases and / or sales of these securities from time to time in the open market or otherwise.

The opinions expressed herein do not necessarily reflect those of National Bank Financial.

The investment advice given only applies to residents of the provinces of British Columbia, Alberta, Manitoba and Ontario and Quebec.

National Bank Financial is a member of the Canadian Investor Protection Fund.

