

Market Update

February 2019

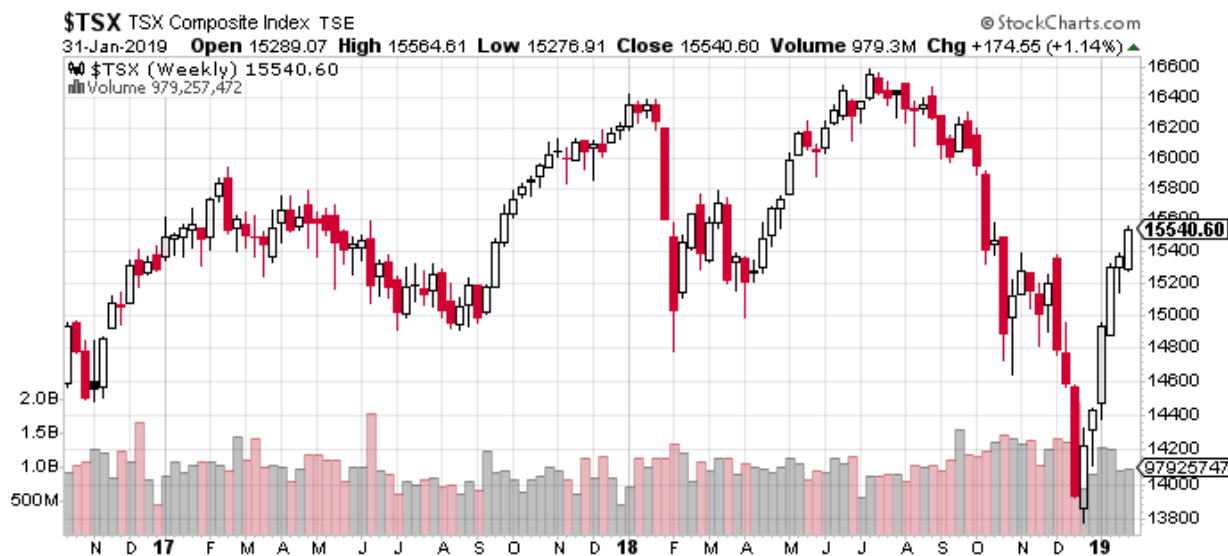
The Canadian (TSX) and the American (S&P 500) bottomed on December 24. Both markets have been rallying up since then. The Canadian market has rallied up from 13,800 to 15,540 +12.6%. The U.S. market has rallied up from 2350 to 2704 +15%.

Both markets recovered in January, more than half of what they gave up over 5 months in Canada and 3 months in the U.S.

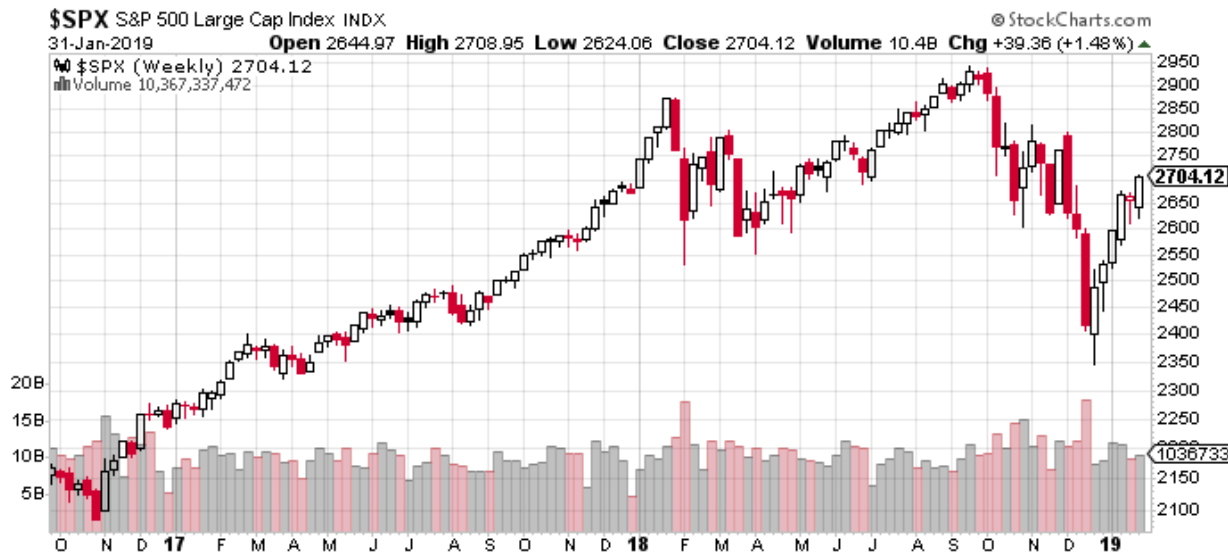
While the TSX ended down <12%> for 2018 as a calendar year, there were many stocks that did just fine. They include A&W, Pembina, Parkland Fuels, Seattle Genetics just to name a few.

The recovery in valuations this month while remarkable, has been marked by significant volatility day to day. Remember that in the U.S. 75% of U.S. stock trading is driven by computers – not humans.

Canada:



U.S.



2019...

We are about to start hearing about quarterly earnings. One concern is the impact of American trade wars on earnings. Apple which is certainly impacted by trade with China missed analyst revenue expectations and led guidance lower. (Apple is the most profitable company on earth – by a stretch.) Likewise, Apple is United Airlines biggest customer, booking on average 50 seats per day between San Francisco and Shanghai so you can imagine the ripple effect. We shall see.

Another concern is that we may see more political upheaval in the United States surrounding the current regime and the soon to be released Mueller investigation into ties with Russia.

Volatility is good. If there were none, it would be difficult to make money. **Recent volatility in markets has pushed up premiums on call option premiums which makes for a great covered all writing environment.** When markets are uncertain or sideways, covered call writing can potentially work well.

Interest rates...

Over the last six years, interest rates have tried to reach 3% and have failed each time. Canadian 5-year Government bonds have fallen back to 1.9%. Last week I noticed one of our major banks lowering 5-year mortgage rates.

Canadian dollar...

The Canadian dollar is rising from lows with the price of oil since December end.

TFSA...

Contributions increased January 1st to \$6,000 this year for cumulative of \$63,500. Tax-free savings accounts are a great place to grow money tax-free but are not that suitable for income investors who rely on monthly income. They are best suited for growth-oriented equities.

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

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Sources: Wikipedia, VisualCapitalist, Stockcharts, Reuters

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Risk/Reward of the strategy = Strike price minus the purchase price of the underlying plus the premium received from the sale of the call. The maximum loss is the same as holding a long position less the premium received.

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