

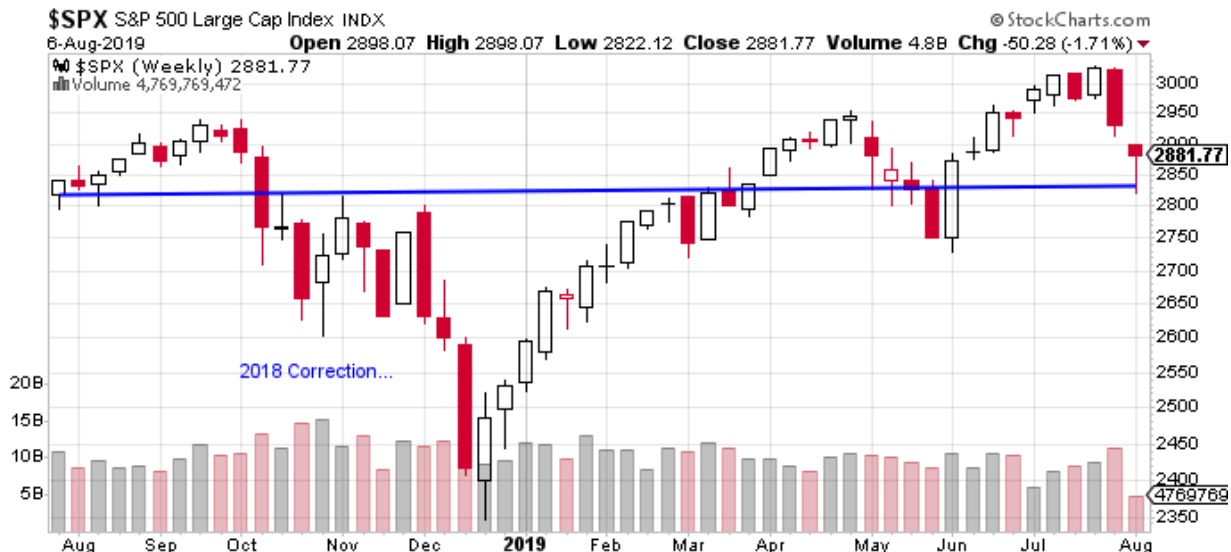
Market Update

August 2019

Q2 earnings season is nearly complete.

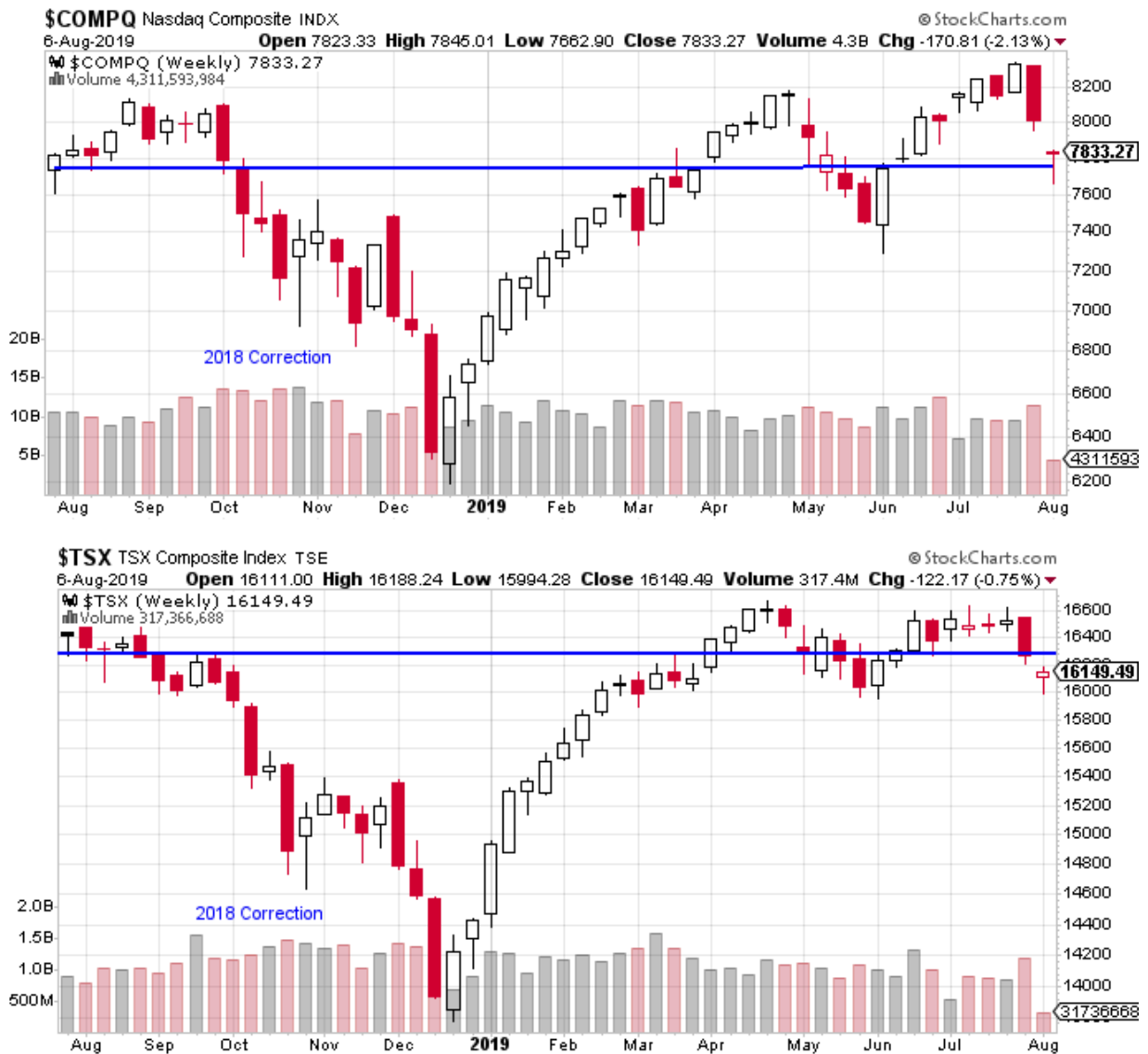
Earnings were mixed with big wins coming from the likes of Apple. The technology sector has been leading the market year-to-date (think tech laden Nasdaq index).

While the U.S. and Canadian economies have been growing, they are doing so at a slower pace. Expectations for a slowing economy into Q4 are enhanced by a trade war that is getting more serious between the U.S. and China. This is creating ongoing volatility (both ways) in stock markets.



Mr Trump has just fifteen months to put out the fires that many believe he started before his upcoming report card which will be delivered via a U.S. election.

The American Federal Reserve, reduced interest rates for the first time in a decade last week citing concerns over a slowing economic growth.



Here is how markets have performed over the last twelve months...

Nasdaq flat

S&P 500 flat

TSX 300 down 1.9%

U.S. unemployment rate remains very low at 3.7%.

The U.S. dollar appears to be cresting after a strong advance against a basket of 19 world currencies. The Canadian dollar has advanced against the U.S. dollar by 2% despite energy prices being very low which C\$ tends to historically track.

The summer months May – October, not always but historically often, are the weakest months in the stock market calendar. This period includes September and October which historically are often the worst months in stock market. Nov – April, historically are the strongest months.

What to do?

Have a longer view than twelve months. These three market charts show a very short but current history to explain what is going on.

The interest rate on five year Canada bond is 1.36% - a negative rate of net return. Dividends, particularly in Canada, are very good by comparison. Selling calls enhances that yield and in the U.S. market often creates income.

It is a stock picking market. We are looking for names we think will grow earning – over time.

Don't be bothered by having some cash over the coming months to take advantage of opportunities that volatility provides.

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.

I hope you are enjoying the warm summer weather!

Best,

National Bank Financial
Rob Hunter
Vice President, Senior Investment Advisor

Sources: Stockcharts.com, Reuters, Technical Speculator, Income Research

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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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