

**I hope you had a Happy Thanksgiving!**

**October 11, 2019**

Here is what my team and I have been up to over the last while...

- 1) We sought to go into the Sept/October period with elevated cash – around 15% given the relatively thin trading range of major indices have been consolidating since the summer months where U.S. / China trade tensions have been escalating.

Remember that dividends are somewhat constant despite the sideways ups and downs during this period.

October ends what is historically the weakest half of the calendar year in markets and it is in November we hope to place more cash into the historically strongest part of the year (Nov – Apr). We will have third quarter earnings coming up and that is where near-term market jitters form, especially as it waits to see the impact of those American/Chinese trade wars.

- 2) It is nearly year end at this time of the year, we are busy assessing your taxable gains this year to determine if we can reduce them with any offsets by tax loss selling.

**Here is what you need to know about markets...**

**Near-term** headwinds to this current bull market are trade wars and likely linked, decreasing manufacturing output, both of which erode business confidence. Since summer, we have witnessed the market consolidating in a sideways, relatively narrow trading range. At writing more stocks are going up (trading above their 200-day moving average) then down on both major Canadian and U.S indices (TSX & S&P 500)

Attention will be focused near-term on the next quarter to determine how earnings have been impacted by the growing American / China trade war.

**Longer-term**, the environment for the economy remains somewhat favourable. Interest rates since last spring have collapsed again which adds lots of liquidity to the consumer. The yield curve (the difference between short term and longer-term interest rates) has long served as a strong indicator of coming recession when it becomes inverted (short term interest rates become higher than longer term rates) – which occurred briefly last spring. It has since corrected to more normalized yield curve and rates for the third time in seven years have dropped lower after trying to reach up to toward 3%. Today, five-year Canada bonds pay just 1.25%.

Unemployment is at a record low. Energy prices are a low.

Historically a secular bull market can last eighteen years. This one is over ten years.

Favourite sectors include technology, financials, industrials, consumer products while continuing to avoid inflationary sectors that remain out of favour, mainly, energy (producers), metals and materials. The very recent rise of gold can be attributed to its role as a fear commodity. Longer term, gold trades inversely to the U.S. dollar – and the USD is rising again.

Consumer confidence and retail sales are rising in both the U.S. and Canada (much stronger in the U.S.)

#### **12-month trailing market performance**

TSX (Canada) +6.6%

SPX (United States) +8%

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.

Warm Regards,

National Bank Financial

Rob Hunter

Vice President, Senior Investment Advisor

Sources: Stockcharts.com, Reuters, Technical Speculator, Tradingeconomics

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.

Several of the securities mentioned in this article may not be followed by National Bank Financial's Research department.

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

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

