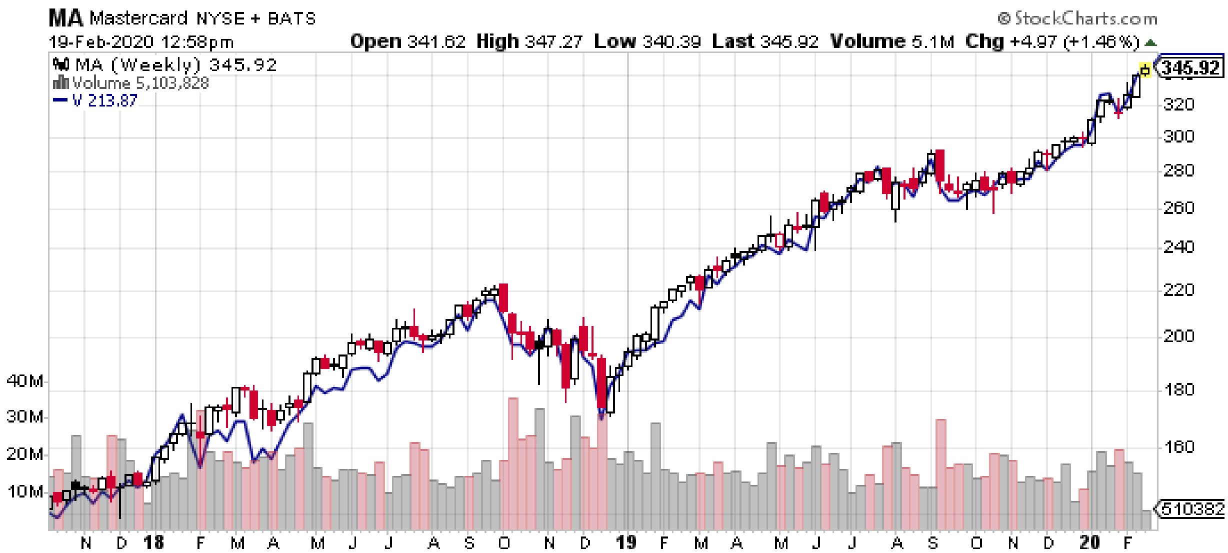
NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

R HUNTER WEALTH MANAGEMENT GROUP

Market Update *"Rally on the Dow"* February 17, 2020

A few years back, I started to accumulate financial transaction facilitators (Visa, Mastercard, PayPal) as an alternative to owning the U.S. banks that admittedly, left me feeling cautious of them after the decisions that many of them made, culminating in the 2008 financial crisis. It turns out that, 80% of the world still uses cash and the world is embracing a roaring digital economy. The facilitator for payments was and remains these same companies. Here is how Mastercard (MA) and Visa (V) have performed over the last few years as great alternates to the U.S. banks. They don't have debt; they are not responsible for the debt of card holders (the issuing banks are) and they collect fees on every transaction they facilitate.



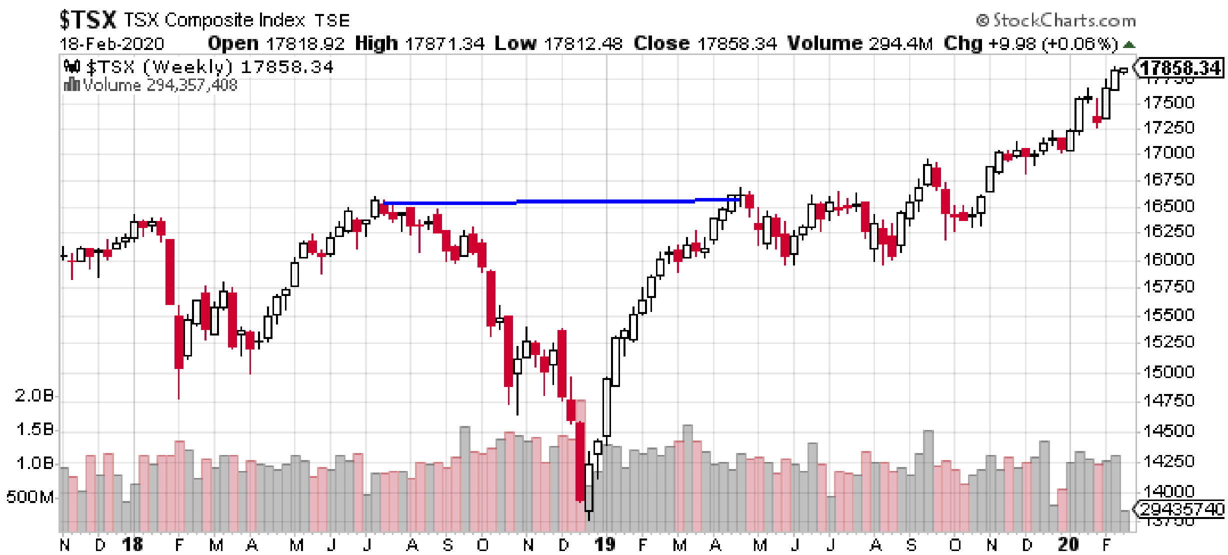
It has been a great run. Today, these stocks seem rather expensive. They have run so well with this recent market upswing out of last fall. Many covered call positions have also been assigned as stock prices rose above the call option strikes and targets.

That said, while much of the U.S. market doesn't look cheap right now, what names may appear cheap in five – ten years as we look back? For instance, **just last week, Mastercard announced that it has received approval from The People's Bank of China to begin formal preparations to set up in China – within one year.** Think about that potential…

With a great upward move in so many technology and financial stocks, I recommend maintaining positions and if it is a new one, consider a smaller position so that you are participating in market growth on one hand, but also have room to add in the event of any market pullback.

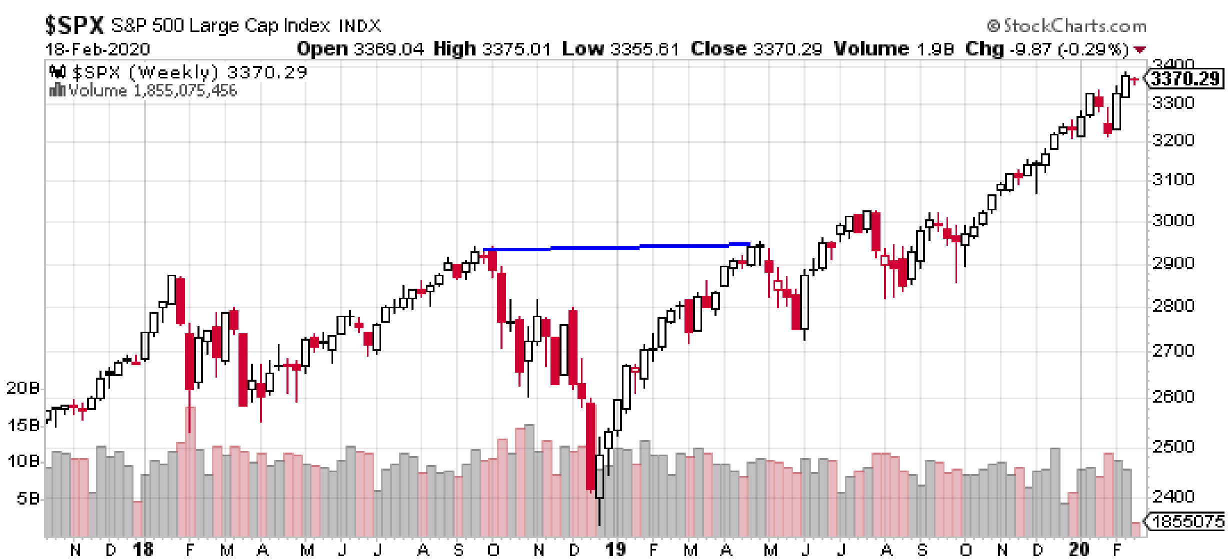
Don't be afraid of holding a little cash from recent assignments to take advantages of pullbacks in individual stock names. Opportunities will come along.

This market remains very much driven by deflationary sectors like technology, financials, consumer stocks. It is NOT conducive to inflationary stocks – like commodities. If you think about it our market experience of the last six months is the opposite of what we experienced the year prior.

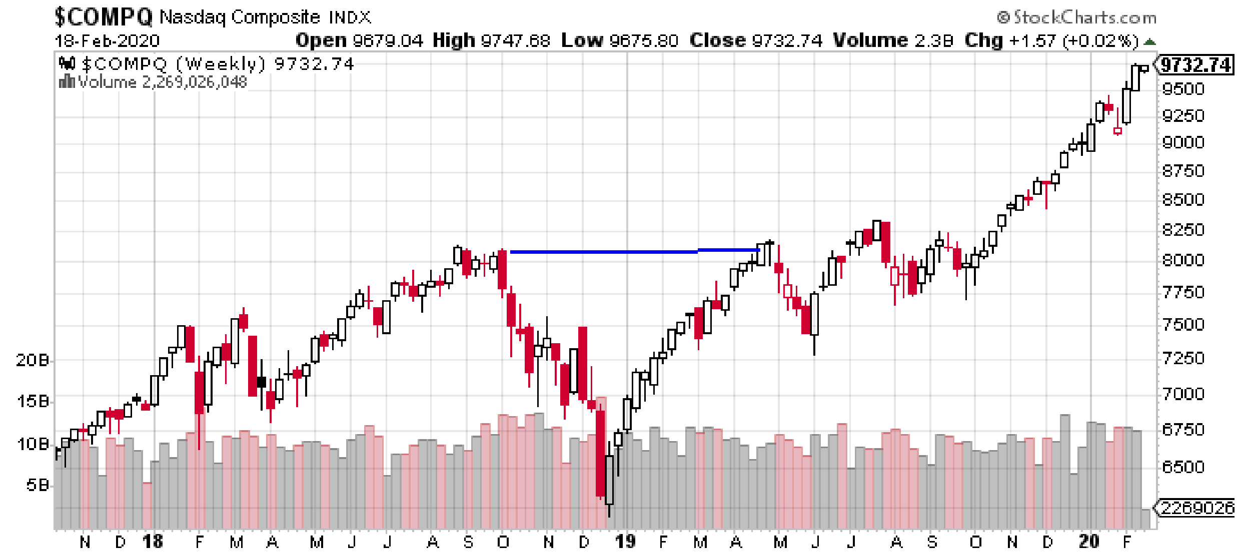


The last correction and recovery occurred between October 2018 and May of 2019 – over six months. The current move upward in markets got underway last October of 2019. If you factor out the correction (see blue line), **the TSX has risen about 7.5% above that level since last fall**.

During the same period, **the S&P 500 in the U.S. has risen about 14%.**



During the same period, **the technology heavy Nasdaq in the U.S. has risen about 20%**



Interest rates remain low…

5-year Canada Bonds 1.37%
5-year U.S. Bonds 1.40%

The Canadian dollar remains soft at about 0.755 to the U.S. dollar.

The cherry trees have blossomed, and I see blue skies – a welcome change.

Bring on Spring!

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.

Best,

National Bank Financial

Rob Hunter
Vice President
Senior Investment Advisor

Sources: Reuters, Stockcharts.com

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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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