

Market Update

July 13, 2020

The U.S. market is the leader. Canada is lagging.

This week we will start to see the reporting of Q2 earnings and they are expected to be pretty bad given that Q2 will capture the global shutdown of the economy.

So why is the stock market doing so well?

- Markets tend to be forward looking. Despite the anticipated bad news, past pandemics didn't last forever.
- Many sectors of the economy are adapting to the changes brought by Covid 19. (*Adapt to survive*)
- Still, I anticipate that the reporting of Q2 could be the reason for some chop in markets over the next few weeks to potentially retest lower levels.

Does it matter?

- Bonds and cash are not a very favourable alternative as interest rates are nearly zero. They provide a negative real return.
- Remember the financial crisis in 2008 <50%>, the later part of 2018 <20%> or just last March <30%+>. Our perceptions of markets are built on time and experience. I have intentionally added longer-term charts below to update you on recent market movement. They illustrate adequately that all negative experiences in markets are historically dwarfed by positive ones.

What should I do?

- Nothing. Enjoy the dividend income (which is much higher than current bond rates), keep selling calls to enhance that income where able and wait for the growth should it take a break in the U.S. like it has recently in Canada.

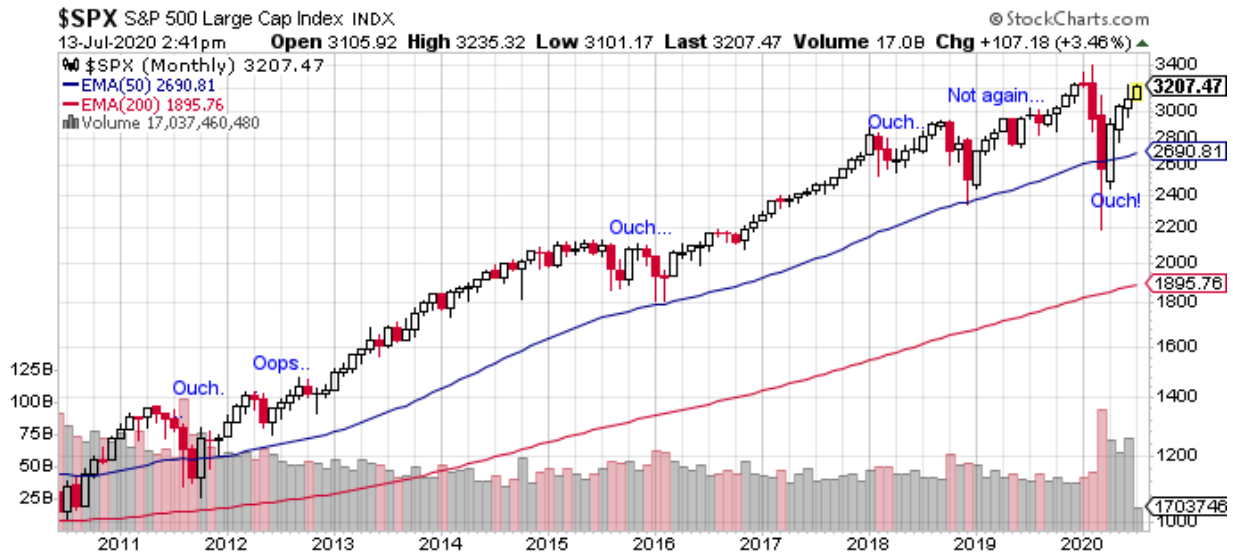
The stock market is driven by you – the consumer. Consumer spending has been somewhat strong but the government has also been delivering cheques on a short-term basis. Consumer behaviour precedes each aspect of the economic cycle be it growth (spend) or recession (conserve).

Markets...

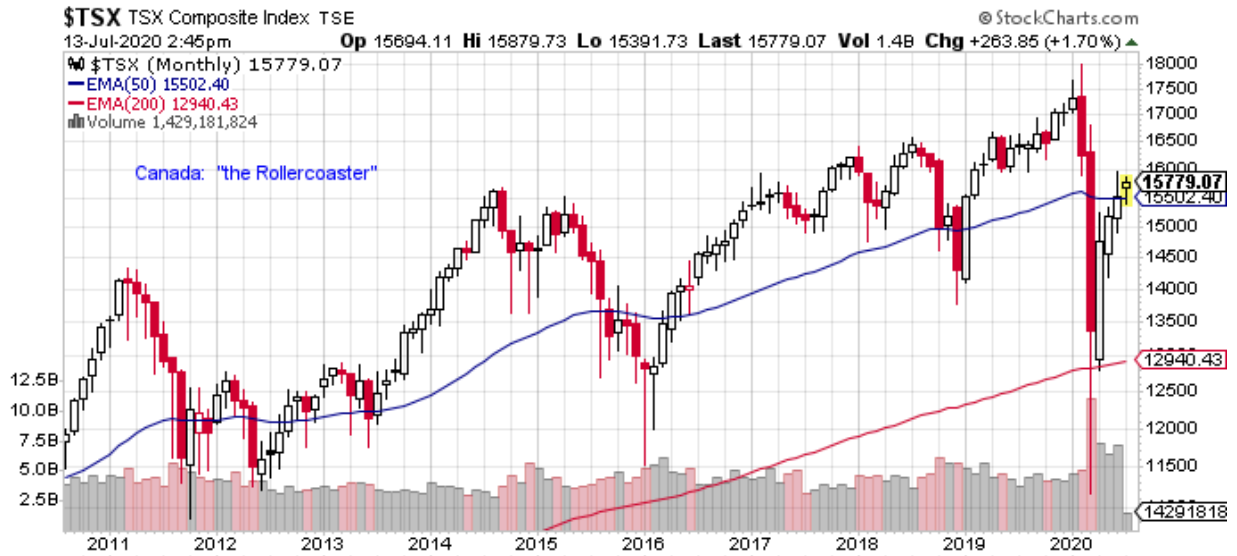
The Nasdaq leads... This U.S. (tech laden) index has risen +10.5% above where it was at the last market peak prior to this Covid-19 correction February 20th which is pretty impressive. Remember though, technology historically emerges later in an economic cycle.



The broader market S&P 500 index... second place. It is <4%> below it's Feb 20th peak.



Trailing from behind is Canada, The TSX broad Canadian index. It is <13%> below the Feb 20th peak. Remember Canada is not that diverse as an economy and is dependent on resources which are currently out of favour. It is a great market for dividend income and has plodded along higher, but over the last decade like a rollercoaster – providing much more volatility. This is why you likely have exposure to a much more diverse U.S. stock market...



Stay safe 😊



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, Bloomberg, Thomson One

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.

