Canaccord Genuity Wealth Management

Notes from the Bridge

Benson Private Wealth

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As we head into Oscar season and if January were a movie, it's title would have to be The Subtraction of Fear. A lot has happened over the past few months, but in the face of adversity the Oscar goes to Patience.

Over the past few weeks we have heard from the Federal Reserve Chairman twice, seen oil prices rebound strongly, and numerous companies and economic agencies have released positive reports. All of which has worked to sooth fears that gripped many investors in December. Not to imply that risk has disappeared because it certainly hasn't, but rather the "sell at any price" exodus that affected us has.

When I look at all that data, it is my belief that we are in store for higher volatility and rather subdued index returns over the course of the year. Those who shift the conversation could very well be delivered better outcomes. What I mean by this is, if we ignore the day to day price movements of the markets and adjust for where the economic data is suggesting earnings are going rather than where they are today, our experience should be much more in line with our goals.

This week I had the opportunity to sit down with three institutional money managers for their outlooks. Mike MacBain of East Coast Capital, shared his concerns regarding rising longer-term interest rates, while both John Thiessen of Vertex One and Rafi Tahmazian of Canoe shared their viewpoints on energy.

For years, fixed income has provided low and declining yields; investor returns primarily came from the capital appreciation on the underlying bonds. Now that longer term rates are rising, investors in today's now lower yield bonds could experience price depreciation and potentially negative returns in the future. Reducing interest rate risk today for tomorrow's higher rates could very well mitigate that potential return headwind. Given recent Federal Reserve commentary, investors should shift their focus and employ strategies that differ from what previously worked as rates fell.

In my conversations with both John Thiessen and Rafi Tahmazian, it was obvious that both see tremendous value and opportunity within the Canadian energy sector. It is certainly not without its risks, political risk chief among them, but the value proposition is quite compelling.

When you put into context that newly discovered reserves last year equated to only 35 days of current global consumption, the global supply/demand balance could significantly tighten within two years. As that happens, global energy companies with the ability to sell into that environment could be expected to deliver strong growth over the coming few years.

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Again, going back to the theme of looking where the data is suggesting the opportunities will be, it is my belief that the growing supply/demand imbalance is setting the stage for strong growth within the global energy sector. Considering that the energy sector also makes up a significant portion of the S&P TSX Index, I would not be surprised the Canadian market delivers stronger returns than many others are expecting this year.

This Sunday, sports fans around the world will be taking in Super Bowl LIII, between the New England Patriots and the Los Angeles Rams. New England won their previous Super Bowl meeting in 2002. They have also played in 7 more since, winning 5. While I expect a great game, I think it is time they share the trophy collection. Go Rams.

Have a wonderful weekend with friends and family.

Erik Benson, CFA, CIM
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This Week's Market Numbers

S&P/ TSX Composite	15,506
Dow Jones Indus. Avg.	25,063
S&P 500	2706
Canadian/US Dollar	$0.7561
US/Canadian Dollar	$1.3224
Euro / Canadian	$1.5095
Gold	$1322.60
Silver	$15.93
Copper	$2.77
Brent Crude Oil	$62.80
WTI Crude Oil	$55.30
Natural Gas	$2.74