

Notes from the Bridge

Issue 9

Friday, March 1st, 2019

The Canadian and US economies have not escaped the plateauing of the global economy, but they are not falling off a cliff. Businesses have breathed a sigh of relief after a turbulent fourth quarter, and equity markets have recovered. However, I expect the path forward to look different.

Despite slowing economic indicators confirming a deceleration of economic momentum, the green shoots of reflation should allow for stabilization of global growth, albeit at lower levels. Within such an environment, earnings growth should be expected to be muted over the near-term, thus I would expect further index returns to also be subdued.

While this may not sound like an exciting environment, there are opportunities to be taken advantage of. I continue to believe that real estate, utilities, bonds and preferred equity will deliver balanced income within any portfolio, however, growth has been rotating away from last year's momentum leaders. With some of that rotation quite possibly making its way into Canada.

With reflation beginning to appear, and global energy prices stabilizing, the negative sentiment towards Canadian energy companies may be about to end. Not suggesting investors run out and speculate on anything oil and gas related, but rather companies such as Enbridge, Suncor and Vermillion Energy could very well deliver more than just strong dividends this year.

Considering that firmer commodity prices also tend to lend support for our Canadian Dollar, do not be surprised to see the 'Loonie' move up a few cents versus our American counterpart.

How I see the investment path being different going forward, is while we may be in a period of very modest overall economic headline growth, our economy is rapidly evolving underneath. An evolution that has seen our lives become ever more digital, and as the digital economy moves past the installation phase of the past two decades towards full deployment, how we own this growth should also change.

Earlier this week the Mobile World Congress was held in Barcelona, where industry innovation around connectivity was on display. Front and center of that was how 5G and Artificial Intelligence are transforming how we will

Erik Benson, CFA, CIM
Investment Advisor &
Portfolio Manager

Lori Kennedy
Investment Advisor Assistant

Jena Karmali
Business Development Associate

Strategic Partners

Paul Marion, CLU, CHS
Managing Director, Wealth
Management – Canada
Canaccord Genuity Wealth &
Estate Planning Services Ltd.

Anne Jackson, BBA, CMA
Wealth & Estate Planning
Specialist

communicate, consume goods and services, and run our businesses in the very near future. According to a recent report from PwC U.S. Global investors, applications of Artificial Intelligence are forecast to contribute over \$15 Trillion to global economy growth by the end of the next decade. Although not every industry or sector will be affected equally, those at the forefront of AI today and who hold the patents upon which applications will be built, have an extraordinary edge towards capturing that growth.

According to the World Intellectual Property Organization, IBM, Microsoft and Alphabet (Google) hold approximately one-third of those patents. Last week I discussed how companies at the forefront of structural change tend to deliver sustained earnings growth; and as we all know sustained earnings growth, over time, is what drives valuations higher.

So, while the overall index may not be expected to deliver much growth over the remainder of the year, given all the shorter-term influences, companies such as those noted above who are the forefront of longer-term shifting economic growth could deliver a better outcome without having to assume greater risk.

Have a wonderful weekend with friends and family.

Erik Benson, CFA, CIM
Benson Private Wealth

The information contained in this newsletter is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it do the author or Canaccord Genuity Corp. assume any liability. This information is given as of the date appearing on this newsletter, and neither the author nor Canaccord Genuity Corp. assume any obligation to update the information or advise on further developments relating to information provided herein. This newsletter is intended for distribution in those jurisdictions where both the author and Canaccord Genuity Corp. are registered to do business in securities. Any distribution or dissemination of this newsletter in any other jurisdictions is prohibited. The holdings of the author, Canaccord Genuity Corp., its affiliated companies and holdings of their respective directors, officers and employees and companies with which they are associated may, from time to time, include the securities mentioned in this newsletter.

CANACCORD GENUITY WEALTH MANAGEMENT IS A DIVISION OF CANACCORD GENUITY CORP.,
CANACCORD GENUITY CORP. IS A MEMBER OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION
OF CANADA (IIROC) AND CANADIAN INVESTOR PROTECTION FUND (CIPF)

This Week's Market Numbers

S&P/ TSX Composite	16,068
Dow Jones Indus. Avg.	26,026
S&P 500	2,803
Canadian/US Dollar	\$0.7519
US/Canadian Dollar	\$1.3298
Euro / Canadian	\$1.5110
Gold	\$1291.40
Silver	\$15.17
Copper	\$2.93
Brent Crude Oil	\$64.95
WTI Crude Oil	\$55.80
Natural Gas	\$2.85