

# Notes from the Bridge

Issue 40

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Since 1962, financial markets have experienced a correction entering every one of the 14 mid-term elections. More importantly though, the twelve-month period after each of those mid-term elections, the markets were higher.

Our research department prepared the chart below, and while it is not meant as a prediction for 2019, it does illustrate the positive nature that typically accompanies any President's third year in office. Given the constructive tone with respect to the North American economy and reasonable earnings growth, I am optimistic regarding the way forward.

<i>S&amp;P 500 Outperforms After Midterms</i>		
Period	Market Correction Prior to Midterm	Market Performance 12 Months Later
2014	-7.00%	9.00%
2010	-16.00%	31.00%
2006	-8.00%	24.00%
2002	-34.00%	34.00%
1998	-19.00%	38.00%
1994	-9.00%	15.00%
1990	-20.00%	29.00%
1986	-9.00%	40.00%
1982	-17.00%	58.00%
1978	-14.00%	12.00%
1974	-38.00%	38.00%
1970	-26.00%	44.00%
1966	-22.00%	33.00%
1962	-26.00%	33.00%
Average	-18.90%	31.30%
Median	-18.00%	33.00%

While I am cognizant of the current market turbulence, I also know that the best time to own businesses with great products and services, that are generating growing cashflows, earnings, and dividends is during such periods. **Apple**, for example, is one such company.

We all know Apple products like the iPhone and iPad, but I expect the real value going forward will be in their iTunes/iCloud, Apple Pay and Apple Care services. Services that are subscriber based, that deliver recurring annual revenues, and with an iPhone customer base that is nearly 700 million, that recurring subscription revenue should be substantial over the coming years.

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JPMorgan put out a report last week suggesting that Apple's recurring service revenues could approach 50billion annually by the end of this decade. That is a staggering growth rate that I suspect many investors are not yet factoring in. When I further consider Apple's monumental cash balance of 120billion, and a trading valuation that is already below its historical norm, those accelerating revenues driven by its services division, make Apple very attractive amid the current turbulence.

While I cannot predict where the market will price Apple next week, it is my belief that those who take advantage of this correction will be happy they did so a year from now.

Have a wonderful weekend with friends and family.

As a reminder, this Sunday marks the 100<sup>th</sup> anniversary of the armistice ending the First World War. Please do set aside some time to honour those who have served Canada on this Remembrance Day.

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## This Week's Market Numbers

S&P/ TSX Composite	15,274
Dow Jones Indus. Avg.	25,988
S&P 500	2787

Canadian/US Dollar	\$0.7573
US/Canadian Dollar	\$1.3202
Euro / Canadian	\$1.4965

Gold	\$1209.60
Silver	\$14.14
Copper	\$2.68

Brent Crude Oil	\$69.75
WTI Crude Oil	\$59.86
Natural Gas	\$3.72

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