

Notes from the Bridge

CANACCORD Genuity
Wealth Management

Benson
Private Wealth

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In what has been another tumultuous week for the capital markets, corporate earnings remain robust and the global economy continues to expand. What is of significance though, is that we have witnessed a considerable divergence of the global economic expansion and have now begun to debate the growth rate of future earnings.

Rising interest rates and bond yields, after languishing over the quieter summer months, have resumed their march upwards. Considering that the North American economy is in decent shape, and the labour markets are as tight as they have ever been, there is a clear and compelling case for interest rates to rise by a full percentage point over the coming year. While rates are relatively low today, I believe they will likely surpass many forecaster's expectations.

Keeping in mind that the global central banks spent an unprecedented period of time with a zero-interest rate policy, and we now have a divergence of policy between North American and other global central banks, I would expect equity market volatility to remain in place. I am not suggesting a return to the extremes we saw in 1999/2000 or 2008/2009, but rather that the current and future opportunities are shifting.

As mentioned last week, I continue to see opportunity and value in the US equity markets, however, I am seeing greater opportunity and value now present themselves outside of those markets. It is not about predicting the absolute best moment in time, but rather recognizing when the market prices high quality companies at valuation lows and taking advantage. I received the chart below from QV Investors Inc., which illustrates this quite well.



*Source: Bloomberg

With the US Federal Reserve having a clear case to continue their pace of tightening monetary policy versus the European Central Bank, and other major central banks, remaining more accommodative, my expectation is for equity markets outside of the U.S. to become increasingly attractive.

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Being cognizant of the significant excesses that lie within certain pockets of the U.S. markets, and recognizing the relative undervaluation of other global equities such as the U.K., the European Union or even China, substantial benefits may be realized.

Municipal elections are taking place across our province this Saturday. Please do not forget to vote.

Have a wonderful weekend with friends and family.



Erik Benson, CFA, CIM
Benson Private Wealth

Please join us for this exclusive event, featuring industry leading CEOs and our Canaccord Genuity Real Estate research team.



The real estate market is at a critical juncture, these industry experts will shed light on the risks and opportunities. This event will feature exciting presentations from four industry leading CEOs as well as a panel discussion led by our Real Estate Analyst, Mark Rothschild.

Date: Monday, October 22nd, 2018
5:00 PM Registration & hors d'oeuvres
6:00 PM Presentation

This Week's Market Numbers

S&P/ TSX Composite	15,470
Dow Jones Indus. Avg.	25,444
S&P 500	2774

Canadian/US Dollar	\$0.7628
US/Canadian Dollar	\$1.3108
Euro / Canadian	\$1.5084

Gold	\$1229.50
Silver	\$14.65
Copper	\$2.78

Brent Crude Oil	\$80.00
WTI Crude Oil	\$69.30
Natural Gas	\$3.24

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