

# Notes from the Bridge

CANACCORD Genuity  
Wealth Management

Benson  
Private Wealth

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Many different headlines grabbed our attention this week. From Canadian GDP and NAFTA negotiations, U.S. Purchasing Managers Index data, to the Italian Government announcing much higher than expected deficit spending all having an impact. However, I want to focus on what I consider to be tremendously important for British Columbia and the Canadian energy sector, as it looks like LNG Canada is finally going ahead.

Without getting into either the political or environmental debate, as they are also substantial and important, the economic benefits for us as taxpayers and investors stand to be considerable. Thursday evening, two of Royal Dutch Shell's Asian partners in the liquified natural gas venture, known as LNG Canada, approved their portion of the investment. Thus, I fully expect LNG Canada, led by Royal Dutch Shell, to make the same positive announcement next week.

In 2014, Royal Dutch Shell suggested that approximately \$40 Billion would be spent on this project, and upon completion could export more than 25 million cubic tons of LNG, per year, to Asia. This has an enormous economic impact, not only through the generation of several thousand jobs, but also from the considerable demand for B.C.'s natural gas. The epicenter for this demand is the Montney region, near Dawson Creek.

With Asia's demand for clean energy booming, and very supportive strong LNG market prices, the decision by PetroChina and Korea Gas Corp. to financially proceed with this investment should be expected to start a wave of investment in B.C. and Alberta's oil and natural gas sector. After several years of under investment within this space, it is my expectation that investors seeking both capital appreciation and dividends are about to have their patience rewarded.

Not only is it my belief that there will be considerable increase in capital expenditures to grow production to meet this need, but also that end users such as Korea Gas Corp may look to secure their supply of LNG through acquisition of existing operators within the region. Considering that investment capital has essentially fled this sector of the market over the previous few years, valuations are now very attractive with many producers trading well below their book values.

My conviction has always been to match one's tolerance for risk to their expected return or reward, thus how each investor is able to take advantage will differ. However, for investors where incoming dividends is not a priority, producers such as **Painted Pony** or **Crew Energy** are worth discussing. Where dividend income is of greater priority, larger producers, such as **Arc Resources** with its 4% dividend may be more appropriate. Considering that all three trade at, or well below, their book values and have very strong production growth profiles within B.C.'s Montney region, both growth and dividend investors could be very well rewarded.

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Whether you are investing for growth or dividend income, today's announcement represents a tremendous opportunity for investors that I intend to quickly take advantage of.

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 22<sup>nd</sup>, 2018  
5:00 PM Registration & hors d'oeuvres  
6:00 PM Presentation

This event is by invitation only, please RSVP at your earliest convenience. We look forward to seeing you.

## This Week's Market Numbers

S&P/ TSX Composite	16,073
Dow Jones Indus. Avg.	26,457
S&P 500	2,913

Canadian/US Dollar	\$0.7739
US/Canadian Dollar	\$1.2917
Euro / Canadian	\$1.4996

Gold	\$1195.50
Silver	\$14.65
Copper	\$2.80

Brent Crude Oil	\$82.69
WTI Crude Oil	\$73.43
Natural Gas	\$3.01

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