

# Notes from the Bridge

CANACCORD Genuity  
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Benson  
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As we enter the final month of the year, there is that Prometheus moment where we look both backward and forward in time. Reviewing not only the positives and negatives of the current year, but also what we expect for the next.

Investors who bet on momentum, and the continuation of existing market trends did well, while contrarian investors heavily allocated towards energy did not. We are investors in both. But the question now becomes, does that momentum continue?

Both Morgan Stanley and J.P. Morgan Chase put out a note today that this momentum trade could be getting stretched, and they feel this strategy is headed for a pause. While others, such as Goldman Sachs, continue to see huge optimism within the equity markets.

Warren Buffet has famously said “be fearful when others are greedy and greedy when others are fearful”. There are growing reasons to be getting fearful of the momentum trade, particularly when the talk of the Christmas cocktail party turns to “how do I buy bitcoin”. The greedy flipside of that is, we are amid a tremendous evolution of technology as digitization, industrial automation, robotics and artificial intelligence become a greater part of our everyday lives.

Where the challenge lies for investors, is how do we distinguish between the two?

With equity markets being forward looking mechanisms, there will be a great many speculators in the bitcoin / blockchain technology space. This reminds me of the dot com euphoria where the internet was going to change our lives. Well the internet did dramatically change our everyday life, but there is only one real dot com left (Amazon), the rest all went ‘poof’ as that momentum unwound.

Today is no different, there will be plenty of highly speculative momentum driven companies that will get a lot of media attention as they are being promoted as part of this technological evolution. But what I would expect is that companies such as **IBM** and **Microsoft** will be at the center of those who dominate in the future. Yes, there will be also be a few other enormous winners, but the vast majority will go ‘poof’ just as they did in the dot com bust.

Now some of you may be thinking, what? Big Blue, IBM, nobody uses IBM these days. Well that is all about to change. Gone are the days where IBM is thought of as just a maker of workplace machines. Today IBM is a world leader in artificial intelligence, global data management and cognitive business solutions.

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Remember Watson, the computer that was built to beat a chess grandmaster, and win Jeopardy? Well, IBM's Watson is now a global leader in artificial intelligence. From providing cognitive solutions to doctors around the world, helping them better manage over 100 million healthcare records, to aiding automotive, shipbuilding and railway engineers build the next generation of interconnected transportation.

Here is the part where I would suggest investors get a little greedy. IBM trades at a significant discount to the market, at 11 times earnings, pays nearly a 4% dividend that gets raised every year and has a return on equity (ROE) that is substantially higher than market average. Yes, it might sound boring and require patience, but it is also quickly becoming a central part of the technology evolution that is taking place right now.

And it certainly won't go 'poof' when the momentum merry-go-round stops.

Thank you for taking the time to read my commentary this week. Please feel free to share with those you care about.

Respectfully,



**Erik Benson, CFA, CIM**  
**Benson Private Wealth**

## TODAY'S STOCK WATCH

S&P/ TSX Composite	16,038
Dow Jones Indus. Avg.	24,231
S&P 500	2,642

Canadian/US Dollar	\$0.7878
US/Canadian Dollar	\$1.2689
Euro / Canadian	\$1.5092

Gold	\$1283.50
Silver	\$16.48
Copper	\$3.09

Brent Crude Oil	\$63.73
WTI Crude Oil	\$58.37
Natural Gas	\$3.06

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