Portfolio Management
Monthly update

May 2019

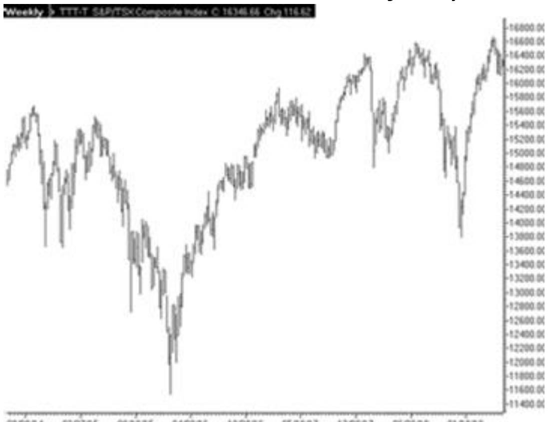
US China Trade War reducing global growth expectations

Highlights

- **US China Trade War catalyst for May pullback**
- **Recession very unlikely in the next year**
- **Headline risk should give some buying opportunities**
- **We increased cash levels after the big run up in stocks**

TSX 5 year chart

Source: Thomson Reuters as of May 27, 2019



According to Nancy Lazar from Cornerstone Macro's May 27th, this the 4th slowdown in the current expansion cycle since 2009.

-2011 was hit with the US government debt downgrade.
-2013 experienced the US government sequester.
-2015 saw the China slowdown & US industrial woes.

Cornerstone is expecting a slower Q2 as business confidence is eroded from the trade war; bad weather and flooding are also taking a toll. They do however look for a reacceleration later this year for 4 reasons:

- Low inflation enabled by improving productivity
- Low interest rates & an accommodative US Federal reserve
- Pent up Capital spending demand & a US manufacturing renaissance
- Pent up US housing demand (one of few sectors with positive momentum now)

They also mention that China did 3 more small credit easing moves last week. Australia is also easing & India's reelection of Modi improves their growth outlook. The European prognosis is still poor since they have not done any of the structural reforms required to encourage business investment.

Canadian economic growth is improving after the poor .5% annualized rate in Q1. As weather & US trade issues improve April is already showing improvement. (BMO economic research comments May 27) The bond market is still pessimistic as Canadian10 year bond yields have fallen to 1.62% from a high of 2.62% in 2018. No short term interest rate hikes are expected from the Bank of Canada.

Our chief strategist Brian Belski in his May 24 comments does not expect much damage to earnings and views any further pullback as a buying opportunity, especially for solid dividend growth companies.

Companies such as Visa, Disney, Microsoft, Costco in the US; Brookfield, Enbridge, TD Bank, Loblaws in Canada are holding up well. We have a list of favorites to buy at the right price. Since we expect interest rates to remain low, high dividend stocks also look good. We have added a REIT ETF and increased Bell Canada and Enbridge lately.

We have raised some cash to take advantage of these opportunities, both for individual equities & growth mutual funds.

Regards,

Scott Barnum, CFA
V.P. and Portfolio Manager

Don Behan, CFA
V.P. and Portfolio Manager

BMO Wealth Management
BMO Nesbitt Burns

The Behan Barnum Investment Management Group