# Portfolio Management Monthly update

## Canadian Economic Growth Holding at 2% Annualized Despite Trade Worries

The Canadian economy is quietly soldiering on amid the lingering and trade uncertainties. GDP was surprisingly healthy at +0.2% in July, with strength in manufacturing and a lighter hit from oil sands outages. This, along with firm trade data and details on how StatsCan will handle next month's cannabis legalization, prompted us to nudge up our call on GDP growth for both this year & next to 2.1% & 2.0%, respectively. While still a far cry from the robust U.S. estimates of 2.8% and 2.5%, Canadian growth keeps the Bank of Canada on track for further rate hikes—NAFTA willing, of course. In contrast to the U.S. upgrade though, this one has nothing to do with the consumer. In studied contrast, Canadian consumer confidence took another heavy step back in September, and remains well below the prior cycle. In fact, relative to strong U.S. levels, Canadian consumer confidence is at its lowest in at least 15 years. (*Doug Porter, BMO Economics, Sept 27 2018*)

#### Tentative NAFTA Deal rallying Canadian Stocks and Dollar

The Quebec election on Monday likely removed a barrier for negotiators. The deal must be approved but the Canadian Dollar is over \$.78 US up almost \$.01. The TSX was up .7% Monday October 1. If the Canadian dollar rallies above \$.80, we would be inclined to buy some US\$ for those who want to own US stocks or travel there regularly.

### Brian Belski, Chief Equity Strategist, Not Raising Year End S&P 500 Target

Although our base case 2018 S&P 500 year end price target of 2,950 is only marginally above current levels, we are not inclined to make a revision now. There is a good chance the S&P 500 could finish the year at a level above our current target, we do not believe it would be enough to warrant an official target revision. Earnings & economic growth has been much better than expected and stock price multiples have not contracted as much as anticipated but upward estimate revisions have set a high bar. Midterm Election Performance May Have Been Pulled Forward. (*Brian Belski, US Strategy Comment, BMO Capital Markets, Sept 27, 2018*)

### Jennem September 2018

### Highlights

- Canadian economic growth okay despite trade worry.
- Trade deal should help the TSX.
- US earnings estimates getting optimistic.

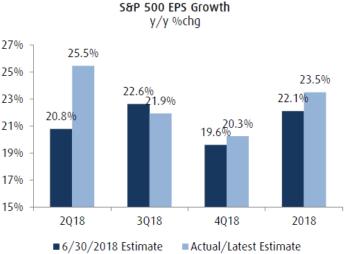


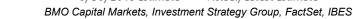


#### GDP Growth Highest in 4 years



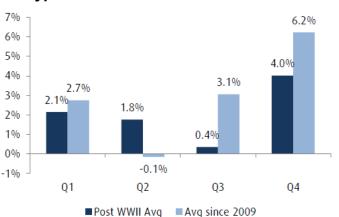
#### Earnings Expected to Keep Rising at 20% rate





#### **Eurozone Growth Continues to Lag**

The Eurozone continues to rely on Monetary Policy only and is getting very mediocre results from their efforts. The Eurozone grew at a paltry 0.4% in Q2. (Bill Gunderson Newsletter, Sept 15, 2018)



#### Typical Q4 Rise is 4-6%

#### Stock Sector Comments

Technology continues to lead, with health care a close second. Consumer discretionary stocks have been rising with some exceptions, especially those with interest rate sensitivity. Rising rates have also hurt utilities and home builders. Industrial stocks have been poor, but seem to be basing as US growth is still strong. Energy has been fairly good in the US, but doing nothing in Canada. They have based however, and look like a buy currently. Strong oil prices should continue with global growth still reasonable and supply issues in Venezuela, Brazil, Mexico and of course Iran sanctions.

If you have any questions about the above information, please feel free to contact our office. We hope everyone has a wonderful upcoming long weekend.

Scott Barnum, CFA V.P. and Portfolio Manager Don Behan, CFA V.P. and Portfolio Manager





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