



RBC Dominion Securities Inc.  
Suite 2300 Edmonton Tower  
10111 104 Ave  
Edmonton, AB T5J 0J4  
Investment Advisor : Bill Gee  
Phone: (780) 493-7750  
Email: William.Gee@RBC.com  
Associate: Yi Gong  
Email: Yi.Gong@RBC.com  
Phone: (780) 493-7760

---

## **THE GEE NOTE -Dec 2018**

---

### **Market comment**

*Year to date the Canadian TSX/SP60 index is down 9%, U.S. S&P 500 off 2% and the Dow Jones Industrial Average is down 1%. Debate continues whether a bear market has started. The technical definition of a bear market is stock prices have fallen 20% from its high. The Dow Jones Industrial Average currently at 24443 has fallen 9% from its high of 26828 and the S & P 500 currently at 2637 down 10% from its peak of 2940. Amid greater volatility, markets are concerned with the ongoing China –U.S. trade war, inversion of the yield curve where the 2 year yield curve is greater than the 5 year one, rising interest rates and Brexit concerns. Our indicators do not forecast an imminent recession. Earnings, investment spending and corporate balance sheets are still strong. We expect eventually there will be some progress leading to a U.S. China trade deal. In addition in a pre-election year of 2019, the Trump administration can ill afford policies that will facilitate free falling markets, layoffs, fleeing donors and falling consumer confidence. Now is the time to look for opportunities to acquire and switch into quality companies well off their highs.*

*JP Morgan, Our U.S. research partner has a target of 3100 on the S&P 500 for 2019. Over the next year we could see \$1.5 trillion worth of stock buybacks to support the markets. We favor overweighting Technology, Consumer Discretionary, Industrials and Energy*

## Infrastructure investments for the 21st century

*Infrastructure investments for roads, power plants, airports, bridges, high speed transit, hospitals, etc offers the greatest near-term opportunity. The global demand for new, refurbished, and replacement infrastructure assets is immense-particularly in the world's two largest economies (U.S. and China). The World Economic Forum estimates the world underinvests in infrastructure each year to the tune of US\$1 trillion. Infrastructure investments should perform relatively well in the economic environment we foresee over the coming decade. Most infrastructure sectors benefit from economic growth and inflation to some extent while demand tends to be relatively resilient in downturns.*

*Brookfield Renewable Partners L.P. (BEP.UN-T) \$36.40 7.1% yield*

*One attractive infrastructure investment is Brookfield Renewable Partners L.P. Brookfield Renewable Partners is a renewable energy company that primarily owns over 800 hydroelectric generating facilities. 80% of the portfolio are hydro facilities which we view as being the most attractive form of renewable energy (long asset life) and the majority of power is contracted, limiting exposure to the merchant power market. Brookfield Renewable Partners has fallen approximately 20% from its high of \$45.47 to \$36.40 with an attractive dividend yield of 7.15%, we have a one year target of \$43.*

### **Stocks to buy in this correction:**

|                            | Price (\$) | Yield (%) | % downs from its high | One year target price (\$) |
|----------------------------|------------|-----------|-----------------------|----------------------------|
| <b>Canadian buys</b>       |            |           |                       |                            |
| <b>Bank of Nova Scotia</b> | 71.64      | 4.75      | 14                    | 88                         |
| <b>CIBC</b>                | 105.5      | 5.10      | 15                    | 135                        |
| <b>Laurentian Bank</b>     | 37.3       | 7.00      | 34                    | 51                         |
| <b>Toronto Dominion</b>    | 68.8       | 3.90      | 14                    | 92                         |
| <b>Enbridge</b>            | 42         | 7.00      | 11                    | 59                         |
| <b>U.S. Buys</b>           |            |           |                       |                            |
| <b>CBS</b>                 | 47         | 1.50      | 25                    | 71                         |
| <b>Costco</b>              | 202        | 1.10      | 17                    | 247                        |
| <b>Fedex</b>               | 182        | 1.40      | 33                    | 230                        |
| <b>Mastercard</b>          | 190        | 0.70      | 15                    | 232                        |
| <b>Royal Dutch Shell</b>   | 58         | 6.50      | 22                    | 70                         |
| <b>Square</b>              | 59         | -         | 41                    | 95                         |
| <b>Visa</b>                | 131        | 0.70      | 13                    | 170                        |

## Tax Loss Selling

*In Canada, the last day in 2018 for tax-loss selling on the American and Canadian Stock Exchanges is December 27, 2018. If you sell at a loss on or before that date, you could deduct your loss against your 2018 capital gains. However, you can also carry your loss back for the previous three years to offset capital gains in Canada, or carry it forward indefinitely, to offset past or future capital gains.*

## WHAT'S YOUR INTEREST?

### \*GIC Rates (%)

| 1yr  | 2yr  | 3yr  | 4yr  | 5yr  |
|------|------|------|------|------|
| 2.80 | 3.20 | 3.30 | 3.35 | 3.45 |

### General Disclaimers

\*Prices as of 12/17/2018, Recommendations subject to change without notice  
Targets, Yields and Ratings provided by RBC Capital Markets

### Legal disclaimers

Securities or investment strategies mentioned in this newsletter may not be suitable for all investors or portfolios. The information contained in this newsletter is not intended as a recommendation directed to a particular investor or class of investors and is not intended as a recommendation in view of the particular circumstances of a specific investor, class of investors or a specific portfolio. You should not take any action with respect to any securities or investment strategy mentioned in this newsletter without first consulting your own investment advisor in order to ascertain whether the securities or investment strategy mentioned are suitable in your particular circumstances. This information is not a substitute for obtaining professional advice from your Investment Advisor. The commentary, opinions and conclusions, if any, included in this newsletter represent the personal and subjective view of the investment advisor William ( Bill) Gee who is not employed as an analyst and do not purport to represent the views of RBC Dominion Securities Inc.

The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof.

RBC Dominion Securities Inc.\* and Royal Bank of Canada are separate corporate entities which are affiliated.

\*Member-Canadian Investor Protection Fund. RBC Dominion Securities Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. ® / TM Trademark(s) of Royal Bank of Canada. Used under licence. © RBC Dominion Securities Inc. 2018. All rights reserved

ALL IS calm  
all is BRIGHT

*On behalf of my associate Yi Gong  
and myself, we thank you for your  
continued support and referrals.*

*We wish you a very Merry  
Christmas and the best of health,  
wealth and happiness in 2019!*



### *My Christmas Wish List*

*The World - Peace and Goodwill*

*Kim Jong Un - A recording of "Reunited" by Peaches & Herb*

*Donald Trump - A Huawei smartphone*

*President Xi - An Apple iPhone*

*Princess Kate & Princess Meghan - Bury the hatchet*

*UK Prime Minister Theresa May - Bury Brexit*

*Kansas City Quarterback Patrick Mahomes - A Superbowl ring*

*President Putin - A second Superbowl ring*

*To all those I missed - A higher profile*

