A “RISK ON” WEEK

Since the 2008 financial crisis, an oft heard comment by markets analysts is confidently describing the stock markets as “**risk on**” or “**risk off**.”

For those who have maybe pondered this comment, it could be described as shorthand for market sentiment. When investors are optimistic (for whatever reason) they will buy and force up the price of riskier assets. In other words, stocks, and most often the shares of growth companies, as opposed to more stable shares, such as utilities, are ***“RISK ON”***.

When new data or alarming news (think trade wars) drives up uncertainty, investors tend to sell risky assets in a hurry and purchase assets perceived to be safe havens. For example, stable, high dividend stocks and, especially, bonds, even if the yield on them is negative. That’s ***“RISK OFF”.***

This week’s ***Global Insight*** continues on with last week’s analysis: debating whether the recent up-move in equity markets will continue on to a meaningful move above the recent high points (they do not quantify “meaningful”). Their answer is again “**NO**”. Bob Dicky, our US technical analyst, is quoted that he does not believe that “hefty gains” will be seen in the short-term. Much of this week’s market strength has been based off encouraging China/US tariff news and, while it is believed something will be signed, the concerns are the span of any agreement. Much of this anticipated good news may already be built into share prices and thus limiting any gains when the actual deal is done. The old axiom “**buy on the rumour, sell on the news**” applies.

For the week, US stocks hit records highs, led by the financial and energy sectors. Canada’s TSX also had a good week, up 1.7%. Further evidence of “**Risk On**” was that the gains were led by stock markets in countries where not only slowing global growth has been a concern, but also political issues, such as Italy, France, Germany, Japan and even Hong Kong. They all had gains over 2%.