

OH (DEAR!) CANADA

Long time readers know of my rising concern over the robustness of Canada's economic future. Three events this week reinforced my (sadly) jaundiced view:

- First, Bombardier selling off its commercial jet and now its rail divisions (although it still does some of the manufacturing). Another great Canadian manufacturing success story fast disappearing. Is there anyone left other than Magna?
- Second, Canada's bank regulators warning that one should assume the present government's move to a "low carbon" economy will be "sharply negative". They further comment there is virtually zero information how this feat is actually to be accomplished.
- And third, it amazes me how relatively few protestors (and without taking sides) can bring to a virtual halt the backbone of our economy and disrupt the lives of thousands.

As a portfolio manager, one of my tasks in deciding where to position funds is to consider how an international money manager will view Canada when making future investments. These events can't be viewed positively!

Meanwhile, **investors shrugged off the increasing number of Coronavirus cases**, pathetic economic growth numbers out of Europe and uninspiring US manufacturing numbers. **The end result** was a positive week for virtually everything, everywhere: Stocks - new highs in the major US indices; Bonds - rates continue to fall - 10-year Greek bonds hit an all-time low yield of under 1% (wow!!); and, OIL up almost 3½%. The only minor losses were Japan and the UK. Other than China and Hong Kong, major bourses are now back to at least the price levels from when the second death from the outbreak was reported.

US stock and bond markets continue to be the "safe haven" of institutional investors despite expectations that the US economy will slow again in 2020 versus previous years. Nevertheless, compared to the rest of the world it is resilient and the American consumer continues to do the heavy lifting.

In **Canada**, banks and energy company earnings come into focus and, if disappointing, will add to concerns of low oil prices and stumbling exports hampering the Canadian economy. This further increases the odds that the BOC will cut rates later this year. Great if you are a borrower, not so much for lenders or the Canadian dollar.

Lastly, China continues to be determined to stimulate its economy as best it can to offset the effects of Coronavirus. Naturally, the length and severity of the outbreak is a story still unfolding.