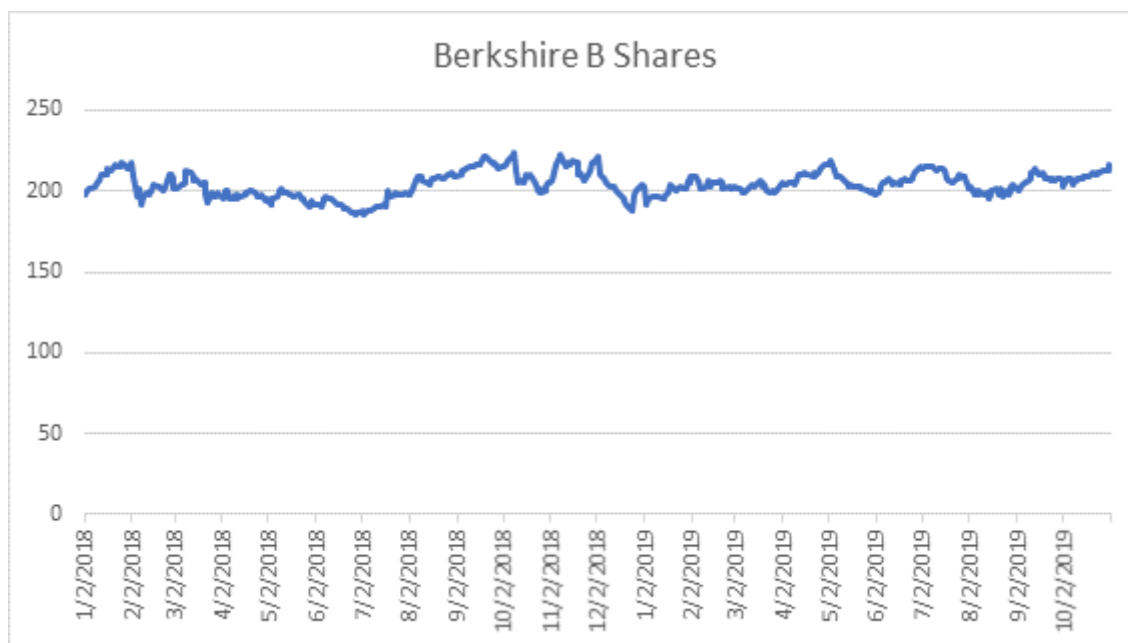




Did Warren Buffett Just Give Up on Investing? – NO

If you are like many and are feeling like we have been watching reruns of “Ground Hog Day” (the 1993 comedy starring Bill Murray) for the past several market quarters – you are not alone! The noise in the system has been pretty loud over the past several quarters, everything from Trump/China to earnings, central banks and more QE (quantitative easing) and suffering unicorns (WeWork – only kind of worked...).

The reason we bring up Warren Buffett is that not much has happened with his empire in the past couple of years. This is not that dissimilar to multiple other major global indexes. The chart below shows the performance of Berkshire Hathaway’s B Shares since early 2018.



Source: Thompson Reuters

One rule of investing that Buffett quoted many times was to purchase the investment and put it away for 5 years. We are now sneaking up on two years of really no performance for the Berkshire family. I am pretty sure he has not folded his cards and moved into another investment realm.

Bigger Picture

Where are we now? Well, the bulls seem to have taken control of the market again. Powell (head of the US Fed) came out and appeased investors with another MID Cycle rate cut. This did not cause too much of a stir, but more recent news has the US still adding jobs! This has gotten the market somewhat more excited and the buyers are buying... One of the broader measures of the market, the S&P 500, has broken to a high. This is a nice confirming move that may indicate more good times ahead. There are reams of data being published right now on the next move and where we go from here, but the bias seems to be pointing higher. The facts have apparently changed. The forecasters are suggesting 10% higher!? The reality, as we know is that this is just an educated guess, but for now, the market seems prepared to go with it.

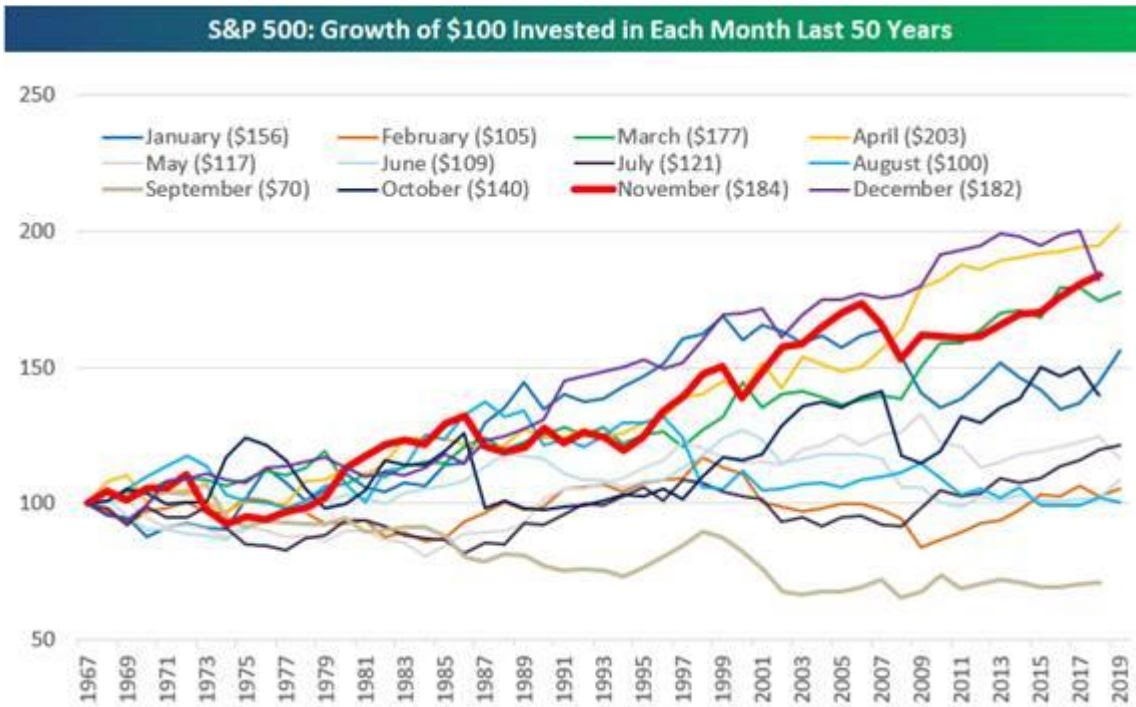
The chart below shows the breakout level or line. This is not rocket science but worth noting in picture format as we may revisit this in the coming months:



Source: Thompson Reuters

Everyone Loves a Party

For the last several quarters we have progressively been more defensive. The reason for this has been a concern about late-cycle investing, trade wars and central banks. Throw in a dash of crazy and you start to understand the reason for prudence. HOWEVER, when the market breaks out everyone loves a party, us TOO! Given this, we are dialling up the direct market exposure level a bit... Is now the right time? The graph below highlights the history of November as an investment month. The diagram is a bit busy, but suffice it to say November is generally the second-best month to have commitments to the market with April being the best.



Source: Bespoke Investment Group

Half Full or Half Empty?

Human nature is to be positive so we would be remiss if we did not look at the half empty-case.

One of the most reliable leading indicators for assessing the state of the U.S. economy is the PMI, formerly known as the Purchasing Managers' Index. The simple analysis is that a PMI over 50 indicates growth and under 50 represents contraction. Here is what the chart looks like, with the last reading at 48.3:



Source: Thomson Reuters

This is suggestive that the underlying economy is not great in the U.S. Reading a bit deeper into the ISM Manufacturing report you get the following comments:

"Customer demand is down, and we are expecting a very soft fourth quarter, without much relief in sight for Q1. Suppliers report the continued rise in labor costs, which are ultimately reflected in the rising product costs." (Computer & Electronic Products)

"The chemical manufacturing industry is depressed; demand across many markets globally is down, and pricing is as a result." (Chemical Products)

"Automotive sales continue to decrease; however, trucks and SUVs are still providing decent revenue. Cautiously optimistic for the near term." (Transportation Equipment)

"Economy is showing slight signs of weakening. The same business headwinds on trade, tariffs, and currency uncertainty are making the environment challenging." (Food, Beverage & Tobacco Products)

"Been hearing from lots of my suppliers that their business is down and [they are] looking for more work in the metal processing [and] machining areas. We remain very busy." (Fabricated Metal Products)

"Production demand is softening; some [of it is] due to seasonality, [but] much [is] due to customer order rate declining and dealer inventory stabilizing." (Machinery)

Source: Institute of Supply Management October Report

The comments above are from those in the economic trenches of the U.S. This slowdown or moderation reflects the times. It may boil down to behavioural as we have been in a 10-year recovery from the 2008 credit crises. From the comments above, businesspeople might just be a bit cautious. If they are, perhaps, we should be a bit cautious too.

Thanks for reading. Enjoy the cooler temperatures and the Christmas rush that is right around the corner (Black Friday anyone?) 😊



Market Summary

For a summary of key market performances, currencies and interest rates, we invite you to read our daily commentaries. Clear and concise, they will keep you informed of the latest economic and financial news that can influence the value of your investments, and serve as a guide for your discussions with your advisor.

Click here to consult the [Daily Market Review](#).

WEEKLY ECONOMIC WATCH

The Economic Weekly is an excellent and simple way to stay abreast of a series of important economic and financial indicators affecting the North American, provincial and global backdrops. It offers an analysis on a current economic or financial topic, together with a brief commentary on developments in the economic environment as depicted by economic indicators released during the week.



Click here to consult the [Weekly Economic Watch](#).



[Click here to access your online account and tax statements.](#)



[Click here to learn more about the team.](#)



[Click here to contact us.](#)

John Wiman
Portfolio Manager
Investment Advisor
T: 418-869-7125
John.wiman@nbc.ca

Jason Wong
Portfolio Manager
Investment Advisor
T : 416-869-7142
Jason.wong@nbc.ca

Darlene Lanigan
Investment Associate
T: 416-869-7445
Darlene.lanigan@nbc.ca



© NATIONAL BANK FINANCIAL. All rights reserved 2019.

The information contained herein was obtained from sources we believe to be reliable, but is not guaranteed by us and may be incomplete. The opinions expressed are based on our analysis and interpretation of this information and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed herein are those of the author and do not necessarily reflect those of National Bank Financial.

The securities or investment sectors mentioned herein are not suitable for all types of investors. Please consult your investment advisor to verify whether the securities or sectors suit your investor's profile as well as to obtain complete information, including the main risk factors, regarding those securities or sectors. This document is not a research analysis produced by the Research Department of National Bank Financial.

National Bank Financial is a subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange (NA: TSX).