February 28, 2019

The Balanced Investor

The month of February saw markets continue to recover from the late 2018 swoon. Comments from both the U.S. Federal Reserve and the Bank of Canada indicating that any interest rate moves would be dependent on economic data have eased investor concerns that rate hikes would rise too quickly and further decelerate already slowing economic growth. Economic data has indeed weakened, with the U.S. government shutdown likely a contributor to this. The employment picture in both Canada and the U.S. is a clear area of strength. The March 1 trade deal deadline with China imposed by the Trump administration has now been removed, on apparent progress in the talks. This has further fueled investors' willingness to take on risk even though an actual trade deal has not yet been clinched. Corporate earnings results have reassured investors that the corporate profit picture is better than feared, but comments from companies on their outlook have a much more cautious tone.

	February 2019
S&P500 (USA)	+3.2%
S&P/TSX (Canada)	+2.9%
Nikkei 225 (Japan)	+2.9%
Eurostox 50 (Europe)	+4.4%
Emerging Markets (USD)	+0.2%

Source: Thomson, Blackrock

In Canada, bond markets ticked higher on softer economic data, with a gain of 0.2% for the month.
The Worth Allaye-Chan balanced model portfolio saw gains of 1.3% in February, and 5.6% year to date.
The table below shows the largest gainers and the largest decliners in the portfolio for the month of February.

5 Largest Gainers		5 Largest Decliners	
Bombardier (BBD.B)	+41%	Husky Energy (HSE)	-6%
Visa (V)	+10%	Amazon.com (AMZN)	-5%
Alibaba (BABA)	+9%	Bank of Nova Scotia (BNS)	-4%
Microsoft (MSFT)	+7%	Continental Resources (CLR)	-3%
Canadian Natural Resources (CNQ)	+6%	Facebook (FB)	-3%

Source: Thomson

A new addition to the portfolio is CVS Health (CVS), an American retail pharmacy and healthcare company. CVS is in the final stages of the acquisition of Aetna, which provides health insurance, including dental and vision coverage primarily through employer paid insurance and benefits programs. We added CVS after weakness prompted by management's cautious 2019 guidance. CVS trades a significant discount to the market, and its longer term valuation averages. We view pricing on the shares as very compelling, with very little credit given to the longer term benefits of the pending merger with Aetna. We sold shares of Home Depot as we saw the shares fully valued in the context of slower growth in home prices, slower housing starts, and a more uncertain outlook in home renovations spending.

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