

## J.C. HOOD INVESTMENT COUNSEL INC.

### Monthly Newsletter-May and June 2014

Hello Everyone:

**Holiday Schedule: June 16<sup>th</sup>- July 1.** We will be out of the country during this time although we will have some internet connection. Dave Tait, my VP, will be filling in for me on any administrative issues, access to funds etc. His contact information is telephone no. 705-773-2521 or [davetai@rogers.com](mailto:davetai@rogers.com). If you need to contact NBCN, call David Del Rey at 1-800-363-8688 ext 3641# or [mostqc@bnc.ca](mailto:mostqc@bnc.ca) Attention: David.

**Anti-Spam Legislation.** As of July 1, 2014, the federal government is imposing significant penalties on 'spammers'. This explains why you have no doubt been receiving requests from your lawyers, CAs and other professionals, including us, to make available an 'UNSUBSCRIBE' option for our newsletter. So if you do not wish to continue receiving our newsletter, please reply by email with unsubscribe in the subject line. Not that this will in any way prevent Nigerian bank scammers, fraudsters or other rabid zealots from littering your email.

**Markets.** David Rosenberg has long been regarded as a 'perma- bear' largely because he warned of the impending credit crunch in 2007, but he remained bearish until about 2 years ago demonstrating once again that struggling economics do not preclude excellent buying opportunities nor soaring US markets. It could be rightly claimed that Rosenberg has 'come a little late' to the US equity party, but his recent comments about CDN markets are insightful. Inflation has returned to the B of C target of 2% and real estate prices have not withered as many had predicted. My own view of Toronto's condo development has always been that the city has just been catching up with other major cities; downtown is no longer a dead zone after 6PM. Canadian banks have continued to show great strength in earnings and we continue to hold ZWB, the covered call on Canadian bank stocks as well as banks in our XIU and XIC. Somewhat surprisingly, Rosenberg notes that the Canadian economy is outperforming the US no doubt due to the fact that growth had previously been lagging. In today's the Mauldin Report, Rosenberg continued to be positive on US growth based upon car sales, ISM levels, housing and other consumer purchasing.

There are, of course, always some clouds on the horizon; US margin debt levels are declining. This means that investors who use cheap credit to make stock purchases may find that with the Fed cutting back on credit through reduced tapering, some leveraged investors might get nervous and begin selling. The 'sell in May' thesis is at this point a bug in search of a windshield, but if we do get volatility, we will handle it the same way that we have in the past; by rebalancing our portfolios. Should there be increased volatility while I am away, I will be in contact with Tait and NBCN but for now, I see no reason to change our basic asset allocation.

Thank you for your business. John