MACRO Voices
with hedge fund manager Erik Townsend

Interview with David Rosenberg: Opportunities and Outlook for 2017
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Erik: Joining me next is Gluskin Sheff Chief Economist David Rosenberg and of course Dave is the author of "Breakfast with Dave" probably one of the best and well known newsletter that's produced every single day in the industry. So, Dave thanks so much for joining us. I wanna start with your outlook on equities and frankly I'm not sure if I need to talk to an economist or a psychiatrist to get my head around this equity market but you know let's go back 3 to 6 months, we had the smartest guys in the room, Ray Dalio, Stan Drunkenmiller, Carl Icahn, they were all saying, I thought for very good reason's this market's overdone, it's over bought, you know it's gone too far. And now Donald Trump gets elected, this guy's gonna have more headwinds in terms of political opposition than any president in recent history, yet it seems that everybody has just decided that it's trade up and away from here. Overnight last night S&P futures touched 2999.50 so if the cash index had been trading, it would have broken 2300. Is it just me? I mean everybody's talking about the analogy to Trump is the new Ronald Reagan and I can't help but think wait a minute, first 2 years of Reagan's presidency was a massive bear market and recession. Am I missing something here Dave?

Dave: Well, you know the other thing, I don't think you're missing anything, no. I mean the Reagan presidency is well you know, and it goes to show in those first 2 years after the honeymoon period when the market is down 25%, that really basis-point-for-basis-point, what matters you know for the market is the shift in the market multiple as oppose to earnings growth and the Fed certainly showed its hands. Volcker raised and we had the recession starting 6 months after Reagan got elected. People looked benevolently of course and the entire Reagan regime entire 8 years and a lot of that wasn't just his pro-business stance but also the fact that the FED continued to cut interest rates that reinforced the expansion of the market multiple. But I remember that the starting point in 1982 for the bull market was a multiple that was 8, you know, not the 17 on forward and almost 20 on trailing and that point the onset of the bull market occurred in 1982 after a huge recession. This time around, not only are valuations at 15-year highs but we're entering it into the eighth year of the expansion of the bull market. You have to respect where were you are in the market cycle in the business expansion and we're much more mature now than we were in that early stage of Reagan or you can argue the early stage of Bill Clinton or Barrack Obama. I mean the benefit of being elected at the bottom of the cycle, then you can just ride it up and just take credit for it. I think that the challenge for Donald Trump with all deference to the animal spirit rally they were seeing right now is that the multiples are really stretched and that maybe if were not even in the ninth inning of the game here, we're certainly somewhere in or around the seventh inning stretch. So, the answer is no. It's not like Ronald Reagan at all in that regard.

Erik: And in terms of where we are and what comes next obviously as much as you and I see a lot of reason for concern here, you can't fight the tape and clearly the trend has been upward. So, are we gonna see several months do you think of exuberance over this election before reality sets in? And it seems to me like a lot of people seem to think we're in a new inflationary boom. You wrote an excellent piece back in December saying wait a minute, there's a lot of

good reasons to think that Trump would bring back the disinflation trade. So, do you still see it that way and give us a little bit of background on where that viewpoint comes from?

Dave: Well, I mean the second question is a lot easier, the inflationary boom. So basically, I'm supposed to take it at face value because the markets are telling me that this is their view today, and their view today might not be the market's view 3, 6, 12 months from now or 5 years from now. But the market's telling me that one man, President Trump is gonna be able to, with fiscal policy, will be able to do what Bernanke and Yellen and Draghi and Trichet and Koroda and Carney, who actually run the printing presses, what they couldn't do in the past 8 years a president's gonna be willing to do, or be able to do, on inflation. And the answer is no. That's just not gonna happen. There's just too many powerful secular forces a play whether it's demographics, intense global competitive pressure that aren't going away and of course with the fact that you've got tremendous excess supply of retail space net and states and Amazon creating tremendous margin pressure and price discounting in the rest of the consumer goods and services area. So, no and I'm not a buyer of the view and especially with the US dollar likely to still be a strong currency even though it's a very crowded trade, it's probably the right trade. I don't see the big inflation out there.

You know people wanna compare to Ronald Reagan, fine. I mean there's differences, there's some similarities but what did the inflation do during the Reagan era? What did inflation do during this supply side Reagan era? Went from 12 percent to down below 5 percent over his 8-year term? Why anybody thinks that Trump's policies themselves are gonna create inflation, I imagine that the wall with Mexico will create demand for cement and concrete and the likes and you'll see some commodity inflation perhaps coming out of there, infrastructure probably much the same, but that's a very small sliver of the overall inflation pie and ultimately what will matter for the markets is the extent towards any inflation at the backend of the economy comes to the frontend of the economy. And looking at the Trump's policies deregulation should reduce business costs. What is inflation doing about that? Yes, the infrastructure works. The only way it's gonna work is if it ultimately improves productivity like the good old fashioned Eisenhower structure of the interstate highway in the 1950s really showed true in the 1960s in terms of increased productivity growth, well productivity growth in that itself is anti-inflationary because it brings down unit labour cost. So, what if Donald Trump reduces tax rates along with congress corporate tax rates? Well what's inflationary about lower corporate tax rates? It actually means that wages can rise without crimping margins and forcing companies to have to pass it on to consumers. So outside of cement, concrete, some base metals, the things that might go initially into the stuff that's needed to build the wall of Mexico or needed to see upgrade airports and pave bridges and roads, I don't see where the big inflationary impulse is gonna come from. If anything, if Trump is successful, it means that the potential GDP growth rate, the non-inflationary GDP growth rate of the United States is gonna be rising overtime. I can't build an inflation view out of that.

Erik: I'd like to go back and just review the evolution of your views in the equity markets because you of course were very skeptical of the rally initially after the great financial crisis and then you turn bullish a few years ago, and you've been absolutely right. And now I think recently I don't wanna put words in your mouth, what you say you've turned bearish or you've just turned skeptical and waiting to see what happen? Is it outright time to raise cash and get out of this market or is it time to stay in the market cautiously? How do you see the market going ahead from here?

Dave: Well, look to call for a bear market you've got to call for a recession. I think recession on for this year are pretty low, you know we can talk numerically but I don't think that this is gonna add any credence. It's recession of this year look 2018 is a different kettle of fish altogether and what it'll comes down to not what Donald Trump does but the Feds reaction function to what Donald Trump does. So, I'm not calling for a bear market this year, I'm not calling for

recession but 2018 certainly has big question marks in front of it. But in terms of pullbacks I mean look what happened last year at microcosm, last year we had 4 pullbacks in the S&P500 of roughly 5% or more. And these days when we are down 5% off the market, it feels like it's down 20%. And we had 4 of those last year. And then we finished the year up you know call it roughly 10 percent. A lot of those gains of course coming after November 8th. And that was the year last year where you had all these concerns about China's devaluation, emerging markets. We had the first quarter stagnation in the US then we had Brexit, then we had the US election, we had the Italian constitutional vote. And this year we have an untested president, we have 3 elections in Europe, we have the Chinese punnery at the end of year. There's no shortage of things to be concerned about and last year was a roller coaster ride in the market. And if you take a look up until November the 8th when we had this seemingly inflection point of the US election, the S&P was barely up 4 percent. It was really almost to do nothing year. And so, I would say that this year is gonna be a similar roller coaster ride. I think that anybody who doesn't see that there's a prospect of a pullback from these levels right now, when you consider the VIX at 10.7, my reading from this morning evaluations of 15 year highs, practically every survey is showing this 3 or 4 market bulls for every bear out there, this is a market that's more than just fully priced. We have to respect the fact that on an interim basis we are gonna see pullback from extended levels. I'm not gonna say this happens tomorrow or even next month but I would say that if we had 4 pullbacks last year, I think we'll have as many of those this year if not more and it makes sense that it will finish the year probably roughly flat. That would be my call but that's peppered with a lot of volatility.

Erik: So, in that case obviously, the pullbacks that we had last year if you had a perfect crystal ball, you'd know that each one of those was a by the dip opportunity. Would you see a 5% pullback as a by the dip opportunity or is it time to get cautious that maybe the tide has changed here?

Dave: Well, I mean you can't look at the tape and say the tide has turned. And of course, there's the other side of the argument and you always have to tip your hat and respect the other side of the argument that there's a wall of money that's just waiting to come in, that we're gonna get another melt up because on a fund full basis in respect of the more valuations are and so on and so forth. The answer to your questions is yes, I am skeptical. I would say that if we do pull back 5% and there's no recession to every sign post, well naturally that's gonna be a by the dip opportunity. The time to really make your fundamental asset make shift ultra-defensive is when you're convinced that the recession is right around the corner. I don't think the business cycle is dead. It might be a little dormant but it's certainly not dead. And the Fed is gonna have a big say in this. And this is what I think the risk for more for 2018 than 2017 and the case of be careful what you wish for because if you're already thinking that Trump's gonna get all the good stuff through and really none of the bad stuff, the bad stuff on immigration and the stuff on trade is all just posturing and negotiating, well let's say that we reached a situation where the Fed starts to lift its growth forecast. Its rate forecasts are not gonna stay idle. They've already told us at the minimum, they are going to raise rate 3 times this year. There are quite a few FOMC members that are at 4 rate hikes before Trumps gets anything through Congress. And so far, as we get all this good stuff that raises GDP growth with a sub 5 percent in an employment rate with the Feds spending more time examining now. It seems so from Janet Yellen that we're close to the full employment that she was even suggesting 3 or 4 months ago, there's been a slight change in her cadence. But as Ronald Reagan found out, as you aptly described at the beginning keep your eye on the Fed, that's the elephant in the room and every recession in the post-World War II period did not have fiscal policy thumb prints all over it, it was always about the Fed. And monetary policy will Trump fiscal policy for the business cycle every day of the week. So that to me is gonna be the primary risk is how much of the good stuff comes through, how does the Fed respond. The lags are such that this makes 2018 problematic for the business cycle of the poster this year.

Erik: I wanna come back to the topic of monetary policy outlook in just a minute but first let's touch on the US dollar. Obviously this dollar rally has been the big story in market so it seems like we've cut kind of a dichotomy here between what Donald Trump says versus what he does and recently of course he's made several comments suggesting that the dollar's too high and it seems like everybody's panicking on that but on the other hand it seems to me that all of his policies are extremely dollar bullish and I supposed the other side of that coin is it's a pretty overcrowded trade on the long side right now so if this rhetoric may be spooked people out of the market, it could cause a big move. How do you see this evolving from here?

Dave: Well I think that market participants should be aware of the things that the president has control over and what he doesn't. So, there's a lot of things that he's doing through executive order right now in terms of deregulation, the wall, foreign policy, a lot of stuff. But in terms of the dollar, he can air out his views, but what can he really do about it? Is he gonna instruct the Treasury to start intervening in the foreign exchange market to suppress the US dollar? Hardly likely. Is he gonna start to meddle in the Fed, I mean the Fed that he was complaining about Janet Yellen months ago, that she was suppressing interest rates to get Barrack Obama re-elected and that she was keeping rates artificially low is he now gonna say to her no, don't raise rates? So, the bottom line here is just classic textbook economics. The US, this is just the fact not an opinion, has a tighter monetary policy relative to its trading partners that's gonna continue. It seems to me as though fiscal policy in the United States is gonna be much more accommodating than it is in other parts of the world at least for the next year or so. Tighter money, easier fiscal will always and everywhere lead to a stronger currency, this is one of those rare times where the overwhelming consensus is still probably the right trade as overcrowded as it is.

Erik: Okay. And before we move on to monetary policy, since you're with a Canadian firm and we have a lot of Canadian listeners, how about the Canadian dollar outlook relative to the US dollar and the rest of the world for that matter?

Dave: Well it's interesting because the Canadian dollar right now is around 131, call it roughly $0.75. When you take a look at where oil is remember 12 months ago, 24 months ago, oil was dominating everything including the Canadian dollar. It was almost a 100% correlation. To me that correlation has weakened somewhat if you're looking at WTI oil at 52, 53 dollars a barrel and you just ran some simple model on the Canadian dollar has then all events that should have Canadian dollar closer to 125 or $0.80. So, the Canadian dollar and quote should be a nickel stronger than it is based solely on the oil price. But this is not 12 or 24 months ago, the oil price has not dominated and the Canadian dollar as much as there was and what has taken over the dominating role is Bank of Canada policy. So as the Fed raises interest rates as it pledges to do more, Governor Poloz here in Canada has made it very clear that the Bank of Canada is not doing anything this year and probably not next year either. So, what's driving the Canadian dollar, are these negative interest rate differentials right across the yield curve but it is probably going to be accentuated by this divergent monetary policy over the next several months I think that will act more to depress the Canadian dollar than to add impetus to it. And when we get to ask the question you know where's the next 5 cents move to the Canadian dollar, will we see 70 cents or will we see 80 cents? As a classical economist, I say both. We'll probably see in the next year 70 and 80 cents but my senses will see the lower end of that before we see the upper end.

Erik: And coming back to monetary policy we're being told now to expect 3 or 4 rate hikes in 2017. Of course, I think a lot of people forget that if you go back a year we were told this time last year to expect that many rate hikes in 2016 and they didn't happen. So, what do you see in terms of Fed hikes, FOMC policy in general and particularly how FOMC policy will interact with Donald Trump's agenda in the coming year?

Dave: Well there's no question that the Fed got scared off last year and you know a lot of that was the early year jitters in emerging markets and all the concerns about China's potential big devaluation and then we went from that to BREXIT and all the uncertainties enveloped in the US election and we can't deny the fact that an average GDP growth in the United States last year was 1.6%, tied for the weakest year of the cycle and down to full percent this point in terms of growth to where we were in 2015. All that said the Fed has told us once again and it could be the case of the boy who cried wolf, just remember that at the end of the story the wolf did show up. That, I think, is the case with the Fed this year. Fool me once shame on you, fool me twice shame on me. And my sense is that there's a little bit of - more so they didn't take out our least less rate one or two more times last year with the benefit of twenty/twenty hindsight. So, I sense is that I think we should still take them at their word. I think it's what makes this year maybe different than the other years is that instead of the Fed doing less, the Fed could end up doing more. I mean what's astonishing in terms of how the market is really taking on the Fed and looking at the whites of the eyes is that even after the Central Bank has told us that if we're gonna raise rate minimally 3 times this year, before Trump gets anything passed up the Fed's GDP growth forecast, the Fed has told us they're gonna raise rate at least 3 times, the markets really priced for 2. So, if you're gonna ask me among all the risk for this year it certainly has a lot of political risk in Europe that is for sure. I think we're still concerned about the extent towards excessive credit has fuelled this 6.5% growth rate that we're seeing in China. There's other concerns as well. But the Fed reacting and over reacting to what Donald Trump does I think and again a serious marker risk. It's not evident to the eye right now but I think it could be as you move to the balance of the year.

Erik: Let's pick up on your comments about the risk in the European Union. I just saw a piece this morning that supposedly Trump's new ambassador is already saying short the euro because he thinks there might not be a European Union to negotiate with a year from now. Its unprecedented in my opinion to hear such strong comments from an incoming government official, do you think it's that dire? Do you think that the EU is at risk of breaking up? And what would be the knock-on effects of that in terms of the US dollar and everything else?

Dave: Right. Well it's a, I wouldn't say that these fringe right-wing parties getting in, the real hardcore anti-EU coming into power in the Netherlands and France or in Germany, I wouldn't make that a base case scenario. But that doesn't really matter in the sense that how the markets operate is on expected values and on probabilities. And this is certainly a tail risk of governments in core countries following in Britain's footsteps. So, I think that it's not a base case scenario for me, but the odds of it happening is certainly aren't trivial and what's more important is that even if the breakup of the EU and say 10, 15 or even 20 percent odds, it's then what are the market reaction to that? And you have to embed not just the probabilities but also what's the likely outcome in global currency, bond markets, commodities and equities. So, we have to work on all that. The odds are low but they're not trivial and I think that it would be very, very severe in terms of what it would mean for the world. It's one thing to have the UK which is always sort of had to step in and step out, they weren't part of the euro. But it's another thing to have something that for all its flaws and its warts and its scars and the bureaucracy involve with the EU and maybe the added cost, the reality is that what it produced was a peaceful Europe. I mean I think we're living in a period of time now over the past 6 decades really, it's an 8 percent chance of this happening that Europe could go this long without a war. And I think that that is really what

people miss out on when they complain about all the Davos liberals and the establishment, so on and so forth, miss out on what the true benefit for the global economy and society. When you take a look at wars historically they're always coming out of Europe and what the EU did was provide that cohesiveness. So, that's the principal risk I think from a geopolitical standpoint and I think it's something that it's hard to handicap the odds but after what happened last year between how the British voted and how the Americans voted and even how the Italians voted we're in an uncharted territory here and there's a lot of different franchise and disenchanted parts of population everywhere that want to see political change. You can have a political change in Canada where you actually vote in an establishment party but one that had been in the wilderness for a decade but reinvented itself and interestingly enough here we have the liberals in Ottawa led by Justin Trudeau, one of the few governments around that actually are still carrying around the free trade banner. But we've already seen what happened last year. I don't wanna mention any state that I wanna super impose that on what's gonna happen politically this year but the EU certainly, that is a very big political tail risk and one that shouldn't be dismissed out of hand.

Erik: I'm personally convinced that the 64 trillion-dollar question for 2017 is whether or not the 35-year bond bull market really is over the way Jeff Gundlach has suggested? Gundlach like he said we're headed back to 6 percent yields and personally I can't figure out how you get back to 6 percent 10 year yields without the US government going broke trying to service its debt. So, what do you see for the bond market? Do you buy the story that the secular bull market could be over in bonds and if so what does that mean in terms of what's next?

Dave: I don't buy it at all and look all I'll say is that in 2009, 2010 when the Fed embarked on QE, along with 0% interest rates every Tom, Dick and Harry portfolio manager and bond market pundit out there was screaming about the end of the secular bull market in bonds. This is just basically, I mean you're going back 6 or 7 years. I remember my former firm coming out with published reports talking about the great rotation from bonds and into stocks. Stocks certainly did pretty well in the cycle but it wasn't because it was fuelled by retail inflows of the bonds and the stocks. We know that, that didn't happen from a fund flow perspective. And so, the bond bears have been wrong all along and I think they'll continue to be wrong until we actually see sustained, above trend GDP growth that eliminates the global output gap, and I think that that is still some time away. So, look I think that people out there entitle their opinions. Bill Gross recently said if we cross above 2.6% based on the thickness of this pencil that marks the end of the bull market, I don't look at it that way. I look at it that when you take a look at a 10 year note or you look at the long bond for that matter in each cycle the highs in yield are getting lower and the lows are getting lower. The highs are getting lower and the lows are getting lower. And so, we have to wait and see how far this thing goes. I would think that to really call for the secular bull market to be over I think we have to cross well over 4% and we're not gonna get anywhere close to that in my opinion.

And in fact, if you take a look everything happening right now, we had a hundred-basis point back up in the 10 year note from where it was in July, that much is true, but I mean come on, in July deflation was dripping off everybody's tongue. We had Europe and Japan going towards negative rates. We didn't know how BREXIT was going to lead to a recession not just here but bring the EU into a recession as well, that was the mindset at that time. So, I mean at that point you had 40 year of JGBs at 0%, US 10-year treasuries at call it one thirty-five. So, we backed up since then over a hundred bases points that much is true. This is about the 8th time we had a backup of this magnitude in the past decade. They come and they go. I just think that there's still too many powerful sector of forces at play. Global competitive pressures, aging demographics in the industrialized world. And we just have too much debt globally to withstand rises in the market rates much more than we already have done. And then I look back and I say DOW 20,000 stock markets melting up, the VIX below 11, 15-year high valuations in the stock market, commodities ripping, oil doubling over the past year,

and I look at the 10-year note at the call it 2.5% and I can only say-- that's all you get for your money? I mean even if we go to 2.75% or 3%, seriously, considering everything that's happening out there all the inflationary mindset of practically everybody talking on bubble-vision and everything that you read in the newspapers and this is all that you can really do is 2.50-2.60 in a 10-year note? You just start to wonder what happens when things start to unravel because there will be recession at some point. I'll say this right now it's a guarantee that we'll have recession at some point because the business cycle is not dead, we can debate as to what year that happens but here's what we know, we know that bond yields make new lows in recessions and we know that there's gonna be recession at some point and the most you can do right now at the peak of the cycle is 2.60% on the 10-year note really tell you something. So no, I'm not really buying in. Notwithstanding the fact that bond yields are trading higher that could happen again for the next several months, it wouldn't surprise me, will it be sustained? And my answer is an emphatic no.

Erik: Let's touch on precious metals briefly. Gold of course had recent cycle low, was about eleven twenty-four bounced to good almost hundred bucks to twelve twenty looks to be rolling again is maybe this softness in the US dollar might be ending. What do you see there? Is gold just an anti-dollar trade or is something else driving it and where do you think we are headed from here?

Dave: Well I think that gold is really caught here between its role as an insurance hedge really against things going wrong. And I don't mean so much inflation but the geopolitics, you know how do you measure gold or how do you value gold? I mean gold isn't like a bond where you can, estimate a real rate inflation expectation, or term premium or in the credit market, when you're evaluating spreads you look at the fault rates and recovery rates and it's not like an equity market where you can do a dividend discount model or look at price to book price to earnings, dividends. No, that's gold. How do you value gold? Gold is one divided by T where T is trust. I mean we tend to find actually when gold has its best days in the past several years it was centered around on a geopolitical uncertainty. A lot of that with the coming out of the government shutdowns in the US, the debt ceiling situations, problems in Greece so on and so forth. So, gold is really an insurance policy against things somehow going wrong. I don't think I'd be buying gold because of any inflation view. I don't think we're gonna be getting big inflation even though we're seeing some cyclical pressures, which is not unusual. You're buying gold really as an insurance policy against things going wrong either in terms of global trade through this protectionist bent among the administration or say something happening with the EU in which case the dollar probably would rally but gold will probably rally as well.

I think the knock against gold really is gonna be what we talked about before, which is the fact that, the one thing we do know is that barring something unforeseen the Fed is raising rates 3 times no matter what. They've already told us that before Trump does anything, and no other Central Bank is touching rates and the most important determinant of exchange rate valuation, since currency are appeared trade one against the other, is relative interest rate differentials. And my sense is that that will continue to move in the US dollar's favour that will end up curbing gold to large extent because gold is priced in dollars but also the risk is that real rates starts to rise and real rates and the gold price do have this timeworn historical inverse correlation. So, my sense is that when you're buying gold today, you're really only buying it against the backdrop of heighten geopolitical risk for the coming year. There's really no other reason to go long gold right now, unless you have a big inflation view, which I don't.

Erik: Okay and finally I'd like to just ask more of an open headed question is you look at your radar for the rest of 2017 what do you see in terms of macro trends and trades that people should be thinking about?

Dave: Well I think this is gonna be a case where we're gonna be finding I think heightened volatility and the VIX at 10.7 right now is not sustainable. I think it's going to be, if last year it's a uh, I would say that this year it's going to be a rollercoaster ride benchmarked against last year's merry go round, I think there's going to be a lot more volatility, it means there's going to be a lot more opportunity if you're nibble and you're disciplined and you take profits quickly to raise some dry powder or some cash to put to work. So, it's going to mean, it's a good remark to say that the traders market, the stock traders market, it always is, but I think that it's going to be like that this year by several standard deviations against any historical norm you want to use. I think it's going to be a year of value over growth, I think it's going to a year in the US where you probably want to stay local as opposed to export oriented in terms of your exposure, because you don't know how the administration is going to influence cross border trade or border taxes or what this means for global supply chains, in terms of what that mean especially for Silicon Valley. So, it's going to be very much a special situation and a focus on local as supposed to foreign flavour, I think the financials still makes sense especially if the FED is going to raise rates and provide some margin, and I think that really in a special situation, think of the areas of the economy in the market, that are going to do well no matter what the White House does.

And so, I think energy capital spending, capital spending relates to energy, is going to be a very good place to be. It is going to be a big growth engine for the US this year, so it's going to be energy CAPEX especially about the shale area and so that's the primary focus. Outside of that there's going to be some opportunities, obviously, Canada is going to have some with the currency cheap and giving a boost to industrial and transport here, the Canadian banks look pretty good with decent dividend yield and I think overseas is going to ask me what the big turnaround story is, it's right in front of our eyes, and it's called Japan. And Japan is one of the few areas in the world that's trading and a price earnings multiple discount to its historical norm and Abenomics is finally starting to kick in and I don't mean in terms of just the economy, but you are starting to see company's respond by getting rid of that cash off the balance sheet towards a more productive uses, which over time is going to give them a relative boost, in their returns on equity, which have lagged so far behind their competitors over the past several years, so there's going to be some areas out there that look really interesting to me and a lot of them, you know like I said, US energy and Japan, the Canadian financials would be a global portfolio for the 3 things that I want to be focused on.

Erik: Fantastic Dave, I really appreciate it, before we close though, I want to touch on your newsletter which is one of my favourite in the industry. Breakfast with Dave, of course there's a free version of that which is kind of a teaser, with a lot of really interesting bullet points every day, but the full on version is excellent, we have obtained a sample copy of Breakfast with Dave, I think we actually got a couple of days' worth of the daily Breakfast with Dave as well as an interview that you did with Peter Man, the CIO at Gluskin Sheff, talking about your outlook for 2017 so thank very much, all of our registered users will receive that in your research roundup email that came out with this podcast. For people who are interested in the newsletter, can you tell us a little bit more about Breakfast with Dave and what the parameters are?

Dave: Well I've been doing the newsletter under different titles since I was at the Bank of Montreal back in the late 1990's and it's really a distillation of my views, of the market, the economy, it's got a little bit of humour, sometimes a little bit of a sardonic sarcasm, but it's basically to aim at highlighting to investors what's going on around the world and what they should be paying attention to, so there's a lot of stuff that's long-term in nature in there that doesn't change, and there's a lot of stuff that wiggles around the long-term trendline that I try and highlight as well, the short-term stuff. So, it's a mix of the political and economic and finance, written in a way that investors can understand,

and again, it's all about what I always try to do for the client base, which is to take the economics, connect the dots and come up with a coherent investment strategy out of it and that's really what I attempt to do for every single day.

Erik: Well it's definitely one of my favourite daily newsletters, it's one of the really few that really is every day and there's substantive content, I don't know what time you wake up in the morning to start writing Breakfast with Dave but it's quite amazing that you put out so much content every day. Finally, before we close, Gluskin Sheff Wealth Management also may be of interest, give us just a very quick overview what you guys do there at Gluskin Sheff.

Erik: Well we are Canada's preeminent wealth manager, we manage money for high income, high net worth Canadians and not just Canadians but Americans. We have roughly 10% of our client based in the US, of course a lot of Americans wants to get some foothold into the 51st state and buy the Canadian dollar while it still at the low end of its historical range. But we manage across the asset classes, across fix income, credit hedge funds in particular and Canadian, US and global equities, of course our US clients really wants us to be the leaders for having their Canadian mandate, that is our backyard, but we invest globally and we invest across the asset classes. We have 9 billion dollars in assets and we've been around since 1984. So please come to the website and look us up.

Erik: Alright, well thank you so much Dave for a fantastic interview, in the interest of time we do need to leave it there but Patrick Ceresna and I will be back as Macro Voices continues right here at MacroVoices.com.

[End of interview]