Canadian advisors still bullish on U.S. and Canadian equities in Q1

TORONTO, January 27, 2016 — Heading into the first quarter of 2016 (“Q1”), Canadian advisors are still bullish on U.S. equities, according to the Q1 2016 Advisor and Investor Sentiment Surveys (“Q1 Surveys”) conducted by Horizons ETFs Management (Canada) Inc. (“Horizons ETFs”).

The Q1 Surveys asked both advisors and investors for their expectations of returns — bullish, bearish or neutral — on 14 distinct asset classes for the upcoming calendar quarter (Q1 2016).

Advisors were bullish on four classes only, which included the S&P 500®, NASDAQ-100® and S&P/TSX 60™ Index and the S&P/TSX Capped Financials Index™; however, the degree of bullishness declined for each of these indices.

Of the advisors surveyed, 71% said they are bullish on the S&P 500® heading into Q1, compared to 78% in the fourth quarter (“Q4”), a decrease of seven percentage points.

Similarly, advisors’ bullish sentiment for the NASDAQ-100® going into Q1 fell to 68% from 71% last quarter. Over Q4, the S&P 500® rose in performance by 6.45% and the NASDAQ-100® increased 9.86% (as at December 31, 2015).

“The decline of the Canadian dollar against the greenback has had a significant effect on U.S. equity returns and advisors realize that an active currency hedging strategy can play a very important role in ultimate returns,” said Steve Hawkins, Co-Chief Executive Officer at Horizons ETFs. In Canadian dollar terms, the S&P 500® was up approximately 10.75% for the 3-months ending December 31, 2015.

“The Fed also raised rates in December, which is generally considered a signal of strength for their markets overall, and that may have been what has kept the majority of advisor sentiment bullish on U.S. equity markets,” added Mr. Hawkins.

Looking ahead to Q1, 60% of advisors said they were bullish on the S&P/TSX 60™ Index, compared to 62% for Q4, only a slight decline of two percentage points. The index declined 2.55% last quarter (as at December 31, 2015).

Meanwhile, the number of advisors bullish on the S&P/TSX Capped Financial Index™ declined by eight percentage points down to 54% from 62% last quarter. Financials had relatively flat performance over Q4, with the index rising by 0.54% (as at December 31, 2015).

“After a near 8% decline in the S&P/TSX 60 in 2015, advisors may think Canadian equities could be poised for a comeback,” said Mr. Hawkins. “While the performance of Financials may have been flat over Q4, advisors may see the banks as a value opportunity over the coming quarter and of course they are always a great source of dividend income for Canadian investors.”
Surprisingly, sentiment for crude oil rose somewhat quarter-over-quarter, even with a 17.85% decline in the spot price of crude oil over the prior quarter (as at December 31, 2015). The number of bullish advisors on crude oil rose to 45%, from 39% last quarter, while the number of advisors that expressed bearish sentiment fell to 24% from 30%.

Similarly, the number of advisors bullish on the S&P/TSX Capped Energy Index™ also rose slightly to 40% from 37% last quarter, while the number of bearish advisors remained flat at 33%. The index declined slightly over the quarter by 2.41% (as at December 31, 2015).

Bearishness for natural gas increased for advisors heading into the upcoming quarter with 27% bearish compared to 18% last quarter. The price of a natural gas’ one-month forward contract fell approximately 7.41% in Q4 (as at December 31, 2015).

“Advisors increased their positive sentiment towards crude oil heading into Q1, thinking it’s price may have bottomed, unfortunately this has not been the case so far with WTI trading well below where it ended the year,” said Mr. Hawkins. “There’s also positive sentiment around energy producers which are very over-sold at the moment. If there is a bounce back in crude oil prices, investors are expecting energy stocks to really ramp up performance.”

Expectations for crude and natural gas may have factored into sentiment for the Canadian dollar versus the Greenback. Advisors displayed more bullishness and less bearishness for our domestic currency, compared to last quarter. The number of bullish advisors increased seven percentage points to 28% from 21% last quarter, while bearish advisors declined to 43% from 44% last quarter. The Canadian dollar fell 3.79% against the U.S. dollar over Q4 (as at December 31, 2015).

“The Loonie has been pretty much in freefall since the start of 2015 and could continue to fall relative to the U.S. dollar if we don’t see a rebound in energy prices,” said Mr. Hawkins. “Fear that the Canadian dollar could fall even lower, may continue to push investors and advisors to look on the other side of the border for investment opportunities.”

Of the other commodities, advisors were less bearish and more bullish in their sentiment towards gold stocks and gold bullion heading into Q1. The percentage of advisors that were bullish on the S&P/TSX Global Gold™ Index rose to 28% from 24% last quarter; the number of advisors bullish on gold bullion rose to 30% from 25%, with the number of bearish advisors declining to 33% from 40%.

Expectations were in line with the performance for the S&P/TSX Global Gold™ Index, which rose 4.33% over the quarter; however, the price of gold bullion declined 4.81% during Q4 (as at December 31, 2015).
“There’s a renewed optimism for gold with the increased volatility in the market,” said Mr. Hawkins. “However, a strengthening U.S. dollar does offset some of the returns that gold bugs would typically expect to receive in this type of market.”

Bullish sentiment for silver bullion heading into Q4 also trended upwards among advisors. Nearly a third (29%) were bullish on the metal, compared to only a fifth (22%) last quarter.

Sentiment for the S&P 500 VIX Short-Term Futures™ Index still remained fairly bullish for advisors over the quarter, even though it was the worst preforming asset class in Q4. Nearly half (47%) of advisors said they were bullish on the asset class heading into Q4, compared to 54% last quarter. The index declined 22.88% in Q4 (as at December 31, 2015).

The Q1 Surveys added two new sentiment categories this year: MSCI Emerging Markets and US 7-10 Year Bond Index. Nearly half (47%) of advisors were bullish on emerging markets, while 42% were bearish on U.S. mid-term bonds.

To view the full investor and advisor survey results, visit http://www.HorizonsETFs.com/sentimentsurvey.

About the Q1 2016 Advisor and Investor Sentiment Surveys
Horizons ETFs conducts the only quarterly sentiment survey of Canadian investment advisors. This was the third quarter that an additional investor sentiment survey was conducted. Both results have been collectively branded under the title ‘Q1 2016 Advisor and Investor Sentiment Surveys.’ The surveys quantitatively measure advisors’ and investors’ quarterly outlooks as it relates to key benchmarks covering equities, bonds, currencies and commodities. For full survey results, visit http://www.HorizonsETFs.com/sentimentsurvey.

About Horizons ETFs Management (Canada) Inc. (www.HorizonsETFs.com)
Horizons ETFs Management (Canada) Inc. and its affiliate AlphaPro Management Inc. are innovative financial services companies, which combined make up one of the largest families of exchange traded funds in Canada. The Horizons ETFs’ product suite includes a broadly diversified range of solutions for investors of all experience levels to meet their investment objectives in a variety of market conditions. Horizons ETFs currently has more than $5.3 billion of assets under management and has 71 ETFs listed on the Toronto Stock Exchange. Horizons ETFs Management (Canada) Inc. and AlphaPro Management Inc. are members of the Mirae Asset Global Investments Group.

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