

## **Advisor Sentiment Bullish on Canadian and Emerging Market Equities**

**Q4 Sentiment Survey results show an increase in bullishness across half of industry benchmarks.**

**TORONTO – October 16, 2017** – After a relatively flat quarter, Canadian investment advisors have turned quite bullish on Canadian equities, energy and a number of other industry benchmarks, according to the Q4 2017 Advisor Sentiment Survey (“**Q4 Survey**”) conducted by Horizons ETFs Management (Canada) Inc. (“**Horizons ETFs**”).

The Q4 Survey asked Canadian investment advisors for their expectations of returns – bullish, bearish or neutral – on 14 distinct asset classes for the upcoming quarter (Q4 2017), which ends December 31, 2017.

Canadian investment advisors have turned positive on equity indices after extremely high levels of bearish sentiment in the Q3 2017 Advisor Sentiment Survey (“**Q3 Survey**”). On the S&P/TSX 60™ Index, 62% of advisors in the Q4 survey stated they are bullish on the Canadian blue-chip equity index, compared to the 42% surveyed last quarter.

Similarly, bullish sentiment on Canadian financials and energy has also picked up since last quarter, rising to 62% from 54% on financials (Q4 Survey versus Q3 Survey), as represented by the S&P/TSX Capped Financials Index, and 53% versus 40% on energy equities, as represented by the S&P/TSX Capped Energy Index, which rose 10.48% over the quarter.

*“Advisors have watched oil recover from its 2016 lows and believe that the valuations of Canadian blue chips are at compelling levels,”* said Steve Hawkins, President and Co-CEO of Horizons ETFs. *“We will likely see ETF asset flows follow this sentiment heading into Q4.”*

The number of advisors optimistic on crude oil increased significantly in the Q4 Survey, where 53% are bullish on the commodity, versus the 41% that were bullish last quarter. The increase in sentiment reflects the commodity’s performance, where crude oil prices rose 12.33% last quarter to USD \$52.95 (as at September 30, 2017). Similarly, sentiment towards natural gas also picked up, where 47% stated they were bullish, compared to only 21% last quarter. Performance of natural gas has yet to catch up to sentiment, where prices actually remind flat in Q3, dipping 0.92%.

*“Oil supply and demand has come more into balance over the last quarter, and we see that reflected in the advisors’ growing bullishness for the asset class,”* said Mr. Hawkins. *“Oil hovering around the \$50 mark is no longer just a spike, but a new longer-term reality.”*

Sentiment in U.S. equity benchmarks remained quite flat, despite positive performance over the quarter.

The S&P 500® Index saw bullish sentiment stay level at 53% in the Q4 Survey compared to the Q3 Survey, despite the fact the S&P 500® Index delivered a 3.96% return in Q3 and is up

14.04% year-to-date. Similarly, 51% of advisors were bullish on the NASDAQ-100<sup>®</sup> Index, only slightly up from 50% last quarter. The NASDAQ-100<sup>®</sup> Index continues to top record highs after delivering a 22.94% return year-to-date.

*“Advisors continue to hold their breath when it comes to U.S. equities and appear to be waiting for a correction,”* said Mr. Hawkins. *“Despite the strong performance equities have shown, sentiment reflects the hesitancy or flat nature we see in flows for this asset class.”*

On U.S. bonds, only 15% of advisors were bullish on the S&P U.S. Treasury Bond 7-10 Year Index (total return), while 50% were bearish. Despite fears about rising interest rates, this asset class is up about 0.45% over the last quarter.

*“There is still a lot of concern over rising interest rates and uncertainty regarding the U.S. Federal Reserve’s plans,”* Mr. Hawkins explained. *“Advisors are waiting to see who the next Fed chair will be before they make any drastic moves.”*

Canadian advisors continue to be outright bearish on the direction of the Canadian dollar (“CAD”), with 55% of advisors believing the CAD will decline in value (relative to the U.S. dollar – “USD”) over the next quarter, in-line with the 53% of advisors that were bearish last quarter. The CAD versus USD had a positive return last quarter of 3.96% due to rising interest rates and recovering commodity prices.

*“Given the recovery of oil and the rise of Canadian interest rates, an overly bearish sentiment can at first seem surprising,”* Mr. Hawkins explained. *“However, when you consider the uncertainty regarding U.S. interest rates and Canada’s mortgage balances; if a U.S. rate were to happen, the Bank of Canada likely can’t follow suit – this is the crux of what advisors are worried about.”*

The majority of advisors were bullish on emerging market equities, as represented by the MSCI Emerging Markets Index, where 63% stated they were bullish heading into Q4. The MSCI Emerging Markets Index was up 7.02% last quarter.

*“We will see interest in emerging markets continue to grow, especially as these equities are relatively cheap compared to those in North America.”* Mr. Hawkins said. *“As oil recovers worldwide, sentiment will continue to stay bullish, as commodities fuel global growth.”*

Advisors were bullish on seven of 14 industry benchmarks, which was a dramatic increase in bullish sentiment compared to last quarter, where advisors only bullish on four industry benchmarks.

### **About the Q4 2017 Advisor and Investor Sentiment Surveys**

Horizons ETFs conducts the only quarterly sentiment survey of Canadian investment advisors. Both results have been collectively branded under the title ‘Q4 2017 Advisor and Investor

Sentiment Surveys.’ The surveys quantitatively measures advisors’ and investors’ quarterly outlooks as they relate 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](http://www.HorizonsETFs.com))

Horizons ETFs Management (Canada) Inc. is an innovative financial services company and offers one of the largest suites 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 \$8.2 billion of assets under management and 77 ETFs listed on the Toronto Stock Exchange. Horizons ETFs Management (Canada) Inc. is a member of the Mirae Asset Global Investments Group.

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