

# Thinking Differently About Equity Markets

## Speaker Key:

KM	Kevin McCreadie
JC	John Christofilos
DP	David Pett
DC	Dillon Culhane

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00:00:01	DP	Welcome to AGF Inside Perspectives.
	DP	Hey, guys. How's it going?
	JC	David.
	KM	How are you, David?
	DP	I'm good. I'm good. MLB starts as we speak.
	JC	Already started, my friend.
	DP	Already started, there you go.
	JC	Already started, yes.
	DP	Is this a big deal for you guys? I know you're sports guys, but is baseball a thing, Kevin?
	KM	Yes, it is. You're caught in between a bunch of things.
00:00:27		You have the March Madness going on, and you have 162 games, so the first couple of them really get lost with everything else going on. But I think when I was a kid, it was a big deal. Opening day was always a big deal.
	DP	Grew up in New Jersey, so Yankee Stadium, or Shea? Was Shea there? Yes.
	KM	I was a New York Mets fan, don't hold that against me. This has been a long [overtalking] business.
	DP	No way. 86?

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	KM	I was at that game, game six, in 1986, against the Red Sox.
	JC	Bill Buckner?
	KM	Bill Buckner.
00:01:00	JC	Bill Buckner. Ground ball up the first-base line. Whoops.
	KM	Brutal. Yes. A good ball player, but he'll always be remembered for that. John, what about you?
	JC	Oh, I love this time of year, I really do. I'm a huge ball fan. The Jays have a pretty good club this year. We're not too far away, in my estimation, of winning the ALE. Kevin, and others, may not agree, but I think that team's set up nicely. I love baseball. I have three recollections, if you don't mind, really quick, growing up as a kid.
00:01:29		The first was on April 4 <sup>th</sup> , 1988, rushing home to catch a home opener, not a home opener, season opener against the Kansas City Royals, where George Bell hit three home runs in a single game, and hit them all off the same pitcher, a guy named Bret Saberhagen, who was a really good ball player. Running around that day, trying to get home in time. I think it was a four o'clock start. So that was one.
	DP	If I remember correctly, he hit won the MVP the year before.
00:01:57	JC	Right, and he was having issues with the manager, Jimmy Williams, because Jimmy Williams wanted him to be a designated hitter only. George Bell thought he was an outfielder, which he was not. He was not a very good outfielder. He had a tough little go. Two other quick ones that I remember vividly. As a kid, a very young kid, going to Exhibition Stadium to watch the Jays play in the outdoors, when they first came into league. Sitting on metal bleachers in the middle of nowhere, it felt like.
	KM	Yes, it was so cold down there.
00:02:28	JC	I remember it was so cold. The outfield bleachers actually, as you sat further away, went further from the field. If you were way out there, you couldn't see three-quarters of the field, anyway. But it was cosy, it was interesting. The

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		brooms and getting the snow off the baselines early in the season was quite interesting. And then the third one was on, I want to get the date right, October 14 <sup>th</sup> , 2015, José Bautista's classic home run, with the backflip. We were actually in the stadium.
00:03:01		I can tell you, as a fan, I think the Sky Dome shook that day. It was so loud. People were so excited, it was an amazing feeling. And that's the same series we went on to win, but that's the one that he also took the hard-left hook from the second baseman, from the Texas Rangers [overtalking].
	DP	Yes, he was either you loved him, or you hated him. I think the opposing teams didn't love him too much.
	JC	No, they didn't.
	DP	The backflip started a bit of a trend, right? Everybody's flipping [overtalking].
	JC	Yes, everybody's doing it now.
00:03:29	DP	Even our guest, I think, flips his bat once in a while, but we'll get into that in a second. Here's just a quick little game for you. I came across this story from the Toronto Sun a couple of years ago. I think the numbers changed a little bit, but it's The Title-Less Teams in North America Pro Sports. That would be the four leagues, which is MLB, NHL, NFL, and Mr Barnes. And so, there's 35 teams that haven't won a title if my math is correct.
00:03:58		Five of those teams are MLB, so I'm just curious whether you guys might know who those five are. Major League baseball, five teams that haven't...?
	JC	I'm going to start with the Seattle Mariners.
	DP	Yes, that's one.
	JC	And the reason I know that is they came in the same year as the Jays, in 1977. The Jays have won their two World Series, and I know Seattle has not, so that's the one that I do know.
	DP	Yes. And so, we've got Colorado, The Rockies, who didn't

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		join the league until 93.
00:04:31		Fair enough, they haven't had the same history. Milwaukee Brewers. San Diego Padres. And the Tampa Bay Rays, formally known as the Tampa Bay Devil Rays.
	JC	The Mets have won? Oh, you've won two, have you?
	KM	Twice. Been a bit of a draft though, 1986 until now.
	DP	Well, maybe, this will be their year.
00:04:54	JC	It will not be the year for the Mets.
	DP	Okay, let's get to our guest. He is ball player, and the rarest of rare, he is a southpaw third baseman for the AGF Tigers. If you've ever heard of a southpaw third baseman, well, we've got one. He's also a fellow gym rat, and all-round good guy. Dillon Culhane is who I'm talking about, our newest Co-Portfolio Manager. Although that's still pending official regulatory approval.
00:05:27		Without further ado, let's get into it. Welcome, thanks for being here, Dillon.
		Thanks for having me.
	DP	I know you and I are on the same baseball team with AGF Tigers, looking forward to the new season, but any thoughts on the MLB season that's coming up, and the Jays, what baseball means to you?
	DC	Yes, I'm definitely a huge Jays fan, as well.
00:05:55		I was at the same backflip game that John was talking about earlier. I remember, as a kid, when they won the World Series, back-to-back, but my first baseball story is a bit interesting. I grew up closer to Ottawa, and actually, my first MLB game was Montreal Expos game, when I was probably eight or nine years old, and my grandfather won tickets to two games, all-expenses-paid weekends. Him, and my dad, and I went down, and saw the Montreal Expos play for a couple of games.
00:06:26		Even though I wasn't really a huge fan, it was still a great time, and that was my first MLB experience.

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	DP	Wow, yes, The Big O, that's the great stadium. It's too bad that we don't have the Expos to cheer for anymore. Okay, let's get into the markets. But before we do that, I'm just curious, Dillon, I know you've changed jobs recently, you're now a co-PM, for years before that, you were an energy analyst. What's that transition been like for you?
00:06:54	DC	Yes, sure, thanks. I started with AGF the start of 2015, and as the energy analyst here, and did that role up until the end of 2022, and covered a few other sectors, in addition to that, as well, the utilities, and renewables, and things like that. And real estate for a little bit, as well. At the start of 2023, I took on more of a generalist role, looking at North American equities on the dividend-paying side, on this team, using a quantamental approach, so some of our North American and Canadian dividend income strategies.
00:07:27		But some of the biggest adjustments, I would say, is when you're a sector analyst, you're really deep in the weeds, looking at the companies that you hold, looking at all the macro themes within that sector. Once you step over to the generalist and portfolio management side of things, you don't really have time to be that deep in the weeds, so you're looking at a lot more macro-focused stuff, reading strategists, and economists, and looking at economic data a little bit more, and how it affects the sectors. So that one big change.
00:07:56		Another one is just learning about all these new areas of the market that you've never looked at before. I was pretty well-steeped on the energy, and utilities, and power, and renewable side of things, but now, over the last year, year-and-a-half, I'm looking at technology, health care, consumer, banks. There's some complicated stuff there that you never looked at before, and it's like you're starting all over again, but that's the good thing about this role, you're always learning. You have the sector analyst team here at AGF to lean on because you have all these experts that have been around, doing this stuff for so long.
00:08:29		And then, the last big part is probably just the actual portfolio management side of things, which I have a lot to learn about, but it's been great. The sector allocation piece, security selection, sizing your positions, adding, and

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		trimming. We do some option writing, as well, for risk management. It's like drinking from the fire hose, but it's good to be learning new stuff every day.
	DP	Kevin, maybe harkening back to earlier in your career, you've, obviously, gone through something similar, in terms of when you're moving from one position another within the broader investment team.
00:09:01		Do you remember what that was like for you, and how Dillon might be feeling right now, in terms of that?
	KM	Yes, classic change from an analyst to a PM is, as Dillon said, you are down in the weeds, you know everything about a small subset of companies within an industry, and now you've got to walk that up fairly quickly to multiple industries, and, as what Dillon said, how to size those positions within them.
00:09:28		I can give us an exercise, all four of us take 30 names, same 30 names, and we all weight them differently, and we track them through time, we'd all have very different outcomes. There's the whole learning of not just the broader understanding of a portfolio, but how the names work together. But for the rarer set that get to do it, for the work you've got to put in, it's a great outcome, though.
	DP	And then, you guys, probably, John, you and Dillon probably have a slightly different relationship now, given what he's doing. I'm just wondering how that meshes between a PM and what you're doing as a Chief Trading Officer.
00:10:01	JC	Yes, definitely different. Dillon gets to hear my gibberish all day, every day, because he sits right behind me, and can hear some of the conversations we're having. But I think what we're starting to develop is this idea of I know what he owns in the portfolio, and we can relate to each other when something big comes into the desk. If it's a large buy order, or a sell order. Like we did a couple of weeks ago with one of the names that we were trading, I yelled something out, he made a phone call, we got an order back, and we executed a nice size trade.
00:10:31		Yes, it's a different role altogether, but they mesh very well together. Because ultimately, Dillon and team pick and

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		choose what stocks to buy and sell, and we as traders have to pick how to buy them and sell them, what strategy do we use, when do we go into the market, when do we do a block trade, versus just leg into the trade. Lots of interaction between us, and that will continue to grow as Dillon gets more comfortable, and I get more comfortable with Dillon's style, and the way he operates.
00:10:57	DP	Another thing I'm curious about, Dillon, and stop me if I'm wrong, in terms of your background, you would have been more focused on fundamental analysis. You talked about quantamental as being this bridge between fundamental and quantitative. What's that adjustment like as you get more involved? You're surrounded by a team, including Steve Duench, who are more quantitative in focus. What's that been like, that balance between fundamental, what you bring, and the quantitative side of the investment management?
00:11:26	DC	That's just been another big part of the learning experience because the quant stuff is all new to me, I'll be honest. Like I said, I've been a fundamental analyst here since 2015. Before that, I was on the sell side for four years, doing fundamental analysis, as well. But now, these mandates are quantamental, where we have a lot of internal proprietary tools here at AGF, quantitative tools, and a whole team that backs that up, and created those tools, and back test them, and continuously improves those tools. We use that to help guide the, I guess, investment decisions.
00:11:57		But it's really humans making the final decision of what goes in and out of the portfolio. Steve Deunch, the lead PM on these mandates, for a while, he's got a quantitative background, been at AGF for a while. I've got the fundamental background, so we bring those together, and learn from each other. I've been learning a tonne on the quant side. It's just like another tool in the toolbox, it's not like a robot running something, it's just another thing to use.
	DP	But this is a big switch, in terms of, I don't know, say, maybe the last ten years, Kevin, in terms of combining those forces a little bit, in terms of quantitative and fundamental?

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00:12:29	KM	I'll simplify it. It's about data. It's about how you put data together, how do you weigh the data, create different factors from the data, create different kinds of data, to look at things we've never had before. And so, it's about processing that data faster. And so, when we say quant, it's how do we take all those things that a company has in their earnings stream, it could be in their projections, it could be in what their competitors are doing, and it could be that the ancillary things around what a company does that are creating data for us.
00:13:00		If you're in the consumer sector, how does is the consumer holding up more broadly. You can look at open-table bookings, are they going down. You can look at TSA crossings, are they going down, you can create a different health pattern, if you will, for a consumer, that if you're looking at a portfolio, and say how much of this do I want, given what I'm seeing over there. Again, when I look at the quant side, it's taking all that data, and being able to use it in a way to help a PM make a decision in a more disciplined way.
00:13:27	JC	Kevin talks about the data side. I'm more interested in the human interaction side. I've noticed a lot more collaborative work on the floor than ever before, between our quants and our fundamental analysts. Is the language the same? Have you learned to adjust your thinking from a fundamental side, as you get presented more data from the quant guys, and vice versa?
	DC	Yes, so one of the big things, projects, we've working on are these subsector models, quantitative models, where we're taking all this data that the quant team has, or quant research team has, and harnessing it.
00:14:01		Working with the fundamental analyst in each sector, to figure out, okay, which factors make sense. In the energy sector, earnings per share may not make sense because some years, those companies don't have earnings, so you use EBITDA instead. It's like tailoring the factors to use because someone who is on the quant team may not know that, but the sector specialists would know that. It's tailoring these models so that they have better predictive power.



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00:14:25		And then, when you do that, the fundamental analyst has ownership of the model, as well, because they're helping create it, and they'll actually use it.
	DP	Maybe just a quick question, and this, maybe, is for John, is there a misnomer about quantitative investing in the world, and maybe it's more on the trading side of things? I don't know.
	JC	That's exactly what it is. There's quantitative trading, and there's quantitating investing. Most of the world thinks about quantitative as a trading tool because that's what everybody talks about.
00:14:54		They talk about high-frequency trading, algorithms, all these, predatory algorithms that people talk about. Few talk about the investing side of things, and there is a huge difference there. We, as we go on the road and talk to people, try to differentiate the two because sometimes when you use the word quant, people look at you like you have two heads, oh, quant, high-frequency trading, all this other stuff. It's not, it's actually quant investing is what we do, and what the guys and gals on our floor do. We don't quant trade. We don't high-frequency trade, we don't use a lot of these predatory algorithms that many other shops do to try to gain an advantage and try to game the system.
00:15:31		There is a massive difference between the two, and we have to be very clear that we don't do the one, we do the other.
	DP	As always, let's get into the markets a little bit. Kevin, maybe we can start with you. It's been about a month since we last spoke, and we've had, obviously, some interesting economic data that's come out in the interim, and the Fed met last week, and announced their latest dot plot.
00:15:57		Maybe we can start with that, and then we can go from there.
	KM	Yes, the markets have been resilient, and it's a word I'll want to use because we started the year, you remember the first Fed meeting in January, the market's had come into that, and priced in, the Fed was cutting seven times,

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		and starting in March, to unwind that expectation that they're not, which is essentially what has had to happen. The Fed, at this recent meeting, basically, said hey, you know what, that's a bit aggressive. They've been telegraphing that for the last month-and-a-half, or so, that that's too soon, and maybe, too many.
00:16:30		And now I think they've repriced it to the place where it's probably three, and don't get up if it's three or if it's two, and it probably starts this summer, is the new messaging. But the equity market, which, typically, would have responded negatively to that kind of more hawkish rates, are going to be higher for longer, processes it pretty well. We're sitting here year-to-date, the S&P 500 is up almost 9.5%. More speculative parts of that market, like the MAG-7, up 16%.
00:16:58		If you look at basket of just the highest momentum names' price momentum, up 20%. We're probably running into a place where everyone is overly exuberant. If you look at investor sentiment, it's screaming off the charts, too many bulls on one side, maybe, and you'll start to, probably, run into some seasonality here, too, April gets a bit more choppy. But we've had a great start, and the markets have navigated this idea of we can tolerate, maybe, the Fed, and others, cutting a little later, and not as many times.
00:17:31		I'd say now it starts to transition to, also, the earnings side of the story. You start to cut rates, eventually, you want to spur demand, you want to get people back into borrowing money, and buying things. Because obviously, you're trying to counter a weakness that you see, and that weakness that could be in the fact that the labour market may start to soften, people lose their jobs, they don't buy things. Again, you're trying to create this later way to keep the economy afloat, which should be good for earnings over time.
00:17:59		Obviously, if they have to cut more aggressively, be careful what you wish for because that means you're getting into a recession land, and things get uglier quicker, and demand goes down at the first instance, not goes up. But I think the markets have processed it so far, but we probably have some sliding and slogging around in front of us. I don't know, John, you may have a different

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		view on that.
	JC	No, actually, I don't. I think it's time for a bit of a pause. We've run too far too long. I think if March ends the way it looks like it's going to end, that's five consecutive positive months in the market.
00:18:29		That's a long run, and some big numbers in that five months. A couple of things that come to mind, David, to your question, that I find quite interesting, in March. One, it kind of feels like, to me, from a trading desk perspective, that the Fed means a little bit less today than it may over the last couple of months, and that earnings and the economy are taking more precedent and more of the headspace of traders, analysts, and the like, and less about the Fed.
00:18:57	DP	Less worry about what they are going to do because there's a little bit more comfort.
	JC	Yes, I think there's a little bit more we've heard enough of you, already, and we need to start doing the round [?].
	KM	I think you've got to go back to September, what caused the market row, we had massive decline in September and October, the Fed and every other central bank said, hey, wait a minute, inflation is too high, and we're not ready to stop. That backup in equities, the drop at its widest point might have been almost 20%, if it was in the small cap world, right?
00:19:27		You had a huge backup in bond yields, which is highly restrictive. You get to the end of October, and the next Fed meeting, and they say, hey, wait a minute, maybe we're breaking things here. And so, they, the ECB, everyone says maybe we're done, and that is, really, what changed the narrative, we're no longer raising. You saw the massive rally in November, December, and I think people were caught offside that it's continued. That's why I said, this idea that they've transitioned, and reconciled this seven cuts and do it now, to John's point, maybe that doesn't matter, they going to be cutting soon, anyway, so why are we getting caught up whether it's March or June.
00:20:03		And so, I think the reality is, we're done raising rates.

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	JC	I find it really interesting, last week's Powell's press conference, depending on who you read or listened to, it was more hawkish than it was it was doveish, but the market talked through it. They said it didn't really matter anymore, and you don't matter anymore, Mr Powell, or as much as you used to. Let's look at individual companies, and their earnings, and the economy, and how is the consumer doing, back to the fundamentals of investing, and less about the Fed.
00:20:33		That's what I see.
	KM	But yes, where it will matter again, I think, is if we get into the later spring, and energy prices have picked up. You look at the recent PMI data, the manufacturing data, that came out late last week in the US, raw material cost picking up. Copper at an all-time high.
	DP	That could change the tone of the Fed, going forward.
	KM	Yes.
00:20:57		I think that is not our base case, but obviously, you want to shock the market, you get here in the fall, and we're still waiting, that may create some volatility. I don't know that that's the base case, but it's something to keep an eye on with prices.
	DP	Dillon, again, I know the role is relatively new, but what's your sense of that idea that maybe the market is not moving past the Fed, but becoming a little bit worried about following every single word that they say, that they're a little bit more comfortable with the messaging overall?
00:21:30	DC	I think it makes sense that the market's looking at the economy and the fundamentals, but I do worry about the concentration, still, the MAG-7, or whatever you call it now, the Fab 5, Fab 4. If you look at the amount of multiple points that those stocks have contributed, it's over 100%, or something, or in the 90s. I think we really need the market to broaden out, and it's started, everyone talks about broadening, but I think it will surprise a lot of people, over the last month, the sectors with the best spread, they're energy, materials, industrials, financials, a lot of people would say what, it should be

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		tech, or it should be SEMIs.
00:22:02		You're starting to see that happen, but the overall index could go down if those sectors performed well, and the MAG-7 comes down, or if tech comes down.
	DP	Is that because they are, what Kevin was talking about, a bit of a reflationary trade, is that the idea there?
	DC	These other sectors? Yes, I think people think the economy is looking okay, so things like copper, or energy prices do a little bit better. Financials start to perk up because people think these banks are going to be okay.
00:22:31		But I just feel like the contribution from these mega tech companies, it just can't keep getting more concentrated.
	JC	Hey, David, let me touch a little bit on energy. I'm going to say something that I haven't said in about four years. Three years, maybe. International interest in Canadian energy names is back. We're seeing more flow coming back into Canada, we're seeing larger blocks, or indications of blocks, coming back into Canada from outside our borders.
00:22:59		As I've said for many years, Canadians can't support Canada on our own, we actually need international investors, and we're starting to see that, and it's translating into the energy names. I think they're number one performing sector in March, and I think they're number three year-to-date. Energy is starting to make a bit of a comeback, as is industrials, as is financials, so this broadening feels like it's more real.
00:23:25		Although, if you're listening to BNN, and CNBC, all they want to talk about is the 7, the MAG-7, the Fab 5, or 4, or whatever you want to call them these days, did all right, that's all they want to talk about. But when you look underneath, there's a little bit more interest in other names that have been out of favour for many, many months, if not quarters.
	DC	One other thing that Kevin said earlier, that I tend to agree with, is it doesn't really matter if it's two or three cuts, it's the fact that they're going to cut. You see there's certain defensive names, inter-sensitives, that have just been destroyed, the historical underperformance like in

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		utilities, telecoms, certain healthcare names. If the end of the year interest rates are lower, those names are going to be higher.
00:24:04	DP	Back to the energy, so that's, obviously, as Dillon mentioned, reflective of, perhaps, this sense that the economy is in good shape. Does it have anything to do with the underpinnings of oil, and commodity prices, as well?
	KM	I'm going to start this, and I'm going to hand it to Dillon, given his past on this, and then John can bring it in.
00:24:28		Here's the deal, most commodities are supply-and-demand driven. Oil is one of those where a little bit of excess supply creates wild price swings, same when there's more demand than supply. You get a little out of whack and you get large price movements. I think one of the things is the economies around the world have not faded the way people have thought. They're struggling, Canada is teetering toward a recession, Europe is teetering towards one. Job growth has been tight, everywhere.
00:24:59		You look at the US, probably holding up better than many, I thought, decelerating economic growth, but still holding pretty good. I think on the demand side, it's probably been one of the things. I think the second thing going on, I do think that people are finally looking a little bit at some of the events in the world and saying maybe we're one or two events away from a supply outage, or blockage, going back to my small differences in supply and demand create big price moves.
00:25:31		We started the year, the WTI was roughly 70-ish, broke 70, it was lower than that, maybe. We're in that 80 kind of range now. That's quietly picked up, so that will quietly back up gasoline prices. You can start to see how this filters through. That's without anything really bad happening. We have the prospect of bad happening.
	DC	The one thing I'll say is, following this market for many years, the oil price always over-corrects and under-corrects, no matter what.
00:25:59		It shoots way to too high, and then the downside, it shoots

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		way too low, and it comes back into a range. And like Kevin said, it's the marginal barrel that matters, so the price that you see on your screen is the price of that last barrel that's traded. If you don't have enough, it's going to spike, and if there's too much, like we saw during COVID, we actually went negative. It's very volatile, and in we're in a range at 82 right now, WTI, that actually was in the mid-60s, midway through last year, and it got up to 95.
00:26:29		And then it went back down again to the 60s in December, so it just shows you how volatile it can be.
	DP	Go back to the beginning of the Ukraine war, which is two years ago now, right? Remember that backup in oil?
	DC	Yes, 120, or so.
	KM	Russia is a big producer. The original thinking was they had 3 million barrels a day was coming offline because they were going to sanction them. They ended up moving all that stuff to India, to send it back to Europe at a lower... They ended up producing, if you look at the year, more than they started.
00:26:59		The 3 million never came out, but the idea of losing that much in a day, you jack the price so high up. To Dillon's point, events do create this volatility, that's for sure.
	JC	I could ask question. Minus-\$40 a barrel, was it normal?
	DC	No, it was not.
	JC	That's where we should have backed up the truck, filled our pools, and everything else with oil.
	DC	And filled your swimming pools, exactly.
	JC	And we would have done exceptionally well.
	KM	There were guys who were buying empty railcars, and ships, and storing them for that reason.
00:27:26	JC	Yes.
	DC	Exactly.
	DP	You talked about this supply and demand is a big driver,

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		obviously, of any commodity, and geopolitics, right now, are playing a part, in terms of what we're seeing. But are there any other bigger dynamics at play when we talk about oil? Maybe I'm thinking, here, US energy independence as being one that probably...
	JC	Saudi's, maybe, the other.
	DP	Saudi as being another that has changed the game a bit.
	DC	Yes. OPEC is, obviously, the big one when it comes to oil, so they're that hand on the market.
00:27:56		Right now, they have already cut, so they're cutting 2 million barrels a day, it's off the market. Normally, you can say, oh, it's bullish, they're cutting production, but it also tells you that there's spare capacity behind the meter there, that they can bring it back on at some point. So that's one thing that keeps prices depressed right now, is the fact that they can bring that back at some point.
	KM	Yes. Let me be a cynic. One of the things that gets presidents elected is a healthy economy and low gasoline prices. If you get a big spike in gas prices, the incumbent president, it just... The consumer starts to struggle.
00:28:30		It impacts the lowest income consumers the hardest because they tend to live further from the core of a city because housing is cheaper, so they have to drive, their costs are much higher. Gas prices do factor in. I can be really a cynic, here, and say if Donald Trump is going to talk about, basically, drill, baby, drill, and flood the market again, that's probably not what the Saudis want.
00:28:56		You can see the Saudis, maybe, keeping the taps open a little looser, keeping prices down, so gas doesn't... Yes, and it's also probably because they do worry about a slow-down in demand if you run into a recession. So that's one cynical view. I could take the other side of that, too, which is if you don't want Biden, and you'd rather have Donald Trump, i.e. if you're somebody else in the world, like the Russians, maybe you cut production here, and try to jack up oil and create the opposite effect.
00:29:29		I'm being cynical, and I'm spit-balling a little bit, those are factors. And you've got to remember, oil is relevant to the



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		Russian economy, they make a lot more from oil than they do nat. gas, so they'd have to be pretty serious about trying to make this outcome because they'd be cutting their own throat for a little bit.
	JC	Yes, there's been whispering out there for years, David, that the price of oil is financially engineered. Whatever that means, it means something different to everybody, but it's maybe not just supply and demand, there's lots of other things that go on because the whole world uses oil.
00:30:02		It's not like on part of the world does only, so something to keep a close eye on because I think this things going to gyrate, here, for the next little while, quite significantly.
	KM	One of the things we talk about is this idea of transition, which is probably the right way to think about it. I think people, when we all went home, didn't drive, saw the collapse, as we talked about, to negative... Just how quickly supply piled up because nobody was doing anything.
00:30:28		People got this idea that we would finally figure out to be much more energy efficient, well, it didn't happen because it takes a long time for that transition to occur. If you look at even demand, usage, we were well above where we were pre-COVID, and that's with all we've learned about the environment and other things. It's going to take a while. And so, we focus on the transition side, how do we get to a cleaner, healthier environment, knowing that you're going to need the grit to be fired about things that maybe you don't love.
00:31:01		And oil, coal, natural gas being those.
	JC	I have another question for Dillon. Dillon, where are we today on barrels per day, the demand for barrels per day? What are some of the projections that you're seeing out there? And what happens once China comes back on line because they have not come back on line in a big way? They're back, of course, but not in a big way, what does that do to demand on a daily basis?
00:31:26	DC	Yes, I'll start with the transition thing. Energy transitions take decades, not years or weeks, and unfortunately, you have governments that don't last decades, so that's one of the

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		problems we've seen is these governments come in with four-year timelines, and you just can't change over things that I don't know the exact number, but before COVID, we were around 100 million per day of oil, and now we've already surpassed that. I'm going to say between 101 and 102, roughly. The projections were, maybe, 1% a year, going forward.
00:31:56		And then you have these different shops, you could say, whether it's IEA, or the EIA, or the BP Statistical Review, they all have their own projections, and a lot of them fluctuate every year, based on EV usage, electric vehicle usage, but the one consistency is that they keep getting revised up every year. People think that we're really going to plateau, or even drop, and once we move forward, we keep getting ticked up. It doesn't seem like we're slowing down any time soon. China is no longer the big demand grower, though, for oil.
00:32:26		They've slowed down. I know they're not fully reopened, I guess you could say, but people are starting to talk about India, now, as being the next... In terms of moving up for the middle class, more oil demand, more automobiles, is that going to be like China was a few decades ago for oil? I don't know if it we'll be to the same extent, given things are more efficient now, but that's what people are talking about.
	KM	Just for the record, Dillon's pretty close, I think, on the barrels per day.
	JC	I'm sure he is.
	DP	Come on, we just said he's moved to now more of a generalist, he's a PM.
	KM	I put him on the spot.
	DP	And you put him on the spot, there, with that.
00:33:00	KM	Once an oil guy, always an oil guy.
	DC	Energy is still important Canada.
	KM	There you go.

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	DP	Maybe just one last question for all of you, and I think it goes back to what we talked about, that feeling from investors that, perhaps, things are not so bad. Are you guys convinced that the Fed, and other central banks, are navigating what seems to be a bit of a soft landing at this stage, or no landing?
	KM	Soft landings are really hard to achieve. They're just really, really hard.
00:33:29		It is this idea that I've raised rates enough to cool things, and I'm not too restrictive, it's not too easy, it's just normal, that's just hard to define, and economists debate this over long periods of time. What the Fed, and others, have tried to do is engineer an outcome where let's get rid of the job openings because if too many people are looking for employees, they drive wages higher.
00:33:56		If I get rid of the job openings, then maybe I don't have to lay as many people off, and I can get the economy balanced, get the inflation, that I'm worried about, down, which starts with wage inflation. That's the nirvana. You don't kill the demand for things, but you crush inflation drivers of things. Exactly what we talked about, the energy stuff, but it's really wages that we always worry that get embedded. And then there are economies around the world, like Japan, which have been begging for inflation, and they're celebrating the fact that they got 5.3% union agreements last week.
00:34:31		That would scare the daylight out of the Bank of Canada, or the Fed. I think we're at a place that to get to that soft landing, we've probably gone further than people could have thought. Many people talked about a recession last year, this would probably be greatest talked-about recession that didn't happen. I'd say the odds of it potentially grow, and I think that's what you're seeing with the optimism in markets.
00:34:58	JC	I know what a soft landing is, I know what a hard landing is, I have no idea what a no landing is. I'm not sure I really want to know.
	KM	We should just strike that from the record.
	JC	I would strike no landing from the vocab. Look, the market

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		is a series of give and takes. It's given us a lot the last five months. Like a lot. As a trader, I can tell you that the market feels heavy, it feels like it wants to pause, and/or retreat a little bit, that's going to take some back.
00:35:27		But ultimately, longer-term, I think the economy is in pretty good shape, as Kevin said, the consumer feels pretty good, but it can't keep going up every month. It just can't. You look at it historically, at some point that will end, and it feels like we're closer to a pause, retrenchment, than we are continued upside. That's not to say that we're not going to finish higher during the year, because I think we will, but in between now and December 31 <sup>st</sup> , 2024, we're going to get some gyrations.
00:35:53		And don't forget, in November, we've got this pretty big thing happening in the US, it's called a US election, that's going to add more agita and more volatility to this market. A little bit more caution, I think for all of us, here, as this market has run a little bit, in my perspective, from my perspective, too far for too long.
	DC	Yes, I tend to agree that we are due for a pause, definitely at the index level, but maybe you start to see unloved, beaten-down areas start to improve, at the expense of those larger cap mega-tech trends.
00:36:25		Whether it's eco-weight versus cap weight, or small caps, Canada, TSX versus S&P, defensives, things like that, should maybe catch up a bit to all the stuff that's been leading in the market the last year.
	DP	When we look at central banks, we focus a lot on the US Federal Reserve. If you had to go around the world, and you mentioned Japan, Kevin, who's got the toughest job right now, and who's got the easiest job, to navigate through things?
	KM	The Bank of Japan is actually going the other way. They're actually finally the last to get out of negative interest rates.
00:36:56		They are probably going to start to raise rates. The rest of the world, the developed, are starting to ease rates. I'd say the one that is probably the hardest problem is Europe. And again, the euro is one currency for 29 countries, all moving at different speeds. Central bank

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		policy to try to cure 20-odd different ailments is hard. I'd say their job is harder.
00:37:24		Identify say the US Fed because the consumer, on aggregate, when I take the low end and high end and put them together, looks okay. And so, you're seeing that resilience show up in the economy, they can stay in their homes for 30 years, with a 30-year mortgage they re-financed [?] in COVID, at two-and-change, three-and-change. They don't have to move. And then I'd say Canada has got, probably, the next biggest hardest job because they probably need to give the consumer a lift, but they also fear reigniting a housing bubble. I think at a rank order, I think Europe is the toughest, Canada second tough, and then the US is probably the easiest.
00:37:58	DC	I was going to say and Canada. Do they have the wherewithal of the cut before the Fed does. We have this housing problem here that they don't have, and a slower economy. We saw the inflation print come in way below, last week.
	JC	If I had to wager a dollar, I would wager the Bank of Canada cuts before the Fed cuts. David, to your question about who's got the toughest job, I've got to think it's Powell. Oh, my God. Other than Kevin McCreadie, of course, it's got to be Jim Powell.
00:38:28		The scrutiny he gets on every single word that he says, writes, thinks about, is mindboggling. He's got this thing coming in November that could disrupt his life in another direction, depending on the result of the election in the US, too.
	DP	Okay, let's wrap there, guys. Excellent conversation, as always. Dillon, thanks for being with us.
	DC	Great, thanks for having me.
	DP	It was great to hear a little bit more about your new job, and your thoughts on the markets, so thanks again.
	KM	Thanks, David.
00:38:59	DP	Dillon Culhane's new role as Co-Portfolio Manager at AGF Investments Inc. is still pending regulatory approval, as of the date of this recording. For a full transcript of today's

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