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INDUSTRIAL ALLIANCE
SECURITIES INC.

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Don't try to buy at the bottom and sell at the top, it can't be done. Except by liars.
- Bernard Baruch (Successful speculator in around the turn of the 20th century)

Bernard Baruch was one of the most successful speculators in the last 100 years, he bought low and sold high, but even he was aware that precise timing is next to impossible. Stock markets around the world are down month over month. The TSX is down around 7% year to date as of this writing, is now a time to buy?

A closer look at the market suggests a fairly weak environment. The headline performance of the TSX composite masks much poorer performance of the average stock. Valeant Pharma, the second biggest company in Canada (that nobody has ever heard of) has doubled over the past year adding around 3% to the performance of the index. Further, the largest capitalization stocks are outperforming, keeping the index with a better showing. The TSX 60 equal weight index, which represents the average performance of the 60 biggest companies in Canada, is down around 20% this year.

What should one do? In my view the recent performance of the stock market should in no way change your investment philosophy. I think there are a few shares that have been knocked down that provide reasonably attractive entry points. I don't see anything wrong with adding to existing positions or buying some new ones. There are a number of high quality companies with attractive and growing dividends that have a high probability of outperforming available alternatives such as bonds.

In Canada bond yields have fallen and they can't get up. The 5 year Government of Canada bond currently yields less than 0.80%. An aggressive bond investor can lock in for 10 years at an equally unappealing 1.50%. Unless you feel rates are going negative, stocks are a better bet over the long haul.

Regardless of the market environment I'm always looking for opportunities. Preferred shares in Canada have sold off significantly this year and offer tax advantaged yields. Preferred shares are a hybrid between stocks and bonds that offer contractual dividends. BCE (Bell Canada) has preferred shares that pay a dividend equal to the Canadian prime rate. As the prime rate has fallen, the shares have traded to a significant discount from par. At $15 they currently yield 4.5%. If interest rates were to go up at some point they could offer substantial capital appreciation. They were 50% higher a year ago, when people thought rates might go higher. There are a number of other examples of securities with great yields and good growth potential that are worth a look.

My view is that if you have some cash kicking around, you might as well buy something of good quality now. If markets go down further and you still have cash, then buy some more. Five to ten years out, it is more likely than not that things are higher.