



Di Iorio Family Wealth of RBC Dominion Securities

Think bigger. Act bolder. Invest better.

Themes for 2020

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For the last couple of years, we have taken the start of the new year as an opportunity to write up some themes and predictions for the year ahead. In keeping with this tradition, here are some of the top themes we are watching for in 2020:

Prediction: Volatility returns to the markets, keeping many investors feeling uneasy, but ultimately rewarding patience & process.

While 2019 had some periods of limited volatility, none of these seemed to reach the levels where investors' concerns of impending doom caused a rush for the exits. The latter half, and particularly last quarter of the year, were characterized by a market that essentially ground higher and higher, with seemingly no normal periods of pause or correction.

While we remain optimistic about the outlook for continued moves higher in markets generally, we do expect volatility to re-emerge within the narrative. As has always been the case, the best way to react to these periods is to remain patient and stick to the processes which have been shown to work time and time again.

Prediction: Emerging markets begin to reverse the multi-year tide of under-performance relative to their developed market peers, outperforming over the course of 2020.

Although emerging markets continue to account for an ever-increasing portion of global economic growth, the broad performance of EM relative to developed markets has been weak for several years. While there are often exceptions to the rule, with one or a few EM countries having particularly strong years, we are in one of the longest cycles of relative underperformance of emerging markets on record.

We believe that this is poised to change, as rapid economic growth and emerging middle classes in many EM countries show no signs of slowing down. As long as this continues, simple demographics are the only argument one needs to make the case that markets in these countries will eventually benefit and begin to outperform.

Prediction: The “Streaming Wars” narrative turns out to be vastly overstated, as there is plenty of room for all major players to flourish.

Much has been said and written about the increasing competition in streaming. The incumbent champion in the space, Netflix, has been particularly affected by this narrative, as investors scramble to figure out how much of a threat services like Disney+, Apple TV+, Peacock, HBO Max, Hulu, Amazon Prime Video, etc. pose to their business model.

We would argue that the prevailing mentality around the so-called “Streaming Wars” is incorrect in that it presumes that all of these players are battling over a pie too small for all of them to get a big enough slice to succeed. The fact of the matter is that consumers can subscribe to multiple, if not all, of the streaming services they are interested in, and still end up saving significantly relative to the costs of traditional cable. We view the rise of streamable content as simply the next step towards the demise of traditional linear TV, with the next frontier for these content providers being the international space (an area that Netflix is already pursuing aggressively, once again as the first mover).

As always, thanks for reading, and please feel free to reach out to us with any questions or comments you may have!

Sincerely,
Di Iorio Family Wealth

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