

Roseman: Canada's in the sweet spot for stock boom

Ellen Roseman

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Robert Haber is an American living in Boston, but he's keen on Canada as a place to invest. He thinks Canada's stock market, which has outperformed the U.S. market for the past seven years, will continue to be a high flyer for 10 more years. "The global balance of power is shifting and Canada is sitting in the sweet spot," he says in his new book, *Go Canada: The Coming Boom in the Toronto Stock Market and how to Profit from It* (Fenn, \$21.95).



Haber was chief investment officer for Fidelity Canada for 12 years, where he built a team of 20 analysts who followed Canadian stocks. He left Fidelity last year when it moved its Canadian analysts to Montreal. As a part owner of the Boston Celtics basketball team, he didn't want to relocate. Now he has his own company and he's managing funds for Canoe Financial, whose chairman is Brett Wilson from CBC-TV's *Dragons' Den*. His book, which came out this month, is selling so well that it's out of stock at Amazon.ca. You can still find copies at Chapters and Indigo stores.

It's a love story by an American who says about Canada, "You're running a better country." Contrary to those who think Canada's stock market boom is in the past, Haber thinks it's just started. The TSX will deliver an average growth rate of 10 per cent a year, he says, taking it to about 18,000 points (from today's 13,000) over the next eight to 10 years. But the index could hit 30,000 points, he predicts, as foreign investors discover the Canadian market. In other words, a bubble is in the making.

"The Internet bubble saw the market overbought to its highest point ever – 50 per cent," he says. "At the 11,000-point level, the TSX is 20 per cent oversold. I think we'll visit the 50 per cent territory again."

In particular, he foresees great prospects for oil, gold and agriculture stocks. Developing countries need the commodities Canada produces as they urbanize and build their infrastructure. China's GDP is growing at 25 per cent a year before inflation, compared to the developed world's growth of 2 to 5 per cent a year. China, India, Russia and Brazil – referred to collectively as the BRICs – contributed 28 per cent of world GDP growth at the end of 2009.

"Demand is outstripping expectations but we've had very little, if any, growth in supply," he points out.

Global gold production has not been this low since 2000. Oil faces a similar crunch, with no growth in production since 2005. Meanwhile, the world is losing its ability to feed itself because of rising global populations, increasing demand for high-protein diets and the loss of arable land suitable for growing crops.

“During the next 20 years, food production may need to rise 50 per cent to meet demand,” he predicts. Haber believes we’ve never seen industrialization on this large a scale. The BRICs’ combined population is 2.5 to 3 billion – or 40 per cent of the planet’s population. “This is massive. Never before has such a large number of people graduated from the underdeveloped to the developing world.”

Gold, oil and agriculture are not big sectors in the U.S. or European markets. No other market, except perhaps Australia, has the exposure Canada does to the BRICs’ boom. Haber’s book is more about picking the right sectors than the right stocks. Among the names he like are Potash Corp. (“an incredibly well-run company”) and Canadian Pacific (“a big transporter of grain and fertilizer”). Just remember one thing. The boom will not go straight up.

“There will be dips along the way to the boom,” he writes. “Taking advantage of those dips will be important to profiting from the boom.” Gold and silver stocks, for example, are coming off a great run this month. But don’t be concerned, he says, since you can buy them when they’re low.

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