



Rosenberg  
Research

*Economic Research  
for Informed Investing*

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Economic Commentary

*We are a global independent economic research and markets strategy firm, providing clients with unbiased insights and actionable investment guidance.*

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## Letter from the “Non-Bearish” Chief Economist

I first want to thank my subscribers who have stuck with me all these years and welcome our new readership. We are four months into this new endeavor, Rosenberg Research, and yet it seems like four years. And I mean that in the most positive sense. I also hope everyone is safe and healthy and coping well during this Coronavirus crisis.

What I want to accomplish in this letter is to provide some detail and color on what exactly “makes me tick”. It hit me last week when I drove my youngest of three sons, Michael, home from Kingston, Ontario (to help him bring his things home as it is not clear whether he will be back in school, at Queen’s University, or taking his fourth year in Psychology online — he already has his first guaranteed patient when he graduates!). I was interviewed by phone on CNBC while driving back on the 401 highway (in the rain, I may add), and was introduced as the “famous bear”. After it was over, Michael said, “Why do they all call you a bear, dad?”, to which I responded, “Because they spend their time listening to what other people say rather than actually reading my material.”

So, I figured that now was as good a time as any to set the record straight; to open up and let you all know who I am since there are so many folks out there that think they know, but they don’t really. That I’m much more than some renowned “perma bear”, which isn’t even true, in any event, but am actually an experienced market economist who spends as much time looking out for blind spots as I do seeking out opportunities.

My first day as a street economist was October 19<sup>th</sup>, 1987. That date may resonate with some of you silver-haired readers, because it’s not every day that you get to start your career in the financial sector on the day of a 23% market crash.

But that event definitely grounded me in so many ways. It taught me that you always have to be thinking of your plan B or even your plan C; how you insure against event risk, as we’re seeing today with the pandemic. More personally, it taught me the importance of being relevant, and here is why — within weeks of the crash, the Bank of Nova Scotia (where I was just hired) cut half of the Economics department. I was thankfully spared. So, I also realized then, at the young age of 27, what survival in this business meant: be relevant —



if not indispensable — to your client base. And for me, that meant taking the economic data points and connecting those dots to the financial markets to formulate a *consistent, cogent* and *cohesive* investment strategy. It meant being thoughtful, doing homework, not ever being scared to make a *call* that goes against the herd, that goes against the consensus, or opens the door to ridicule when nobody agrees. I learned at a young age to have conviction in my *calls*, but more importantly, to actually *make* the calls.

So many economists are simply too fearful of being wrong to make a call, and maybe that's what has set me apart. You don't want to always be against the consensus; that's not very helpful, but pick your spots and make your out-of-consensus calls when there is a big payoff to being right and your confidence level is high. At the same time, don't be stubborn. If the call is not working out for whatever reason, have benchmarks in place to get out and implement your Plan B (remember Plan B?), your insurance policy. Just as the most successful portfolio managers are the ones who know when to exit their bad positions, it is also incumbent upon the economist to never hang on to a forecast that has gone bad. As I like to say, marry your partner, don't marry your forecast.

Right or wrong, what investors really value is an opinion that is backed by a lot of homework, and an opinion that is neither priced in enough nor priced in too much, depending on the situation. In other words, the key for the street economist is to identify money-making, or money-saving, situations that help investors make decisions. That's the key! We don't make the decisions for investors but rather help them make informed decisions.

When people ask me what other profession I would compare economics to, I typically say *cartography*, because what we do (or should do) is draw maps for investors to help them navigate. Be their compass. Make sure they're looking in the right direction, which to me always means looking at the forest past the trees. Too many economists gaze at the trees, the noise in the data. Focus on the page B12 news that's not in the market as opposed to the page A1 news that's already in the price; one of my greatest mentors, Don Coxe, taught me that a long time ago! And I also say look around the bend, which means always focus on your blind spots. I say that over and over and that's why I spend all my time reading people who disagree with me, so I can continuously have my thesis tested. We're all going to make mistakes, but we should do all we can to minimize them and certainly avoid big, costly ones.



When I got promoted to the chief economist and strategist role in early 2000 at Merrill Lynch Canada, I had a three-person team. Within two years, we were the top-ranked macro research and strategy unit on Bay Street — a status we held for a decade. I then got promoted again to chief economist of the whole mother Merrill ship in late



2002 and took a department that had never been ranked in the Wall Street surveys to second place by the time I left in 2009.

Despite all the rhetoric and media attention around me being a “perma bear”, actually, my history has been one of helping investors make money. Period.

So, I left Merrill in 2009 to come back home from New York. Truth is, I didn’t like my long absences from my young family who were still in Toronto, and after a decade at Merrill, I had achieved all the goals I had set out to do anyways. One of them was that the daily market note I had started when I was at BMO Nesbitt Burns in 1998, and took with me everywhere I went, had become the most widely read Merrill Lynch research piece by the time I left. And it wouldn’t be a stretch to say that my daily tome truly put me, and helped keep me, on the map all these years. Not that a publication should ever define anyone, but it’s so important to communicate your thoughts and ideas in a way that makes sense. It’s not just being thoughtful in your research, it’s also about effective communication.

When I left Merrill, I had numerous folks with deep pockets who wanted to bankroll me and start my own firm. So frankly, starting *Rosenberg Research* has been on my mind for many years. But I wanted to spend more time with my family and starting a new business would have conflicted with that. Instead, I chose to take an offer at Gluskin Sheff that would give me the work-family balance I was seeking. I, of course, continued to publish my daily, now titled *Breakfast with Dave*, with a tip of the hat for that moniker going to my youngest boy, Michael. The folks at Gluskin Sheff, and myself, believed that this could become a bona fide business on its own at some point, so we started to charge non-Gluskin Sheff clients for my research services: the daily, conference calls and speeches... and we split the proceeds. It did turn out to be a very nice business!

I have long identified a shortage out there of truly high-quality unbiased research, and research that takes the economics to the financial markets and provides investors with a degree of clarity that they’re not going to get anywhere else. This realization often makes me think that I should have done this earlier, but at the same time I’m grateful to have made the decision to strike out on my own—better late than never! I have the resources to do it and have built the reputation to be successful. And I say that, obviously not with much



humility, but knowing that what I bring to the table is a unique lens, decades of experience, and a proven track record to be proud of.

I love to uncover new investable ideas then communicate them; finding things in the data that I know nobody else is going to catch. When I said cartography, I should have said tied with detective work. And that's what I always tried to instill in my staff — that economics is a commodity and it is up to us to make sure that we instead make it a unique experience for our clients that won't be replicated elsewhere.

In a nutshell, I realized at 59 years of age that time is our most precious resource. It becomes that much more precious the older you get, and so now is the time to do something on my own that allows me to spend all of it doing what I love to do, which is not to pitch product or put on some sales hat, but to search for the truth in the numbers and communicate the results to my clients so they can make informed investment decisions.

When I looked at my own subscriber list before starting this new firm, I saw I had 2,000 readers: it's now north of 4,000, and across 40 countries — 70% in the U.S., 15% in Canada and the other 15% dispersed between Asia, Europe and South America. In fact, I did a conference call to a business group in Buenos Aires just a couple of weeks ago. This is a global business. And what makes my client list so fascinating is not just the geographic distribution but also the diversity across professions: individual investors, retired professionals, brokers, mutual funds, banks, insurance companies, hedge funds, central banks, family offices, college professors and students. It covers the gamut.

Today, Rosenberg Research produces two dailies, two weeklies, special reports, webcasts and conference calls. We provide price and product options. I've staffed up! I have to say, with the best macro team I've ever had under my wing, and I know that's a big statement, but it's 100% true! There's something to be said about handpicking your own staff. On top of it all, they're all in their 30's, making me feel young again!

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