



## Does This 1 Statistic Signal the End of the Great Canadian Bull Run?

### Description

If you're a domestic investor and you don't use the data and analyses collated by Statistics Canada, then you're missing a trick. Earlier in the year, they published some [very interesting numbers](#) that shed light on the burgeoning legal marijuana industry. This time around, the media has focused on a report excitingly titled, "Canada's international transactions in securities, July 2018."

Wading through this title will reward you with an understanding of two things: first, that statistics are excruciatingly dull, and second, that the level of investment by Canadians in foreign bonds is at a record high this year. This itself raises some interesting questions: what's driving this exodus in funds, are folks getting overexposed to emerging markets, and (more importantly) are you missing out?

### Is this an indicator of the end of the Great Bull Run?

To quote the report: "Canadian investment in foreign debt securities reached a record \$13.9 billion in July. Acquisitions of non-U.S. foreign bonds and U.S. Treasury bonds were the main contributors." If this sounds high, the report goes on to state, "Canadian investors acquired \$44.9 billion of foreign bonds from January to July, with nearly 90% in instruments denominated in foreign currencies."

Why the sudden exodus in Canadian funds? Even if one makes the assumption that this increased level of investment largely in bonds issued by foreign governments was at the expense of Canadian assets, it represents a level of off-shore investment in one year not seen since 2006. The level back then totaled \$43.8 billion, which has already been surpassed this year. It might be possible to see this year's change of focus as a response to protectionism causing bearishness in the domestic market.

### Are you underexposed to foreign markets?

If you want to follow the crowd and invest in overseas markets, there is any number of ways to do so. Consider a medicinal marijuana play that bets on a strong foreign market share; or go for the Asian electric vehicle market. Then again, you could bet on the recent Japan-E.U. trade agreement that looks set to be a large part of the global economic landscape in years to come.

A good play in that regard might be the Canadian dollar-hedged **iShares Japan Fundamental Index**

(TSX:CJP) for exposure to a basket of big name Japanese companies, such as **Toyota**, **Hitachi**, and **Sony**, plus financials and telecoms. It's offering a 1.5% 12-month trailing yield and has reasonable market fundamentals: a P/E of 11.34 times earnings, and a P/B of 1.12 times book.

However, be aware that **BlackRock Canada** rates the risk of this ETF as "high" based on the historical volatility of the fund's returns. While risk is always a factor in foreign investing, individuals with a lower appetite for risk, but a need for overseas exposure, may want to consider ETFs with a greater geographical spread.

### **The bottom line**

Earlier in the year, [emerging markets](#) were looking decidedly dicey as the lira threatened a contagion. Now we can see that, up until July at least, Canadian investors were pouring their money into foreign bonds in record levels. The iShares Japan Fundamental Index is just one example of an ETF play for overseas investment if you're still under-diversified in foreign markets.

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