# *The signs are all there: the market place is gaining momentum. Now what?*

THE ECONOMIC PICTURE LOOKS BETTER than it did six months ago. That's the good news. But how strong is the market? That's the question on everyone's mind, and none of us in the industry have a crystal ball waiting to reveal the answer. What we do have is sound information.

According to some of the world's best market analysts, the global economy is gaining momentum. International indicators are now pointing upward, and as a result, the experts think world economic growth should hit 3% in 2004. The U.S. economy is finally picking up speed, with growing signs of increased business spending. Canada, however, will likely under-perform our southern neighbour due to a severe slowdown in economic activity. This slowdown is being attributed to several factors. First, the SARS outbreak in Toronto, which scared off tourists and investors. Second, the weakening manufacturing sector, which was hit by the strengthening Canadian dollar earlier in the year. And third, the mad cow scare, which dealt a blow to the agricultural sector but has also had ripple effects across the economy.

What does all this mean for the average investor? Well, it means that forecasters are calling for a 12 month target on the Standard & Poor's (S & P) 500 of 1100. In Canada, the S&P/TSX is calling for a 12 month target of 8200. This represents approximately an 8% return for both indexes.

Having said this, I think every investor has become fairly cautious about predictions. Still, I believe there are some strong signs for success in the equity markets. For the first time in three years, analysts are raising their earnings estimates, citing the strong economy. There has also been a notable spike in investor sentiment, evidenced by the significant flow of money into equity funds at the expense of fixed-income funds. It's the first time in three years this has happened. So what to do? One suggestion is to commit to a position in equities and ride the momentum, which I think will be slow but steady over the next twelve months.

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