

## **Wilson, Cameron B (RBC DS)**

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**Subject:** Market Update November 12, 2014: Kevin O'Leary, Client Education Day, US Senate/House, Interest Rates and Corrections

**Attachments:** RBC DS Client Education Day 2014.pdf

**DirtyFlag:** -1

Hello Clients and Friends,

**\*\*FINAL NOTICE\*\***

**Our client education day is this Friday at the Ramada, see attached invite. Please RSVP to me.**

**\*\*PDF attached\*\***

**Kevin O'Leary:**

I had a chance to have dinner with Kevin O'Leary last week here in Abbotsford at Restaurant62. I find people have a very polar view on him, either they love or hate him. Though not the first time I have met him, many people ask me what he's like. He's very different in person and much more down to earth and to the point than you may expect from his larger than life personality on TV. I have read both his books and they are quite interesting. I prefer the first book where he talks about his investment discipline he learned from his mother, how TV is really about ratings and not the content, his success, and the average success on the venture capital shows Shark Tank & Dragons Den. He doesn't beat around the bush on his opinion, but he is consistent about it. In fact we have a couple things in common when it comes to investing; we both like companies with good strong balance sheets, free cash flow and prefer a dividend. Another way to say this is, "does this company make money and have cash to re-invest and pay me as a shareholder"? These are the numbers clever accountants generally can't hide. Kevin considers Shark Tank and Dragons Den his speculative investments. I generally have 1-10% allocation of higher risk investments within a portfolio, but with a calculated risk and due-diligence process done.

I like to compare stocks to real estate, since most people seem to understand real estate a little better. A stock is comparable to owning houses and buildings that we collect rent on. Many can increase the rent every year greater than the rate of inflation, and can also have some cash left over to improve the property. These types of companies generally do not 'shoot the lights out' when times are great, but they usually protect the downside when corrections and bear markets happen. I rarely have to worry about my rent cheques stopping. This is how I'm building my retirement portfolio now.

**A couple points to note of last week:**

The US mid-term elections were held, generally this happens between the major elections. Last time in 2010 we had "gridlock" if you remember and the House and Senate were split and generally fight each other's agendas. This time the republicans took the majority in the US House of Representatives and also the Senate. This could be a good thing for oil companies and the likely approval of Keystone XL. This also tends to be a positive impact to the stock market.

**An interesting link:**

<http://stockcharts.com/freecharts/yieldcurve.php>

This is one of the indicators I look at frequently and find very interesting....animate the chart and you will see the Yield Curve move with the time of the S&P500 index. A normal yield curve is good for the markets, this is what we have now. 1yr rates are lower than the 5, 10, 30yr rates. When this curve starts to flatten, which means the short term rates rise, and long term rates fall, this can be an indicator for a bear market correction, as shown by the graph. Keep in mind this is only one of the many indicators I watch regularly.

Please feel free to forward this email to a friend or colleague, they can also be asked to be added to the list.

Enjoy your week and Remembrance Day.

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Please note that we cannot accept trading instructions by email for regulatory reasons. Please call us to discuss any transactions in your account.

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