

Market Update: January 16th 2015: Investments are like Monopoly, Oil goes lower, then higher, then lower again. The Swiss Franc.

Hello clients and friends;

I was meeting with a client recently, and we were discussing why we try to have different companies in different areas of the market place. I related my explanation to a lot like the Game of Monopoly;

"When you think about your long term investments, I'd like you to think about the Monopoly board game. When Charles Darrow invented the game back in 1934, he put the drivers of the economy around the board - railroads, utilities, and real estate. If he were to invent that game today, do you think he would have used the same industries? Likely not! He'd probably have used industries such as pharmaceuticals, technology, finance, and consumer goods. You see the economy and the drivers of the economy change over time. It's important that you own them for long term growth. That's why I'm recommending that you invest in the whole board by spreading your investments over many of these industries, and that's how investors win the game"

## **OIL**

The topic du jour is currently is how low will oil go? I believe that there is a possibility that oil may drop below \$40 sometime this year.

Will I be a buyer at sub \$40 oil? I don't think so unless the fundamentals are there.

There are a couple factors as play as I can see from my research over the last couple weeks and weekends. Most OPEC countries are funded by their oil sales, whereas most of North America is funded by our taxation systems. This pays for roads, hospitals, and other gov't benefits. With the oil decline we will feel some affects of it, but not as much as some of the OPEC countries, Russia or ISIS, who both are hurting severely with this decline. So OPEC doesn't want North America (NA) in the oil business, but NA and OPEC both don't want ISIS or Russia/Putin in the oil game. This recent decline is hurting them both more than it is hurting us.

Since OPEC countries need oil to sustain their gov'ts instead of pumping 100 barrels @ \$100, they will now pump 200 barrels @ \$50 a barrel.

Where we go for investment in these times, I am suggesting shifting portfolios from oil based companies to other companies that can benefit from the extra \$200+/mo. I now have in my pocket that isn't being spent at the pump each month. The same goes for the other 200,000,000 adults in North America that is in the same position.

## **Oil Volatility – 24%**

We have seen some wild shifts in oil this week, from opening the week at under \$45 a barrel, then on Wednesday within 15 minutes oil spiked from \$46.50 to \$49, Thursday saw as high as \$51, and back to \$46.50 by mid-day. Almost a 24% move up plus down in a matter of days. These are interesting times indeed. Likely the cause for such movements is traders and speculators approaching option expiry this Friday. Since most options expire on the 3<sup>rd</sup> Friday of each month, when there is uncertainty in the market, and option expiry is approaching there tends to be more volatility. We will likely also see more movements next week, when these options are assigned over the weekend and capital needs to find a new home.

## **Swiss Franc**

On Wednesday the Swiss Government un-capped their currency from the Euro. What does this mean and why would this happen?

What was happening: Switzerland in generally a safe haven, and other investors in the world were flowing their cash deposits to the Swiss rather than their home currencies. This makes the Swiss Franc more valuable than other currencies, but that isn't always what gov'ts wants to happen. This is good and bad depending on what parties you are talking to.

The currency was pegged @ 1Euro = 1.20 Swiss franc, and as I am writing this 1Euro is now 0.97 Swiss Franc. A 23% overnight move. Very interesting indeed.

I called my cousin in Warsaw Poland, as I know they have their mortgage in Swiss Francs, his mortgage just jumped up by 23%, he's not too thrilled right now.

Before I sign off this week I wanted to remind investors that there is always something going on and new crisis that are going to happen. In time this will too pass. \*Remember what ever happened to bitcoin?????

1year return on bitcoin: \$843 to \$204 = -75%

The currency that was going to save us all was one of the worst performing investment in 2014.

### **A couple interesting links of the week:**

#### **Canadian Oil Prices:**

[http://www.gasbuddy.com/GB\\_Price\\_List.aspx?cntry=CAN#can\\_cities](http://www.gasbuddy.com/GB_Price_List.aspx?cntry=CAN#can_cities)

#### **How the cost of oil affects the price at the gas pumps**

[http://business.financialpost.com/2015/01/07/how-the-cost-of-oil-affects-the-price-at-the-gas-pumps/?\\_lsa=e193-5ed0](http://business.financialpost.com/2015/01/07/how-the-cost-of-oil-affects-the-price-at-the-gas-pumps/?_lsa=e193-5ed0)

#### **Here's how the price of oil could fall to just \$20 a barrel**

<http://business.financialpost.com/2015/01/06/heres-how-the-price-of-oil-could-fall-to-just-20-a-barrel/>

Have a great week,  
Cameron

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