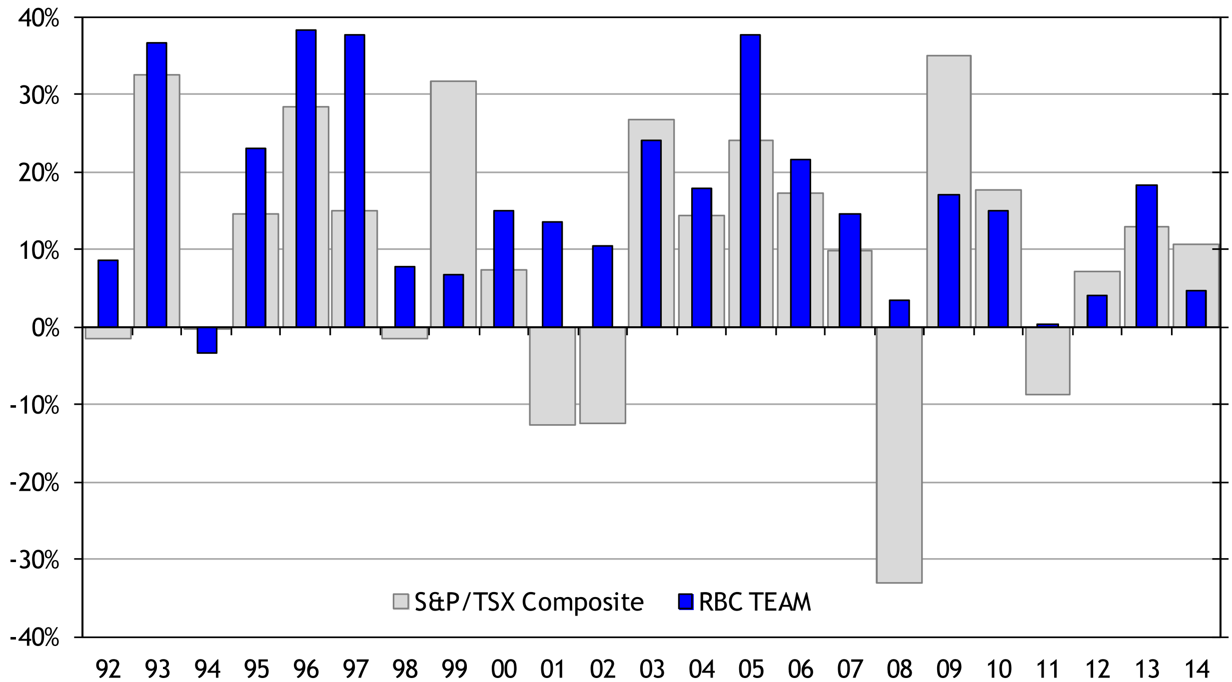
November 30th 2015

"Won2One" with Nick Foglietta

Tactical Equity Income Model Portfolio Record



Tactical Equity Income Model Present Conditions:

TEAM Model Asset Allocation: **0%** Equities/ 10**0%** Fixed Income
S&P/TSX 60 Closing Value: 13,385
TSX 200 Day Moving Ave: 14,420
% Above/Below 200 Day Moving Ave: **7.18% Below**
Levels for change: 100% stocks - **TSX 15,141** and 100% fixed income – **TSX 13,700**

Weekly Quote

"We tend to judge others by their actions, but we judge ourselves by our intentions."

Popular quote…very true!

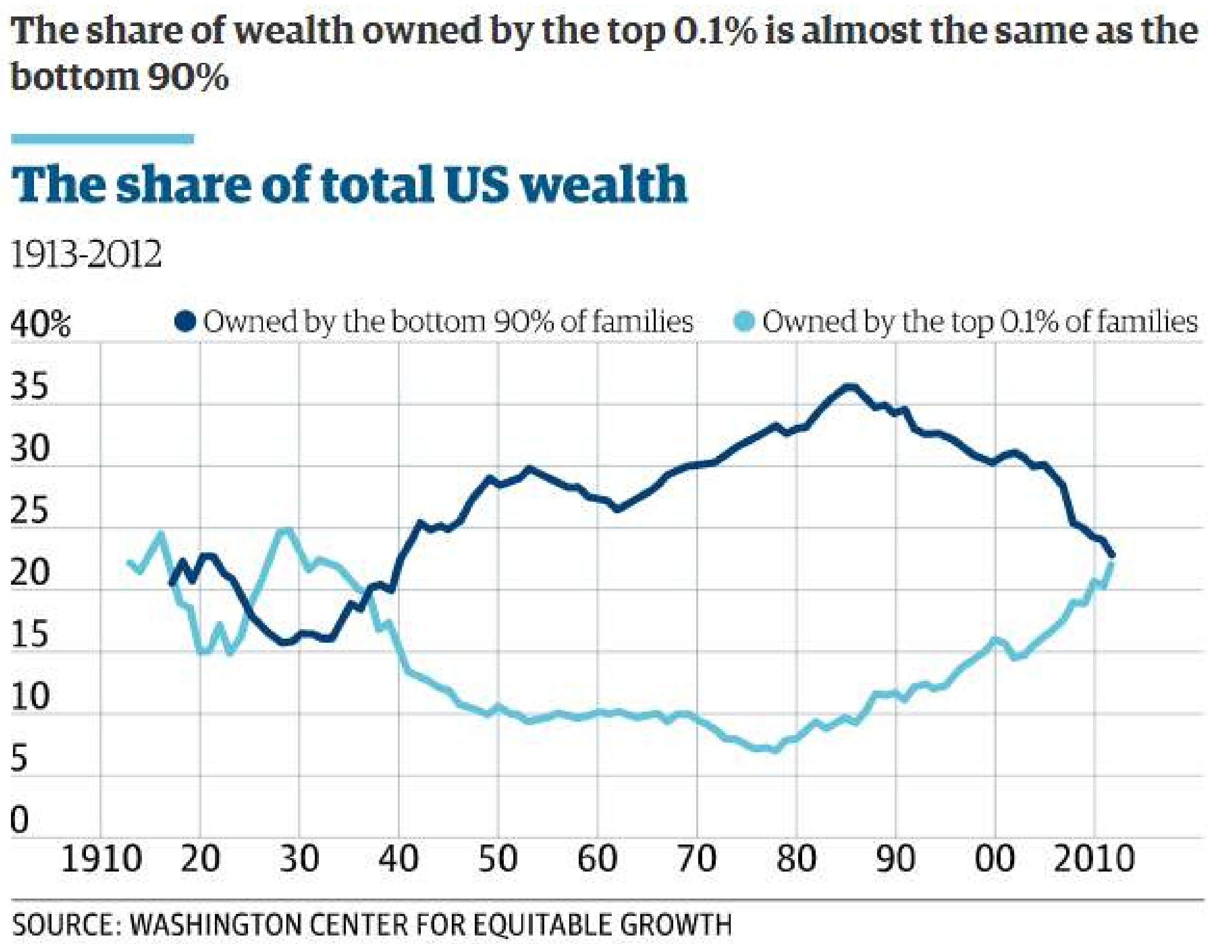
<u>"Social Distortion"</u>

"…*The bank mania is one of the most threatening of these imitations. It is rising up a moneyed aristocracy in our country which has already set the government at defiance, and although forced at length to yield a little on this first essay of their strength, their principles are unyielded and unyielding."*

Thomas Jefferson letter segment to Dr. Stuart, May 10, 1817

The quote above could have been written at any time during the past year and published in virtually any financial editorial and it would not have appeared out of place…yet it hails from 200 years ago!

The tremors from low interest rates and insane central bank monetary policies just keep ricocheting throughout the global economy. Carefully study the following chart:



The share of wealth owned by the top 0.1% is almost the same as the share owned by the bottom 90%

The only other times in US history where wealth inequality was just as skewed was in and around the 1929 stock market crash and the Great Depression.

If one goes back in world history, there are numerous examples where the wealthy control “everything”. For the most part, those have not been the happiest times in human history.

The next chart is a bit of a “head-scratcher” for me. It graphs total NEW home sales in the US along with the NEW home average price.

Does it not seem strange that house prices recovered to all-time highs while new home sales never came close to recovering the pre-2008 levels? The old saying is that price and volume should “confirm” each other. (This means higher volumes of sales lead to higher prices…pretty intuitive.)

I’m sure zero percent interest rates, and QE have their fingers in this pie somewhere…I just can’t figure out where?

I led off with these three seemingly unrelated examples because they represent my feeling of “writer’s cramp” these days. There are so many bizarre and unexpected correlations popping up and the lack of consistency becomes confusing.

The other bizarre thing I see is how many pundits have complete confidence they know what is going when so much of what I see is confusion.

These pundits remind me of another quote by a rather famous ship's captain:

E.J. Smith, the notorious captain of the RMS *Titanic* spoke these words 5 years BEFORE the wreck of the *Titanic*:

"But in all my experience, I have never been in any accident…of any sort worth speaking about. I have seen but one vessel in distress all my years at sea. I never saw a wreck and never have been wrecked nor was I ever in any predicament that threatened to end in disaster of any sort."

I am not saying the markets have to hit an iceberg…I am saying the pundits confidence in their opinions is basically "hot air". Nobody knows what is going to happen next.

We are nigh upon the Christmas season and the month of December. In coming weeks I will look back at what my forecast was for 2015…where it was right and where it went wrong. Of course, the fool that I am, I will put together a forecast for 2016.

My goal with a forecast is to create a record of what my mindset was like a year earlier. It is always interesting to see just what you were thinking at that moment. (If you wish you can scroll down on my webpage where all of the weekly articles are listed. There you can see my 2015 forecast in its entirety.)

Bring on December!

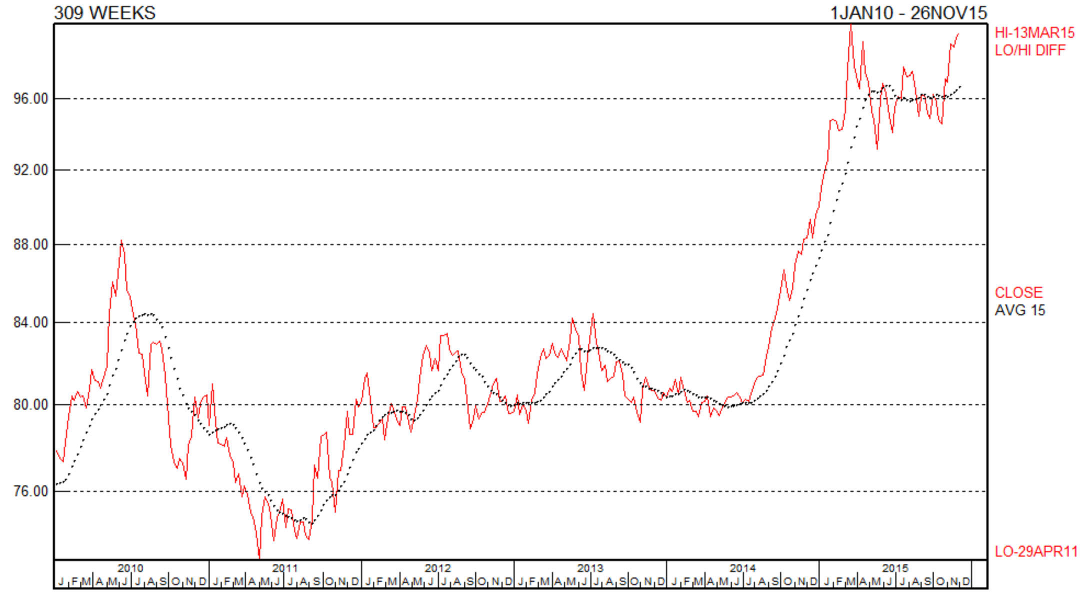
Specific Market Updates

The main "hinge" I see in global financial markets is the US dollar index. The longer term chart shows how the US dollar has been tracking higher and, this relentless move is damaging to commodity prices, commodity based economies, and emerging markets.

I believe a lot of the move in the US dollar index is based in the guess that the US will be able to lift interest rates again in a world that is seen as being unable to lift interest rates.

An interest rate increase in December is likely going to happen…but I will be surprised if the US has the ability to raise rates again in 2016. (Remember, even with an interest rate increase in December, the US will be 0.25% below the Canadian equivalent interest rate…so it is not really much to brag about!)

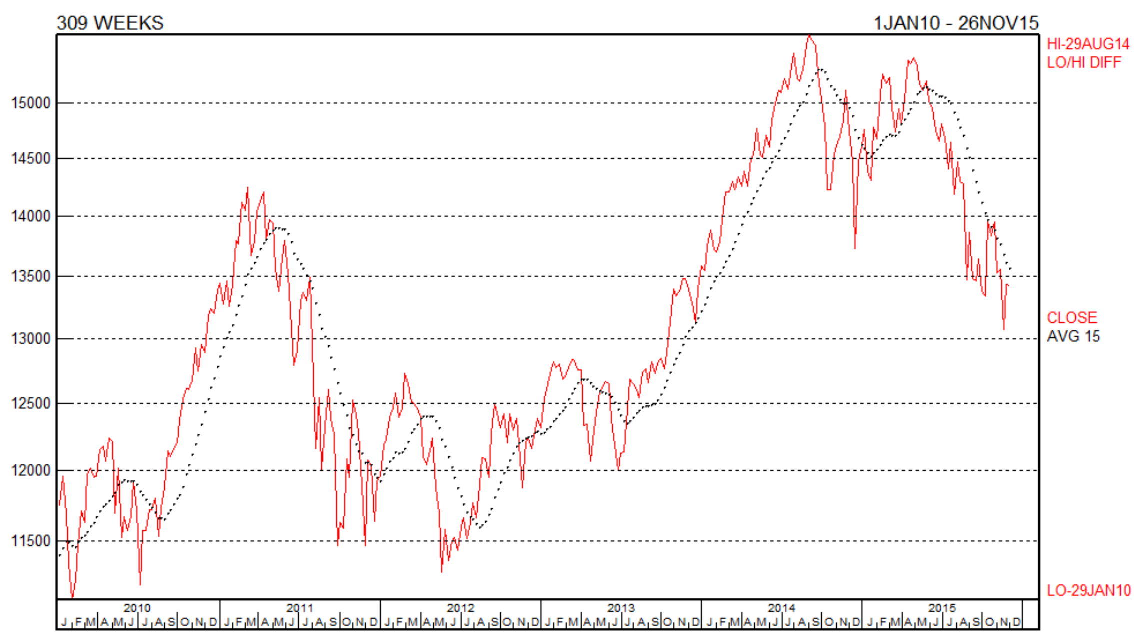
US Dollar Index vs. Global Currencies



If the US dollar index reverses course and starts to fall once investors figure out the US can’t raise interest rates any more than .25% I would expect the negative trends in commodities to reverse.

Speaking of commodity based indexes, Canadian stocks managed to gain about 2% since the last time I published a weekly comment. That said, the chart is not particularly BULLISH.

S&P/TSX COMP IDX



So what do I feel convicted to do in the way of new investment outlays?

History tells me we are close to levels where some of these trends will reverse direction. The three keys that lead me to that analysis are:

1. Narrow breadth in leadership in global stock markets.
2. Lack of trading volume in global stock markets.
3. Divergence in junk bond prices and the narrow leadership stocks.

These factors are reminiscent of what was happening during the 1999 technology bubble. **But the key difference is that interest rates were rising in 1999 where interest rates are low and holding at lows now.**

We will have to wait and see if that is a significant difference or, just random noise in the markets?

Climate Change Thought

The news media is full of statistics and comments about the "COP21" climate change summit. I am in no way an expert in the field so I will leave the specific comments as to what transpired to those better suited to analyze and comment.

But when it comes to numbers I am pretty handy. And the numbers being thrown about as to the costs of accomplishing meaningful climate change are significantly out of whack with reality.

When the media speaks of $19 trillion US in new energy investment my knees begin to shake. Remember, even if there was $19 trillion kicking around to invest over the next 25 years the reality is that 70% of those investments would likely go to zero value. The 30% that survive would be great investments but there is a lot of blood in the streets when it comes to new industries like solar power, wind power, etc.

If humans are going to walk the face of the earth 250 years from now, then we need to make changes to the way we take care of the earth. No question about it…

But the quaint statements and numbers that spew out of summits like COP21 seem more naïve than real to me.

About the author: Nick Foglietta is a Vice President, Investment Advisor at RBC Wealth Management in Nanaimo, B.C., Canada. He has been managing money since 1988.