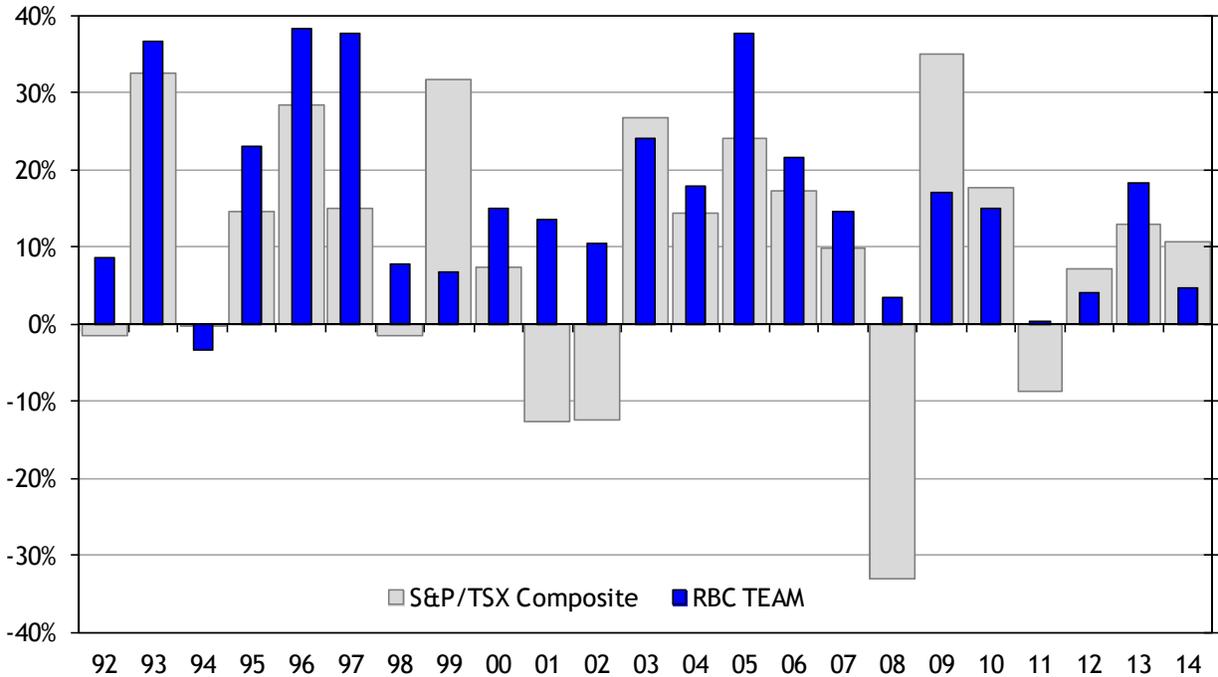


November 16th 2015

“Won2One” with Nick Foglietta

Tactical Equity Income Model Portfolio Record



Tactical Equity Income Model Present Conditions:

TEAM Model Asset Allocation: **0% Equities/ 100% Fixed Income**
S&P/TSX 60 Closing Value: 13,075
TSX 200 Day Moving Ave: 14,500
% Above/Below 200 Day Moving Ave: **9.83% Below**
Levels for change: 100% stocks - **TSX 15,303** and 100% fixed income – **TSX 13,817**

Weekly Quote

“Copper prices have dropped so low the meth addicts are breaking into houses to put the copper back in the walls.”

Howard Stern – November 13th.

Reader Comments about Smartphones



Last week I invited comments from readers about “peak smartphone” and how these devices have taken over our lives. Thanks for responding. Here are some comments I received...I tried to pick comments that were representative of themes:

... I have been reading a book called “*Alone Together*” why we expect more from technology and less from each other...”*Alone Together*” pretty much sums it up for me. Check out this story from the Guardian...smartphones are a wonderful device, but they are becoming like network television, just another vehicle to sell product..

...Wow, smart phones! Just like home computers they have become a necessary evil. The technology is fantastic but I hate the way they have made us so anti-social. But, the worst part of it is how people continue to use the phone while driving, and I don't mean talking. Our tough laws have cut down the incidence of driving under the influence, somehow we're going to have to crack down on texting while driving. Bring on cars that don't need a human at the controls!

Smartphones – I’m reminded of a woman I knew in my early days as a volunteer at Tourism Nanaimo. At an early meeting we all had to introduce ourselves and one woman said “I am XXX Husband. I haven’t got one, don’t want one”. And so it is with me and Smartphones. I do have a cell phone of ancient vintage which is for emergency purposes. I do not Twitter or Blog or Facebook, just an old Luddite I suppose.

...Very much agree with your smart phone comments. You might point out that most of the information being exchanged is trivial and useless and just clutters people's minds. e.g.: I like you a lot but do I really care what your family had for dinner last night?

...Reading your comments on smartphones was a wakeup call for me. I know I am guilty of spending too much time staring down at my screen. The only time I put it down is when it runs out of battery and I can't sit by the plug waiting for it to recharge. I hate that I feel I have to be so accessible to do my job, but what choice do I have?

As part of my "smartphone project", I decided to use myself of one of the subjects. Since I wrote last week's editorial I created a new regime for my smartphone usage. **Each day I wake up between 4:30 am and 5:00 am...I make some breakfast and look at my phone to catch up on what is happening in the world.** That part of my routine has stayed the same. **At work, I use my phone as my news source. I never watch T.V. news!** Again, this remains the same. **Once I leave the office my habits totally change: Now I only look at my phone twice for the rest of the day...once before dinner and once before bed.** (I do check my texts and take calls during that time still.)

It made for an interesting week. Like the smoker who is trying to quit, I found myself thinking of things that were going on in the world and my first reaction was to grab my phone and see if something new had developed. A couple of times I found the desire to look quite incapacitating! I was a bit shocked. (I must admit...I did continuously follow the happenings in Paris on both Twitter and Periscope.)

But I actually noticed I was able to clear my head of a lot of trivial garbage. Interesting sensation when the phone loses its grip on your thoughts!

The verdict is I am sticking with the new routine!

The world is changing so quickly. Television, telephone communication, relationship management is rapidly shifting. As the cartoon at the beginning of the segment states, ***you had a great life, but you were looking down at your phone and missed it.***

Some might say; who cares? Some might say; I can relate to that! My encouragement to you is to decide for yourself where you fit on the continuum of smartphone addiction...then act accordingly!

A Few Charts and Thoughts about Markets

It was a challenging week for stock markets. Bond prices fell around most of the world and that means interest rates were higher. Junk bonds, which had really not recovered much, also lost altitude this week.

Let's look at a few of my favourite charts: (All charts use weekly closes)

S&P/TSX COMP IDX

TSX.ZZ.T



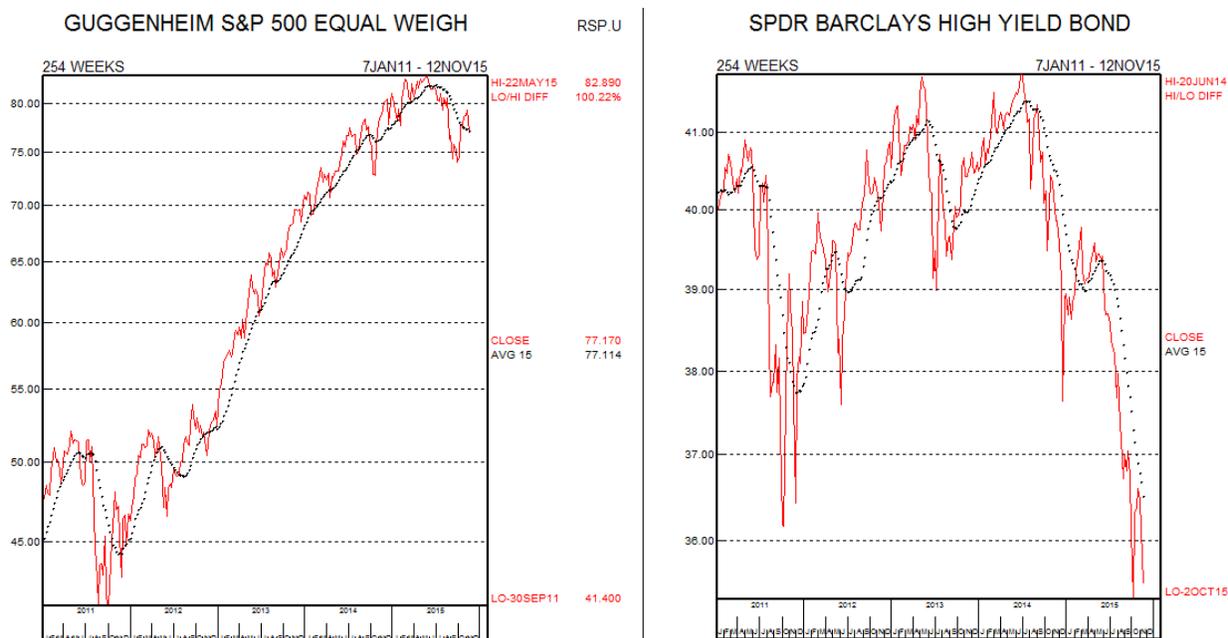
The first chart shows the S&P TSX index of Canadian companies for the last 5 years. It is interesting to notice that we made a new low this week on the “weekly close” chart. This is because the big drop in late August happened on a Monday and, by the end of the week, the TSX had recovered a lot of its losses. There is not much BULLISH to say about this chart. Canadian stocks are weak....period. (No wonder why the TEAM model has been in cash since September.)

S&P 500 INDEX

SPC.IDX.U



The chart above is the US S&P 500 index. It looks much healthier than our Canadian TSX index. The challenge I find with the S&P 500 chart is that it does not reflect what I see in the underlying individual stocks that make up the S&P 500, nor the corporate/junk bond markets.



The first chart shows an “equal weight” chart of the same 500 stocks used in the first S&P 500 example. This means that rather than taking into consideration the market capitalization of each company making up the S&P 500, it considers each company exactly the same. Interesting distinction.

The second chart shows how the “junk bond” market prices have really fallen a lot this year. Usually stocks and junk bonds fall at the same time....hmmm?

There are a lot of confusing and conflicting charts I could throw up on the screen here. To add to the confusion...even if you guess right as to what is happening, it is tough to predict how markets will respond because sometimes bad news is bad news and sometimes bad news is good news. The same goes for good news having a split personality.

Maybe the best way to say it is **“the jury appears to be out on which way stocks want to move next.”**

TEAM is taking no chances and staying in cash for the Canadian markets. Let’s see if a trend can take hold.

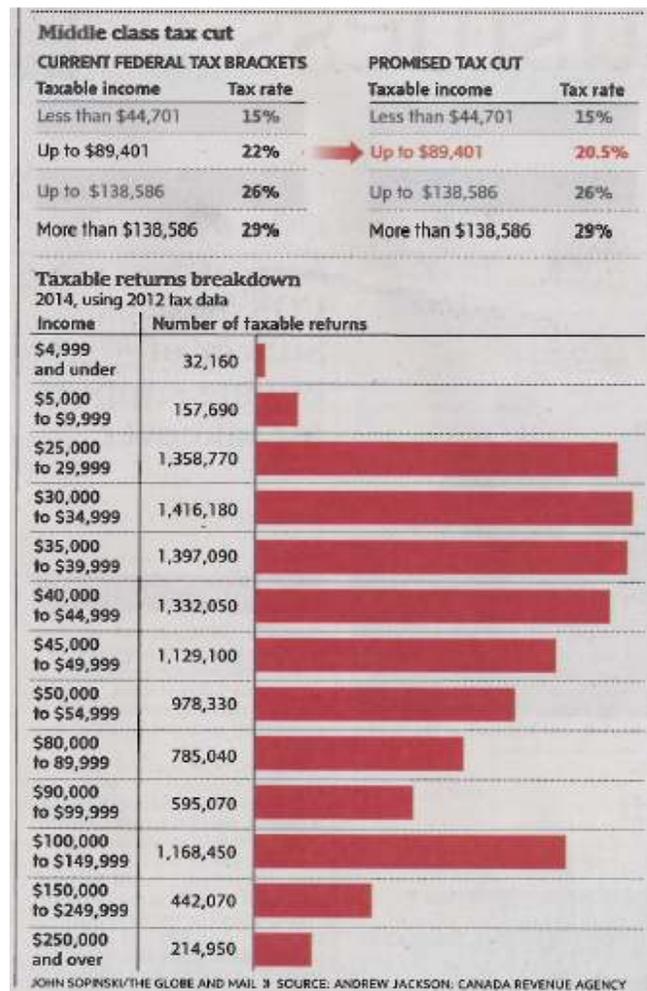
The Facts around the Trudeau Tax Changes

There was a lot of bluster around the Trudeau tax cuts for the middle class and the increase in taxes on the “wealthy”.

Let me be absolutely clear about what the tax benefit to the middle class means. **First, you need to earn a minimum of \$44,701 to see ANY benefit from the tax cut.** Read that again...

The benefit from \$44,701 is progressive peaking at \$670 per year on an income of \$89,401. Not exactly an earth-shattering benefit.

Make no mistake, the higher taxes on high income earners (over \$200,000) and the new system of child benefits really will make a difference to individuals. (Negatively for the first group...positively for the second.) But the middle class tax break looks like a better campaign promise than actual benefit from where I sit.



Take a look at the income distribution table for Canada 2014. Note, the “under 4,999” income bracket is grossly under-represented due to the data set the author used...the rest is pretty much bang on right.

I included the table for the US distributions a few weeks ago...I include this table so you can see difference. (Note the gap on the chart between \$55,000 and \$79,999. I could not find why that gap occurred. Canada is always tough to get good data for.)

There is some good food for thought in this table. It really makes you realize how many people live on not a lot of income. Good thing the banks still like to lend!!

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.

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