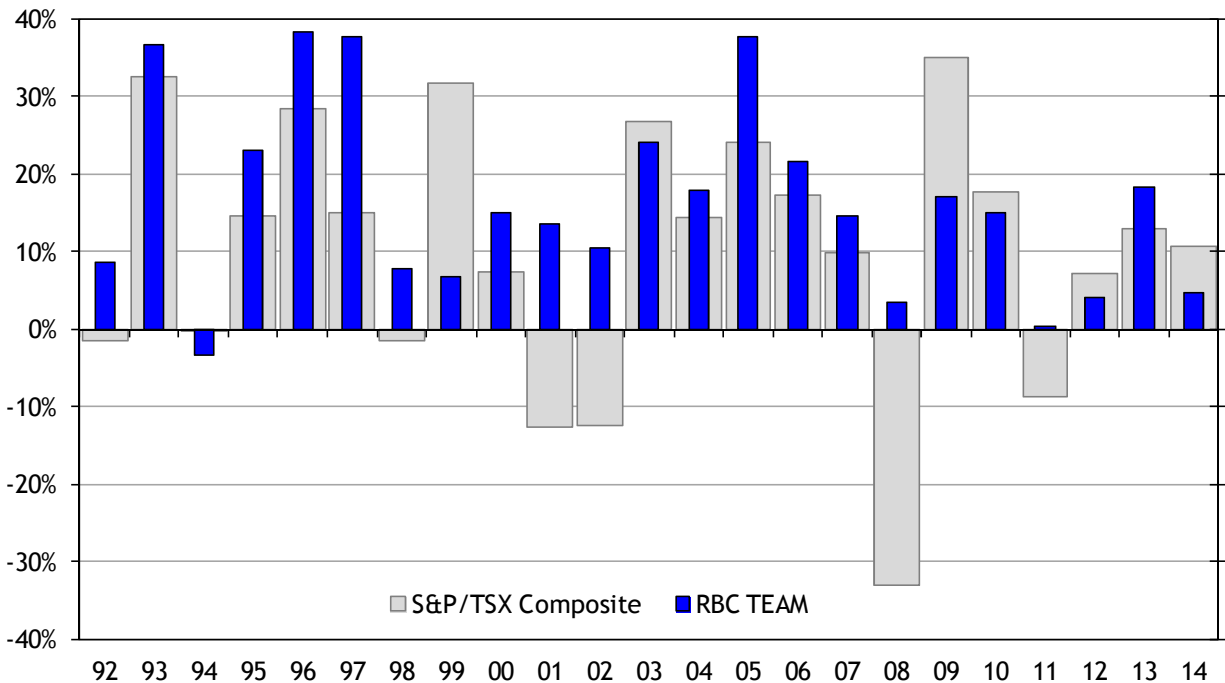


June 15th 2015

“Won2One” with Nick Foglietta

Tactical Equity Income Model Portfolio Record



Tactical Equity Income Model Present Conditions:

TEAM Model Asset Allocation: **50% Equities/ 50% Fixed Income**
S&P/TSX 60 Closing Value: 14,741
TSX 200 Day Moving Ave: 14,889
% Above/Below 200 Day Moving Ave: **1.00% Below**
Levels for change: 100% stocks - **TSX 15,633** and 100% fixed income – **TSX 14,144**

Weekly Quote

“Never let your fear decide your fate!” – Awolnation

I’ve used that one before...it is worth restating!

Weaker Stock Markets...Cautious Bond Markets

Before I start this week I want to wish my Dad a happy 75th birthday! As he often reminds me when we are playing golf together, *"If I knew I was going to live this long I would have taken better care of myself!"*

Congratulations Dad! I love you and am thankful we get to play golf together each week (sometimes twice!). You and Mom have always been there for me and your love and support gave me the foundation on which to build the life I enjoy today!

Now, go out and shoot your age...and I mean on more than 9 holes!

Stocks were weaker last week but fared quite given the passing of the Greek deal deadline with nothing concrete in place. I guess this makes sense since investors still believe the Europeans will not let anything bad happen to Greece or the markets in general.

Yet, I sense a growing level of skepticism towards the central banks. How many Greek deadlines need to pass before the world admits that Greece is bankrupt and the best thing for it is to default and go into bankruptcy?

Or considering this question more broadly; How long will financial markets keep playing the charade that any of the mountain of debt that is being printed is EVER going to be repaid (principle and interest)?

Those questions are unanswerable **but we can use charting and technical analysis to try and get early clues as to when these types of turning points in confidence.**

Let's apply one of these technical analysis methods below:

There are lots of ways to define chart trends. My personal favourite for charts showing 5 years or longer, breaks the turning point in a trend into four distinct sections. This method is equally powerful when defining a down trend turning up...or in the present case, I am looking at the global stock markets to see if the six year uptrend has started to turn lower.

The chart below is the same chart I used last week. It shows the S&P 500 index over the past 5 years. (Last week I used a "domed top" formation showing a light blue dome and commented that higher interest rates could make the "domed top" a reality.)



This week I present the same picture with a more calculated analysis. The numbers on the chart show the market in one of the four phases defined in a trend change.

- 1: **Extension of primary trend in either direction.** This is when the chart is continuing in the primary direction it has been traveling. The chart will be making new highs or new lows during phase 1.
- 2: **Distribution (Bull) phase or Loss of downside momentum (Bear) phase.** The chart trend loses its trajectory and stops making new highs or lows.
- 3: **Breakdown (Bull to Bear) phase or Breakout (Bear to Bull) phase.** After failing to make new highs (or lows) depending on the primary trend...the chart makes a "lower low" or "higher high" that begins to confirm a change of trend has happened.
- 4: **New trend established:** The chart trend has now reversed and a new primary trend is established with continued "lower lows" or "higher highs".

If you look at the chart above, hopefully, you can see examples of where the discipline tried to decipher the present Bull trend changing to a Bear trend. You can see where in 2011 and 2012 the first three phases occurred but the "new trend established" phase never occurred. The primary trend reestablished itself and the S&P 500 went on to "higher highs" and, eventually, a "new high".

The TEAM model does an excellent job anticipating these trend changes automatically so you don't have to. The trend change levels are continually established by the markets relationship to the 200 day moving average line. **In essence, TEAM is constantly assessing the stock market to establish which of the four phases it is presently trading in.**

At present the Canadian TEAM is 50% stocks and 50% fixed income. The US TEAM is still 100% in the stock market. If momentum is coming out of global stocks the US TEAM will also shift to a 50/50 asset mix in the next couple of months.

Toronto's Epic Condo Bubble Suddenly Turns into Condo Glut

Late in 2014 I was writing about what I hoped would be the excellent sellers real estate market we would see in the Spring of 2015. (January 12, 2015 comment). And the buyers came out with a vengeance and markets did not disappoint!

Every week I get something from at least 3 real estate agents telling me how great it has been!

But my beat is to always look forward. And, looking forward, the clouds have formed on the real estate markets in Canada again. **I am not saying this is like a light switch going off or anything that drastic. But the window of opportunity to sell at a good price appears to be closing a little bit. If interest rates continue higher, I believe the "top" for this cycle will be set in Spring 2015.**

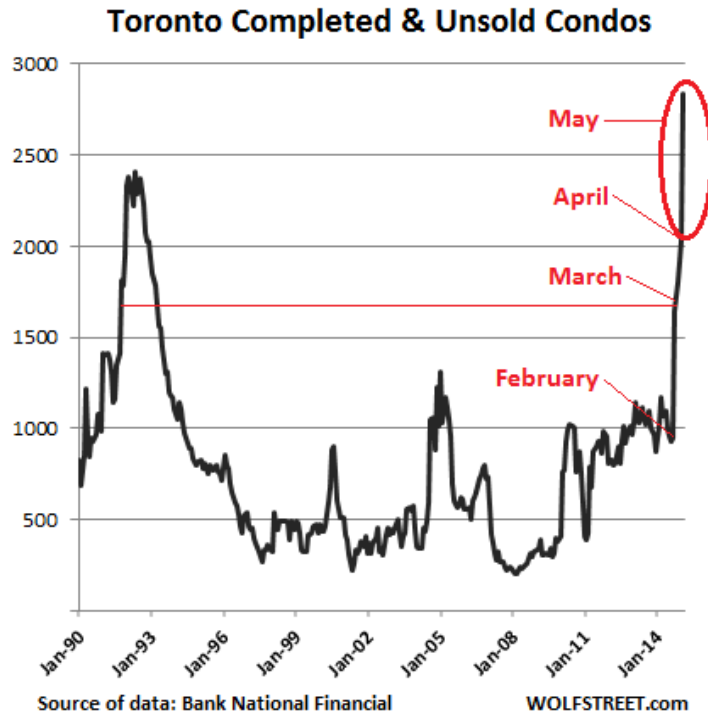
Ok, you might say that was a brave call! Check out a shortened version from the original article below about the Toronto condo market...it will make you think.

The high-rise construction boom in Toronto has been evident for a while. It has been motivated by sky-high prices. In May, prices in Toronto rose another 5% from a year ago. For all types of homes, prices are now 42% higher than at the crazy peak of the prior bubble! And if people can't afford to buy any longer, even with super-low interest rates, well, they can step down to a fancily equipped micro-condo, or more commonly called shoebox condo, where the dining table might fold into a bed.

But suddenly we get a nerve-wracking disturbance in this beautiful picture:

National Bank Financial said in a note to its clients, based on data from Canada Mortgage and Housing Corp., that the number of completed but unsold condos in Toronto spiked in May to 2,837, an all-time record high.

(see chart below)



Remember, we are just “looking for clues” as to what is happening in real time in financial markets. The jump on the chart above could just be a blip...but we should be aware of what is happening.

A Closing Jab...



Sorry...I couldn't resist!

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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