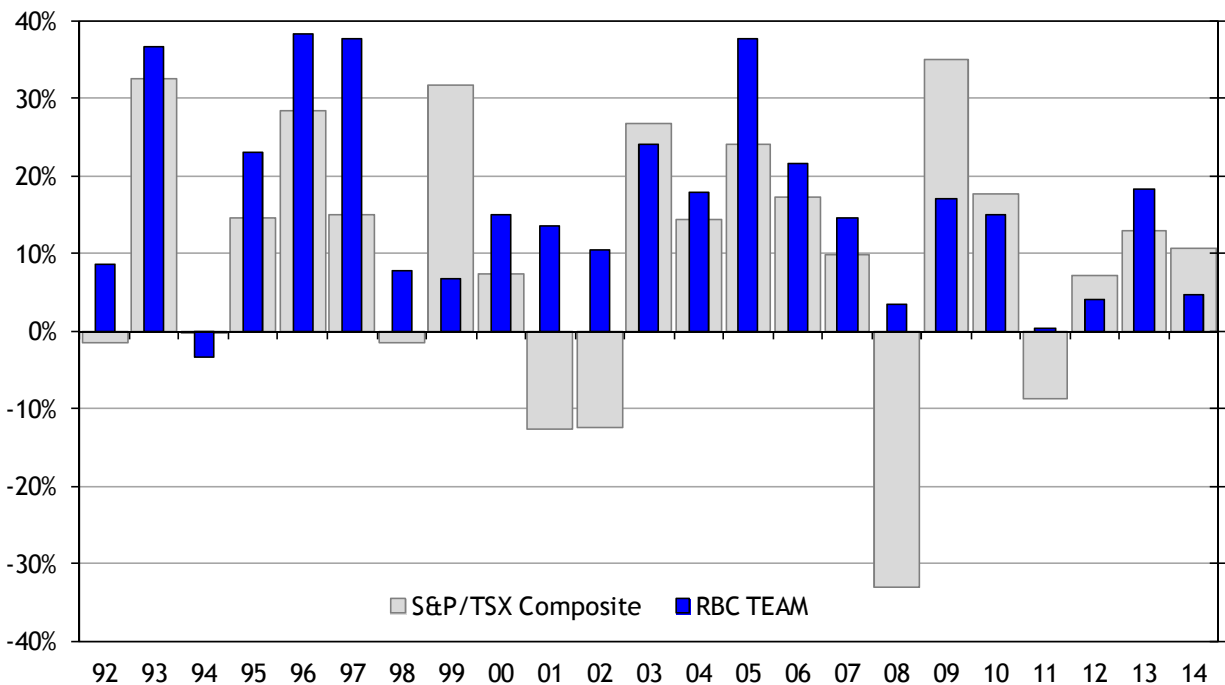


May 18th 2015

“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: 15,108
TSX 200 Day Moving Ave: 14,913
% Above/Below 200 Day Moving Ave: **1.31%**
Levels for change: 100% stocks - **TSX 15,658** and 100% fixed income – **TSX 14,167**

Weekly Quote

“The economy is a lot better than the GDP numbers suggest” – Bank of America, May 14th 2015

Nick Comment: ...and I thought the BEARS were the “data doubters”?

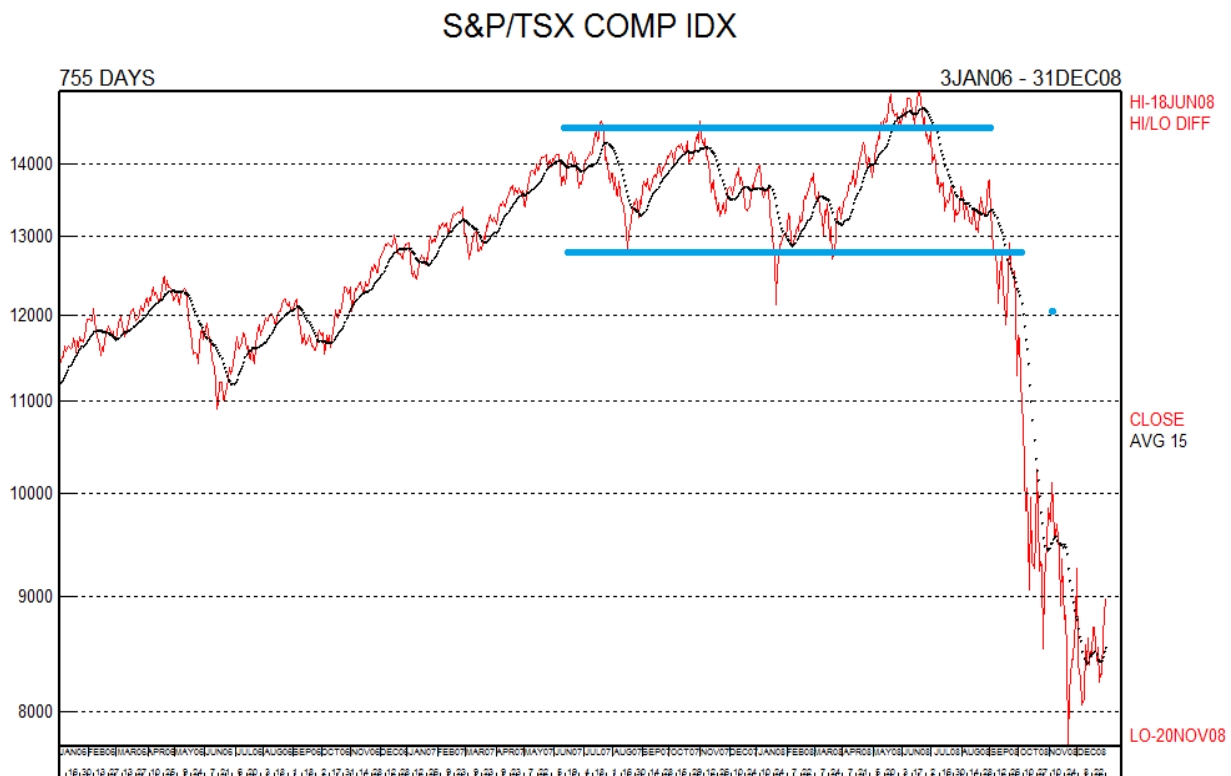
Adjusting One's Investment Strategy to a Potential "Topping Formation"

The evidence is growing for the **technical argument** (supported by charts) of a global stock market top.

With interest rates at extreme lows, there is little fundamental support for this argument and no strong supporting argument for a sudden correction. **This means the chances of a trading range for stocks is becoming more plausible.**

So what do we do as investors in a trading range?

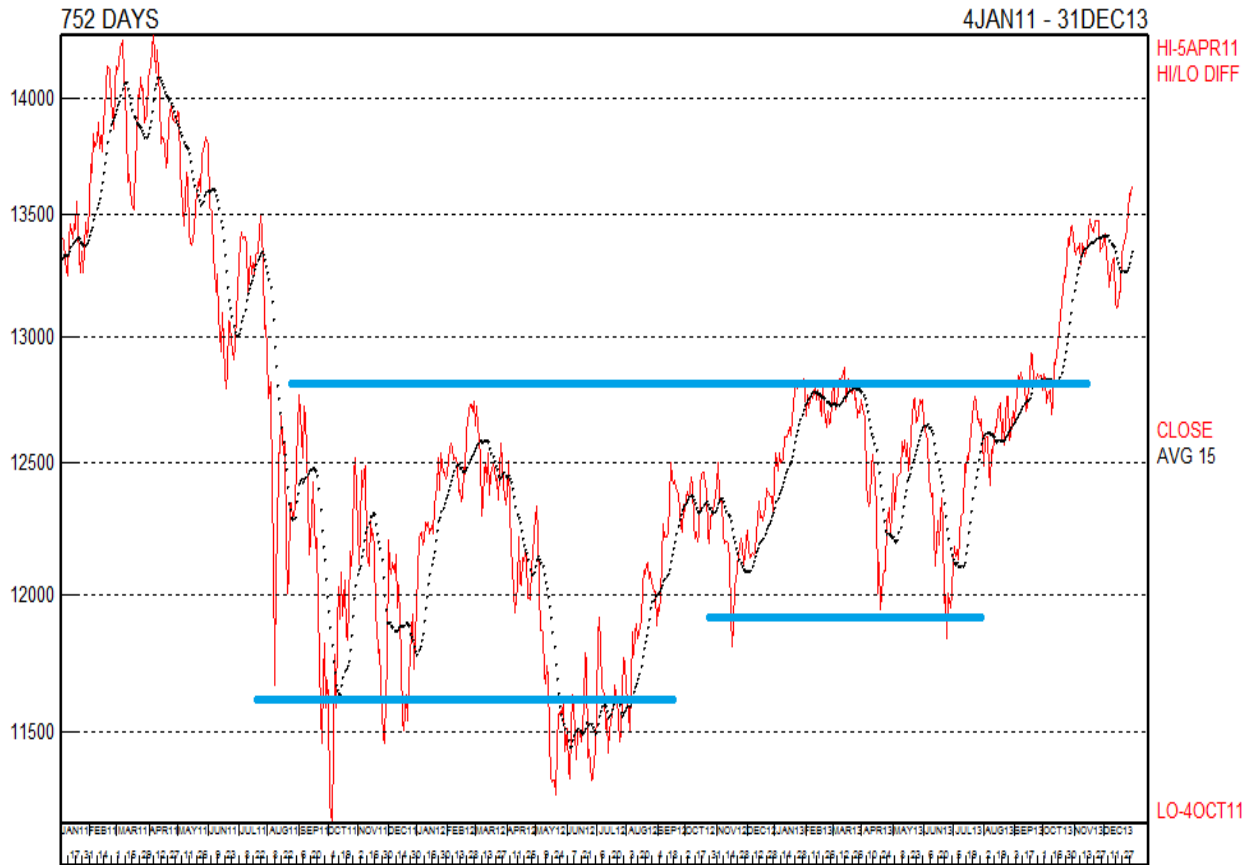
Let's go back to 2006 to 2008 on the TSX and look at an example of a trading range that ultimately resolved itself to the downside.



The blue lines show how the TSX “chopped around” after an uptrend from May of 2007 until September 2008. Of course, this period ended in a sharp decline...but there were trading opportunities for the year going into the decline and the strategy saw that we sold before the decline got underway in earnest.

The second period I want to highlight is the 2011 to 2013 time frame. During this period we saw the TSX start to “chop around” but the pattern resolved itself to the upside.

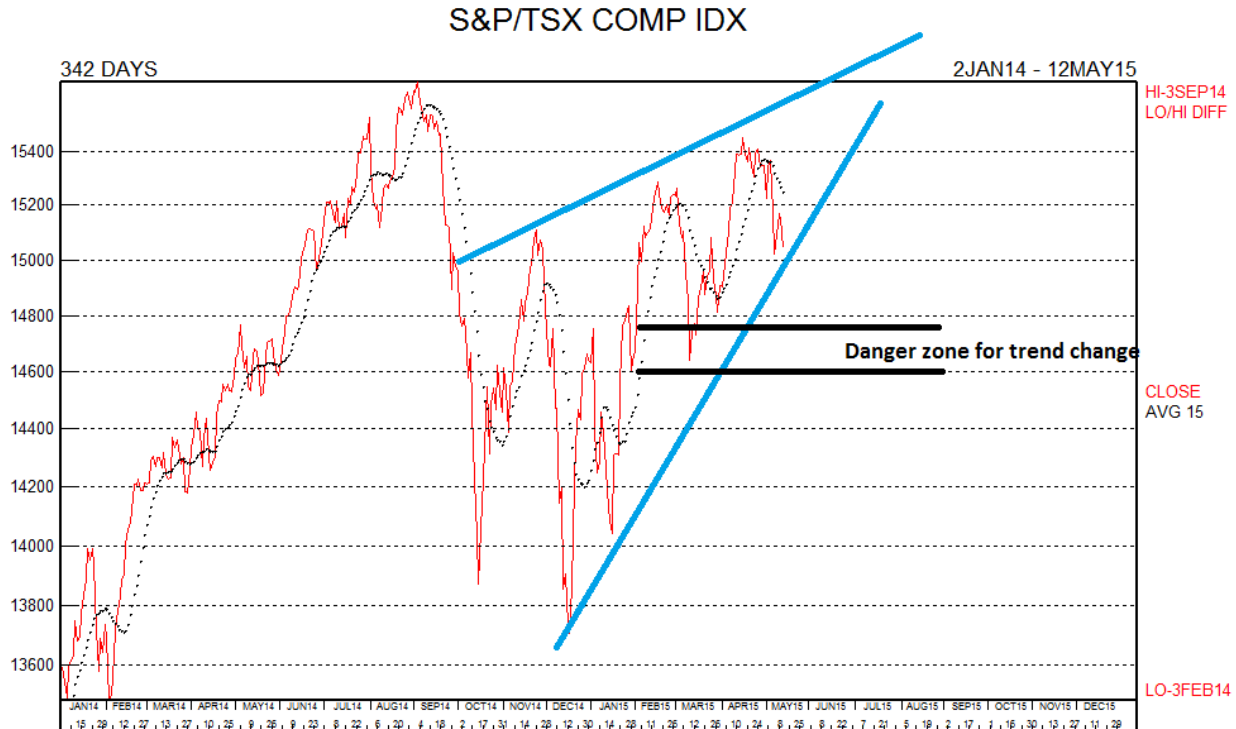
S&P/TSX COMP IDX



This period was a tougher period to try and trade because the Central Banks were in their “full glory” during it. A “topping” trade model would not have given any real signals that would have been “actionable” at this point. But the pattern is valid when considering how the TSX is behaving right now.

So now we jump to the present.

The blue “wedge” shown below is “BULLISH” as long as the TSX does not break below it. I would argue that 14,800 would be required to signal a break of the wedge. Also note in the chart below that 14,600 – 14,800 would require a quick reversal for the TSX to maintain an overall BULLISH bias.



What I am introducing as a new idea is a target SELL at the top side of the blue wedge. This means we would be betting on the possibility of a “sideways” move in the TSX.

So far, I am not sure my strategy will shift in this manner...but I am thinking about it carefully. My goal is to always keep you in touch with my thoughts about such things and invite your comments or thoughts back.

You are invited to comment!

Wage Statistics in the US for 2013

How much money did every American “legally” earn in 2013? Now that is an interesting question.

How did that income break down across the population? For example...how many people in the United States legally earned less than \$30,000? Answer: 52.5%

How do I know? Just check out the table below taken from “Social Security Online”. At the end of the table I will go over a few of the details I find fascinating and apply some thoughts to the general economy.

Distribution of wage earners by level of net compensation

Net compensation interval	Wage earners			Net compensation	
	Number	Cumulative number	Percent of total	Aggregate amount	Average amount
\$0.01 — 4,999.99	23,115,933	23,115,933	14.83956	\$47,182,613,119.80	\$2,041.13
5,000.00 — 9,999.99	13,909,297	37,025,230	23.76881	103,038,350,002.21	7,407.88
10,000.00 — 14,999.99	12,340,772	49,366,002	31.69112	153,713,709,556.38	12,455.76
15,000.00 — 19,999.99	11,455,940	60,821,942	39.04541	199,992,520,521.28	17,457.54
20,000.00 — 24,999.99	10,854,603	71,676,545	46.01365	243,861,562,226.06	22,466.19
25,000.00 — 29,999.99	10,097,107	81,773,652	52.49562	277,228,136,438.50	27,456.19
30,000.00 — 34,999.99	9,385,751	91,159,403	58.52092	304,526,040,389.11	32,445.57
35,000.00 — 39,999.99	8,440,392	99,599,795	63.93933	316,022,370,825.34	37,441.67
40,000.00 — 44,999.99	7,406,037	107,005,832	68.69373	314,249,875,620.58	42,431.58
45,000.00 — 49,999.99	6,386,571	113,392,403	72.79367	302,973,681,899.86	47,439.18
50,000.00 — 54,999.99	5,552,820	118,945,223	76.35837	291,075,098,815.79	52,419.33
55,000.00 — 59,999.99	4,680,154	123,625,377	79.36285	268,784,784,711.21	57,430.76
60,000.00 — 64,999.99	4,035,207	127,660,584	81.95331	251,823,416,999.80	62,406.57
65,000.00 — 69,999.99	3,428,109	131,088,693	84.15402	231,142,482,302.71	67,425.65
70,000.00 — 74,999.99	2,968,987	134,057,680	86.06	215,031,183,359.11	72,425.77
75,000.00 — 79,999.99	2,559,327	136,617,007	87.70299	198,162,943,189.00	77,427.75
80,000.00 — 84,999.99	2,179,245	138,796,252	89.10199	179,639,334,066.10	82,431.91
85,000.00 — 89,999.99	1,873,165	140,669,417	90.30449	163,773,160,357.76	87,431.25
90,000.00 — 94,999.99	1,617,254	142,286,671	91.34271	149,463,631,096.84	92,418.16
95,000.00 — 99,999.99	1,402,053	143,688,724	92.24277	136,614,877,209.07	97,439.17
100,000.00 — 104,999.99	1,229,162	144,917,886	93.03185	125,888,071,678.53	102,417.80
105,000.00 — 109,999.99	1,041,264	145,959,150	93.7003	111,869,716,730.65	107,436.46
110,000.00 — 114,999.99	914,048	146,873,198	94.28708	102,769,032,962.11	112,432.86
115,000.00 — 119,999.99	799,496	147,672,694	94.80033	93,895,453,365.83	117,443.31
120,000.00 — 124,999.99	719,798	148,392,492	95.26241	88,108,623,693.99	122,407.43
125,000.00 — 129,999.99	626,590	149,019,082	95.66466	79,847,785,243.54	127,432.27
130,000.00 — 134,999.99	555,283	149,574,365	96.02113	73,528,982,819.61	132,417.13
135,000.00 — 139,999.99	483,898	150,058,263	96.33178	66,505,565,747.55	137,437.16
140,000.00 — 144,999.99	433,681	150,491,944	96.61018	61,778,040,589.92	142,450.42
145,000.00 — 149,999.99	391,030	150,882,974	96.86121	57,663,715,129.94	147,466.22
150,000.00 — 154,999.99	353,108	151,236,082	97.08789	53,809,181,975.64	152,387.32
155,000.00 — 159,999.99	307,299	151,543,381	97.28517	48,379,154,675.10	157,433.49
160,000.00 — 164,999.99	271,993	151,815,374	97.45978	44,178,224,446.76	162,424.12
165,000.00 — 169,999.99	245,137	152,060,511	97.61714	41,048,141,226.33	167,449.80
170,000.00 — 174,999.99	219,905	152,280,416	97.75832	37,923,400,169.10	172,453.56
175,000.00 — 179,999.99	200,406	152,480,822	97.88697	35,557,443,971.46	177,427.04
180,000.00 — 184,999.99	185,956	152,666,778	98.00635	33,917,939,985.51	182,397.66

185,000.00 — 189,999.99	164,703	152,831,481	98.11208	30,872,961,835.03	187,446.26
190,000.00 — 194,999.99	152,007	152,983,488	98.20966	29,254,515,357.17	192,455.05
195,000.00 — 199,999.99	142,889	153,126,377	98.30139	28,217,116,050.47	197,475.78
200,000.00 — 249,999.99	958,080	154,084,457	98.91644	212,718,131,770.48	222,025.44
250,000.00 — 299,999.99	520,439	154,604,896	99.25054	141,720,256,166.76	272,309.06
300,000.00 — 349,999.99	306,130	154,911,026	99.44707	98,854,918,996.06	322,918.10
350,000.00 — 399,999.99	199,616	155,110,642	99.57521	74,542,893,470.43	373,431.46
400,000.00 — 449,999.99	138,283	155,248,925	99.66399	58,542,156,769.92	423,350.35
450,000.00 — 499,999.99	99,577	155,348,502	99.72791	47,165,771,264.74	473,661.30
500,000.00 — 999,999.99	310,753	155,659,255	99.9274	206,496,972,989.34	664,505.16
1,000,000.00 — 1,499,999.99	57,520	155,716,775	99.96433	69,059,675,758.86	1,200,620.23
1,500,000.00 — 1,999,999.99	21,063	155,737,838	99.97785	36,155,004,386.62	1,716,517.32
2,000,000.00 — 2,499,999.99	10,389	155,748,227	99.98452	23,096,902,224.09	2,223,207.45
2,500,000.00 — 2,999,999.99	6,068	155,754,295	99.98842	16,552,147,469.04	2,727,776.45
3,000,000.00 — 3,499,999.99	4,073	155,758,368	99.99103	13,161,734,400.78	3,231,459.46
3,500,000.00 — 3,999,999.99	2,827	155,761,195	99.99284	10,553,376,584.03	3,733,065.65
4,000,000.00 — 4,499,999.99	1,973	155,763,168	99.99411	8,355,942,195.01	4,235,145.56
4,500,000.00 — 4,999,999.99	1,416	155,764,584	99.99502	6,702,335,724.80	4,733,287.94
5,000,000.00 — 9,999,999.99	5,359	155,769,943	99.99846	36,086,602,354.52	6,733,831.38
10,000,000.00 —					
19,999,999.99	1,723	155,771,666	99.99957	23,178,891,061.01	13,452,635.55
20,000,000.00 —					
49,999,999.99	565	155,772,231	99.99993	16,114,956,321.52	28,522,046.59
50,000,000.00 and over	110	155,772,341	100	12,286,086,101.65	111,691,691.83

OK...those are a lot of numbers. To reference the data easier I have outlined the 50th percentile, 75th percentile, 90th percentile and 99th percentile in **RED**.

Let me analyze one line below for you so you know what you are looking at:

1.	2.	3.	4.	5.	6
25,000.00 — 29,999.99	10,097,107	81,773,652	52.49562	277,228,136,438.50	27,456.19

1. The income interval of a person. The person earned between \$25,000 and \$29,999.99.
2. Total number of employed Americans that fall in this category.
3. The cumulative number of employed Americans in this category or lower.
4. The **percentage** of employed Americans in this category or lower.
5. Total earnings of all employed Americans in this category or lower.
6. Average earnings for this category alone.

For me, the most interesting data on this table is contained at the 50% percentile and below. **How can half of working Americans earn less than \$30,000 a year and, at the same time, lead a consumer led recovery in the economy?**

Answer: Access to debt has increased greatly to lower income brackets.

No new news here...but I think it helps you to realize just how serious of threat a rise in interest rates would be to the economy. Another question that remains...how much more borrowing power does the bottom half of the American populations have?

Many have gone broke betting against the resilience of the American consumer over the years. Check out the chart below...it shows the ratio of sales of food stores vs. restaurants.



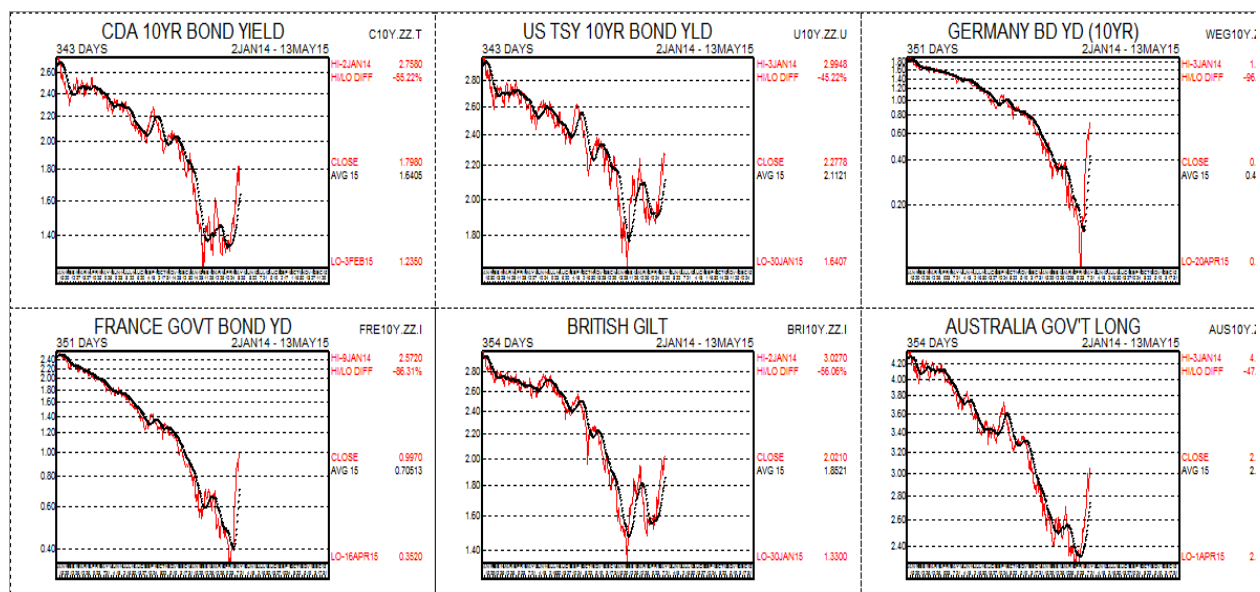
More people dine out rather than eat in today than at any other time in history. Not exactly a sign that people are tapped out!

Bottom line: Low interest rates are the key to the global economy today. Governments, businesses and individuals have grown to depend upon them.

Yet, as you will see below, interest rates are starting to lift around the world...Hmmm?

Assorted 10 Year Bond Yields

The graphic below shows six charts of countries around the world and their bond yields. Don't worry too much about the actual yield...just notice how each is heading higher!



The real question is why these yields are heading higher. Economically, data has been lack-luster. And Central Banks have not started lifting interest rates anywhere yet. So why?

I have no answer, but as highlighted in the section above in this editorial...higher interest rates are not welcome around the world.

We will keep you posted!

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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