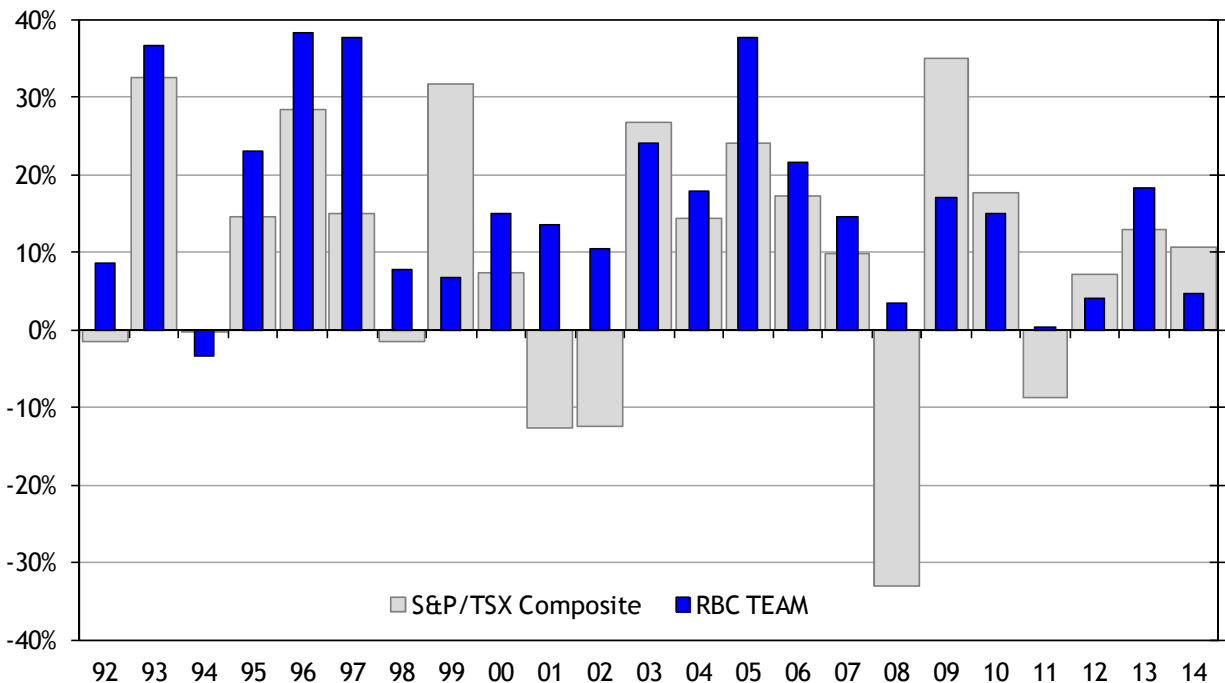


May 4<sup>th</sup> 2015

## ***“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: 15,340  
TSX 200 Day Moving Ave: 14,930  
% Above/Below 200 Day Moving Ave: **2.88%**  
Levels for change: 100% stocks - **TSX 15,675** and 100% fixed income – **TSX 14,184**

### **Weekly Quote**

“The FED’s functional duel mandate has become that of arsonist and fireman” – Jim Grant, April 2015

“Greeks oppose – (1) Austerity or (2) Leaving the Euro or (3) a referendum deciding between (1) or (2)”  
Zero Hedge – April 29<sup>th</sup> 2015

### *"Unlimited Beautiful Days"*

My eighteen year old son was being...well, like an eighteen year old son...sitting around inside the house on what was a beautiful day. I said to him, "It's gorgeous outside...why don't you go do something?"

His response to me was, "Dad, I have unlimited beautiful days in front of me...how do **you** feel about that?"

The flood of memories of being around that age absolutely hit me. When you are eighteen you really believe that you are basically immortal and each day is going to be the same as the next.

I smiled and went about my day...who am I to argue with the psychology of being eighteen?

But the more I thought about his comment the more I realized just how untrue it really was.

1. Responsibility changes dramatically and quickly as one exits their teen years. All of a sudden you have deadlines and commitments, bills and maybe even a mortgage. A great example of how fast things change...the carefree days of being eighteen seem distant to my 20 year old already!
2. Your body changes over time too. What a body can handle on a beautiful day at eighteen is drastically different at 35, 55, and of course older. Things you could do at your leisure become more challenging as time marches on.

But from the perspective of the eighteen year old those concerns are like an eternity away! Cheers to being eighteen years old, I say!

**The global economy is reminding me of the 20 year old that is coming to terms that they are no longer in the same endlessly, blissful situation they were at eighteen!**

A lot of money and fiscal effort has gone into keeping the global economy afloat. Many promises have been made by both politicians and central bankers...many of them are not likely to be kept!

The 0.2% Gross Domestic Product announcement for the first quarter of 2015 was surely another sign of the truth of these thoughts.

Let's look at two charts we have kept an eye on for the past 8 months. The US dollar index and the US 10 year bond yield.

FED TRD WEIGHT \$

DXY.ZZ.U



US TSY 10YR BOND YLD

U10Y.ZZ.U



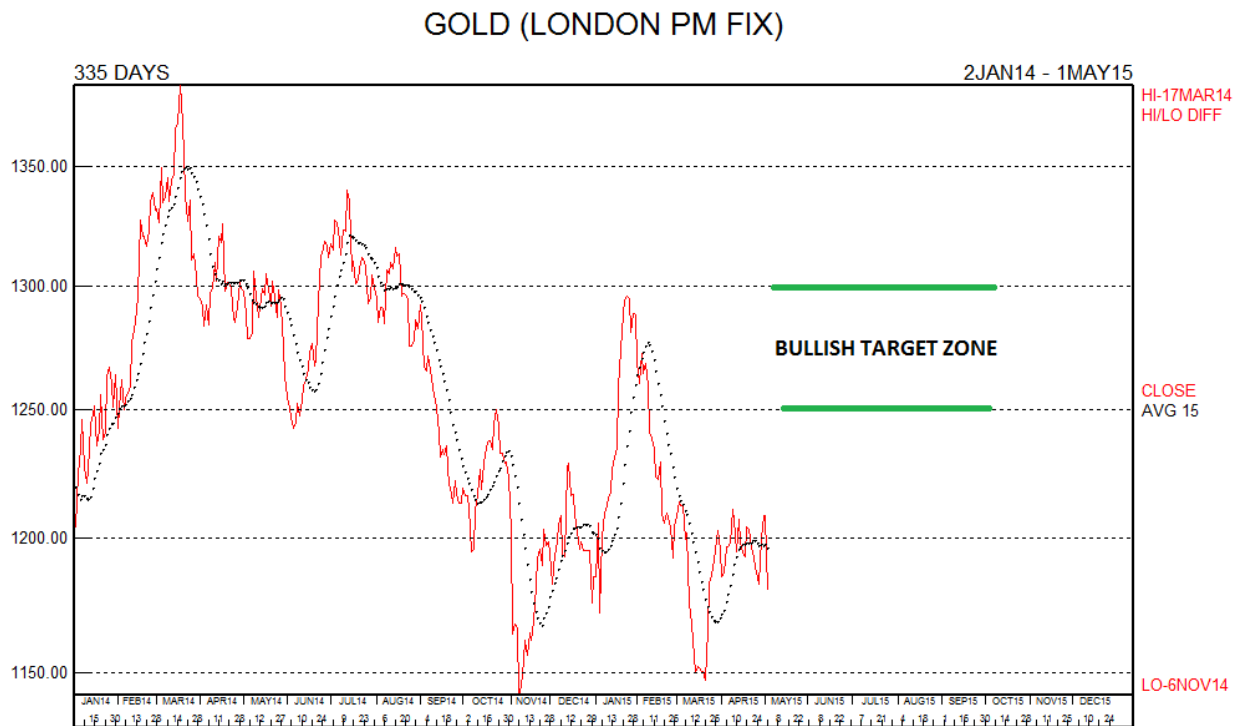
There appears to be some change in how markets are reacting to economic news. For the past six years, weak economic numbers has been cheered by markets because it meant more “Quantitative Easing” and “more lowering of interest rates.”

Now...not so much!

**Ironically, interest rates in the US have gone HIGHER since the awful GDP number...and the US dollar has been sliding. The US dollar and interest rates have not correlated in this way for as long as I can remember.**

Is it just a “blip” or has something started to change?

Let me look at a chart that I have not used in quite a long time...Gold bullion in US dollars. This chart definitely captures my imagination too. Where gold was usually the “designated short sale” for hedge fund pairing with virtually anything else the past 18 months, now there appears to be some real “paper gold” buying to match the buying we have seen in the “physical gold” markets. The question is why the change?



Longer term investors who do not own Gold yet should wait to see what this target zone resolution might look like before investing. Those owning Gold who have become disgusted with the way it has trades should start to watch a little closer!

Gold stocks are trading much better than the bullion...that is often a BULLISH sign.

Oil also looks to be taking heart in the weaker US dollar.

I thought the following chart from “stockcats” on Twitter was kind of cute. It shows a nice bottom in the oil chart, but it also shows the market psychology that has gone along with the chart.



Nobody knows where this is going...let the charts be our lead for both Gold and Oil.

All in all, the plot thickens. The “feeling” of stock and bond markets has shifted. More evidence needs to be seen.

Many investors have simply stopped watching. The financial world is too complicated to understand and “what can they do about it anyway” is often their feeling.

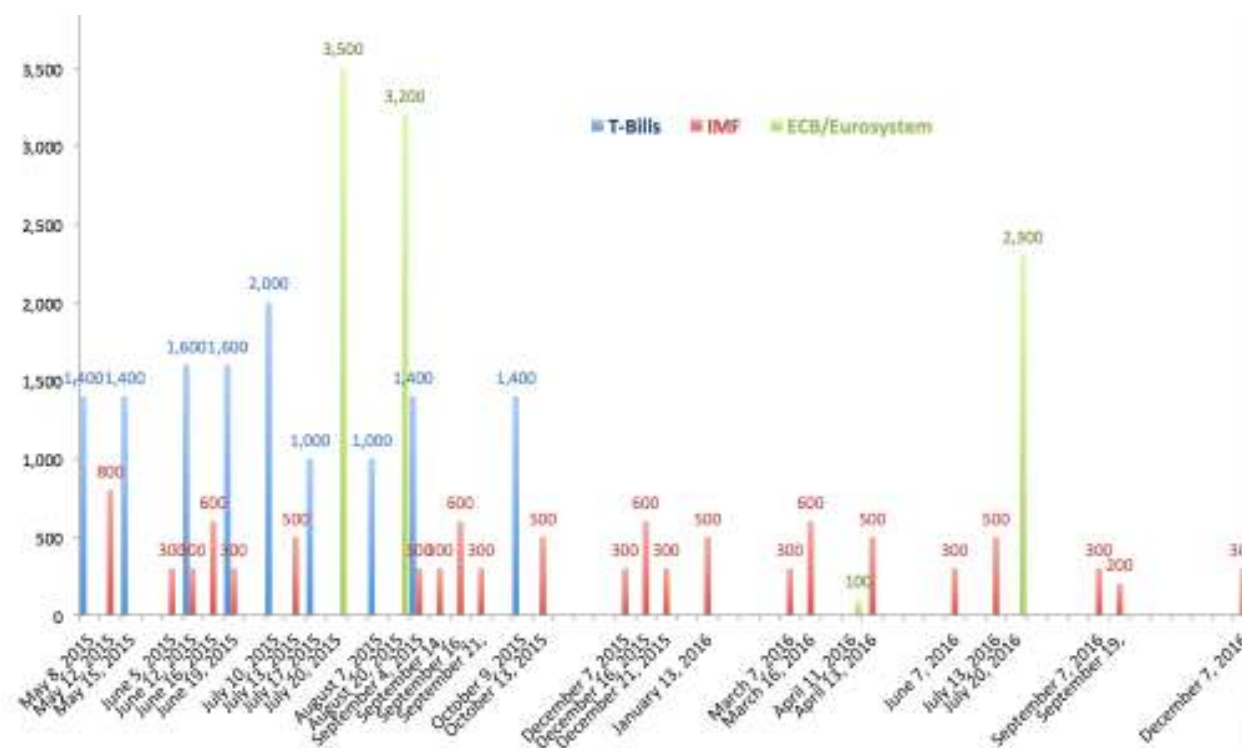
I beg to differ with that position...**there is a lot we can do about it if we stay on top of what is changing and remain nimble enough to act on new information.**

We stand ready to act if the circumstances call for action.

### Upcoming Greek Government Bond Maturities

Greece remains a dominant topic in the financial news. Meetings over the past weekend did not bring any change to the situation in Greece.

The chart below shows the amount of Euro denominated Greek bonds maturing in coming months. That is a lot of Euros to come up with in a short period of time for a country with no money!



In reality, I doubt the Greek situation really matters to us much as Canadian investors. It seems we have fretted about these “deadlines” in Greece before and they always get fronted some more money from somewhere.

The clock is definitely ticking on Greece.

**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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