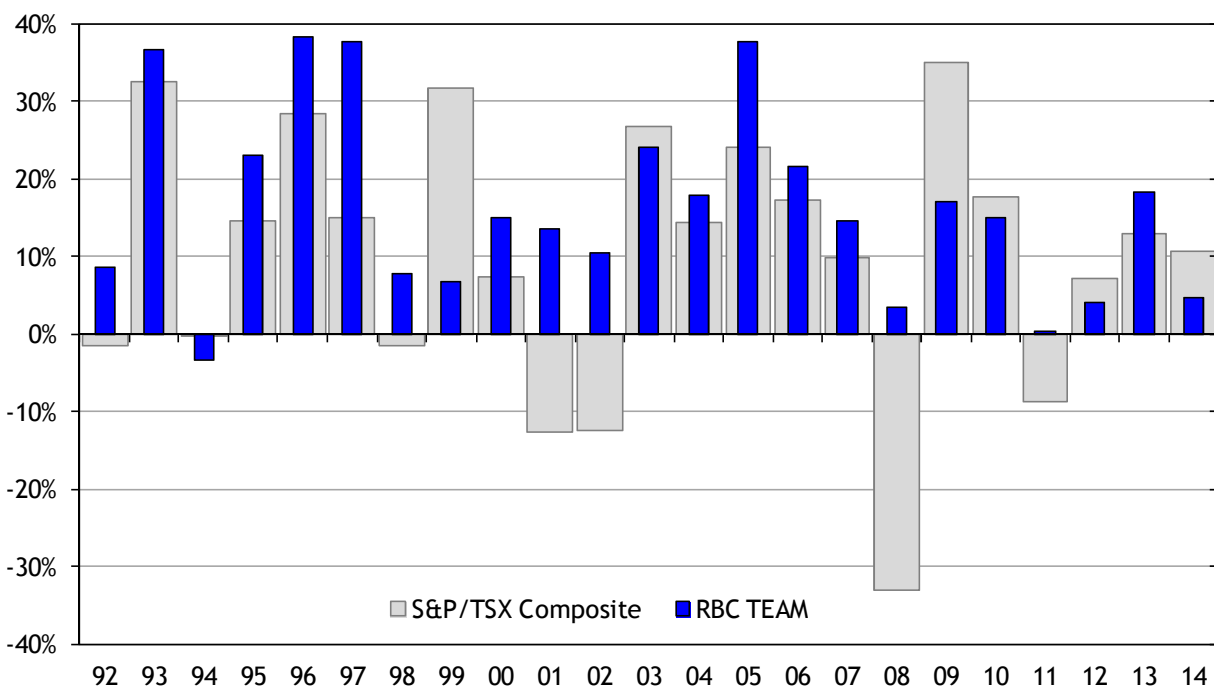


March 16<sup>th</sup> 2015

## ***“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: 14,731  
TSX 200 Day Moving Ave: 14,905  
% Above/Below 200 Day Moving Ave: **1.17%**  
Levels for change: 100% stocks - **TSX 15,635** and 100% fixed income – **TSX 14,157**

### **Weekly Quote**

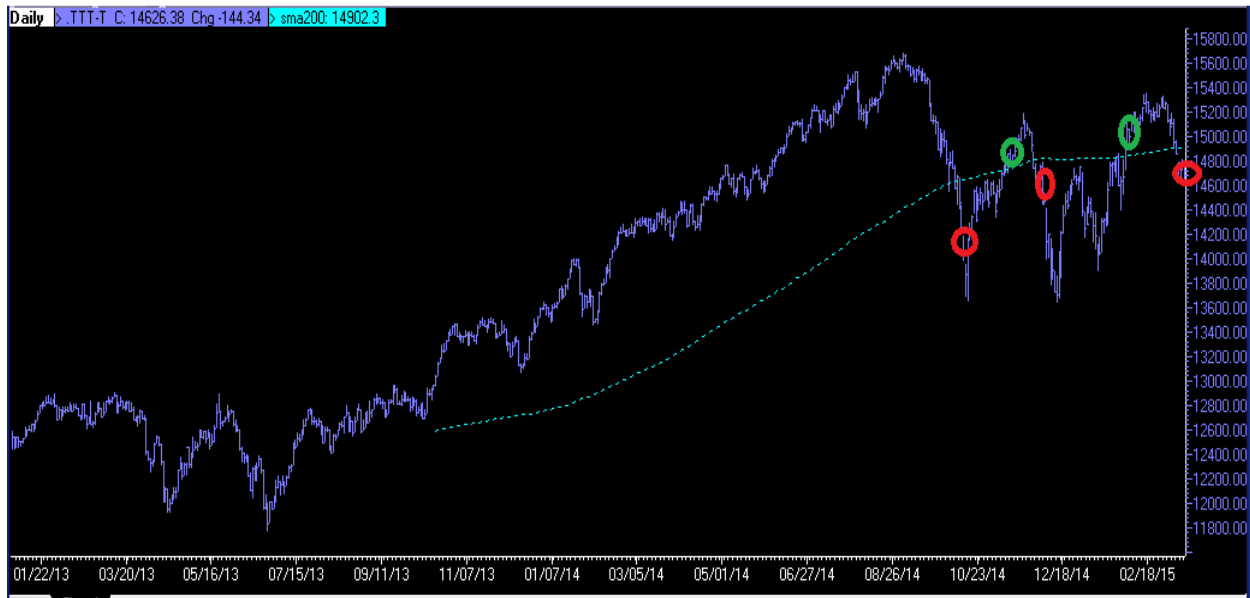
*For many hours and days that pass ever soon, the tides have caused the flame to dim...*

*At last the arm is straight, the hand to the loom...Is this to end or just begin?*

*“All of my love” – Led Zeppelin from “In Through the Out Door”, 1979 written in honour of band member Robert Plants’ son Karac who died at age 5.*

### Short Term TEAM Model Stopped out of TSX (Canada)

The Short Term TEAM Model sold its position to cash in Canada since the TSX 60 Index closed for 3 consecutive days below its' 200 day moving average. **(March 12 at 14,775 on the TSX index).**



The US position in the S&P 500 is unaffected by the change in the Canadian position. The American market is still trading with a more BULLISH bias.

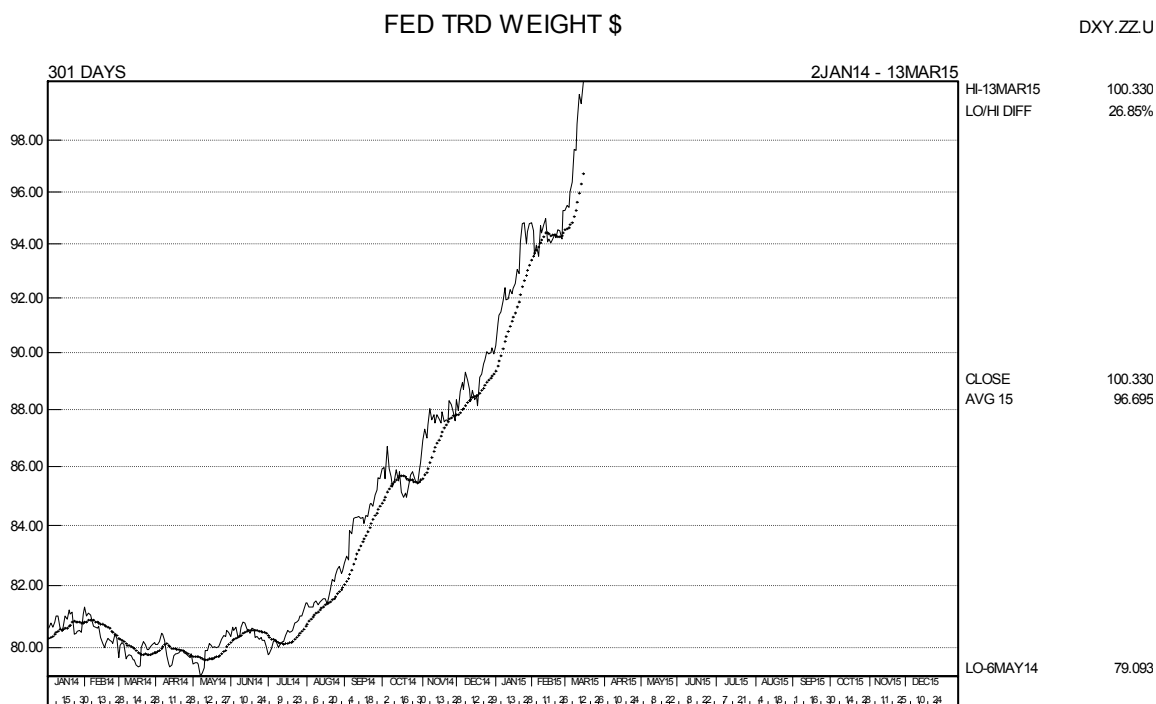


If you have any questions about the Short Term TEAM model please feel free to email me or give me a call.

## Understanding the Dynamics Behind the US Dollar Rise

Nothing short of amazing!

I believe that correctly describes what the US dollar index has done since the summer of 2014. Let's view the 15 month chart below:



The number of analysts who have gotten this chart wrong is numerous. Each little hesitation in the near vertical ascent is viewed as “the top”.

The rise in the US dollar is NOT being driven by the great US economy...no, far from it!



The US dollar is going parabolic for two specific reasons.

1. Money is escaping Europe, China, and Japan in search of higher yields and a positively moving currency.
2. The world is anticipating the FED to raise US interest rates.

And now the European Union (EU) has aided and abetted a third reason for the dollar increase.

3. A “carry trade” from negative interest rates in many European countries with a willing buyer (the EU and their new QE) ensuring the European interest rates stay low for a good, long time!

How long can US exporters deal with the rapidly rising US currency and still maintain their profit margins is anyone’s guess? This earnings season for US multi-nationals has been marked by a large number of earnings warnings due to currency issues related to the strong US dollar.

But let’s view the rapidly rising US dollar from the other side of the coin. **What is it doing for the rest of the world?**

Interestingly, the **rest of the world is in a race to try and devalue their currencies faster than their neighbours**. There have been 23 interest rate cuts since the decision by Switzerland to “unpeg” from the Euro. (This decision really sped up the run higher in the US dollar.) Of course, Canada was one of those 23 cuts!

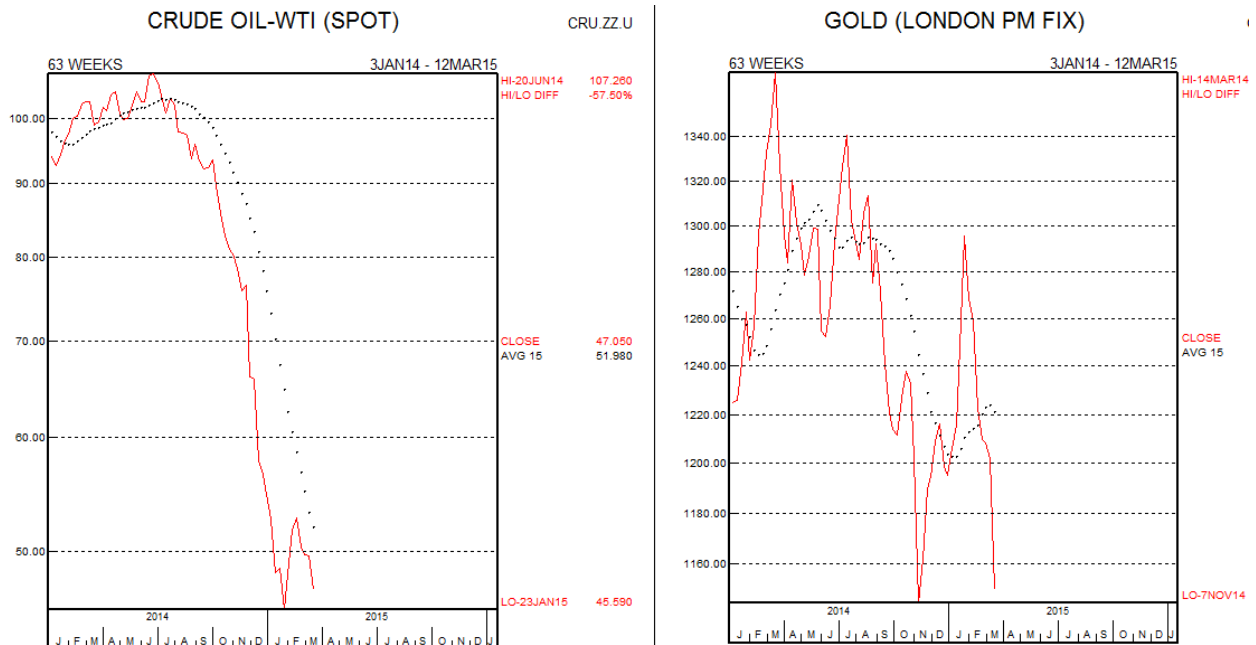
And now we have the biggest Kahuna of them all in China talking about unpegging the Yuan from the US dollar AND possibly initiating another Quantitative Easing!

It really is a US dollar based world...and that base has increased 25% in value in less than a year.

Truthfully, it all boggles the mind! How and where does it end? Or, as the quote of the week alludes to...does it end?

### *Oil, Gold, and the US 10 year bond yield*

Commodity prices have been struggling against the rapidly rising US dollar. Of course, these charts are priced in dollars so the relative value to the Canadian citizen has not declined as much...but the weakness is worth noting again.



I can't say I see a lot of "inflation" in these charts. As long as the US dollar keeps running to the upside, neither of these two charts is likely to bounce very much.

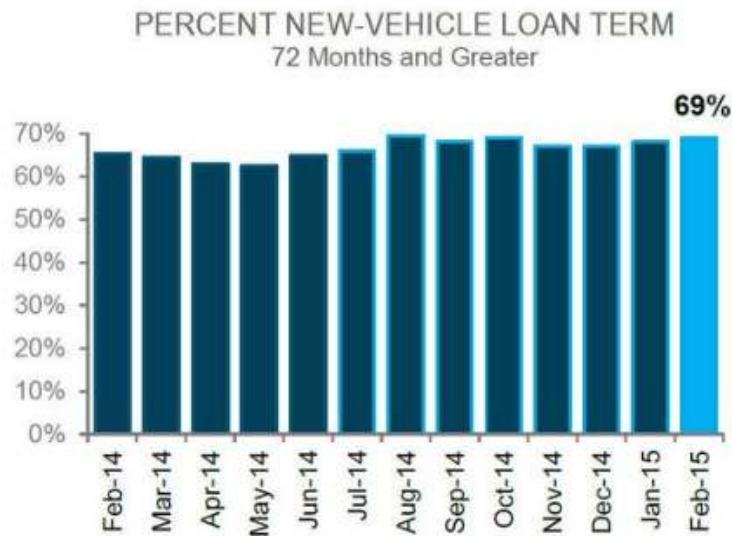
Which brings me back to the yield on the US 10 year Treasury bond. After a rapid move higher that started a week ago Friday with the stronger-ish jobs number in the US, the 10 year bond yield has settled back down towards 2% again. I think much of the buying has come in from Europe...that is only a guess though.



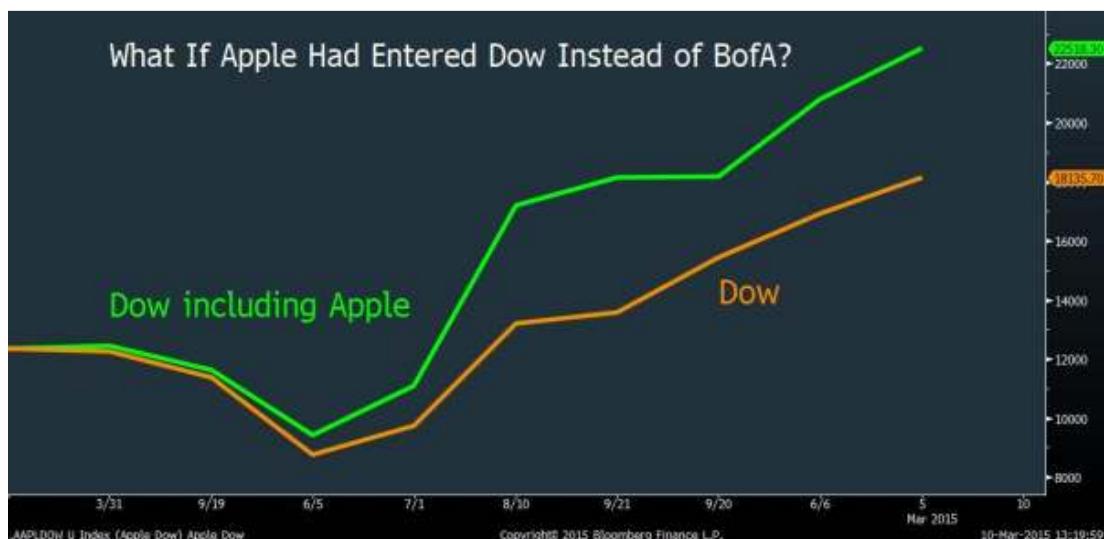
I will be keeping a close eye on this chart for the coming weeks to see if yields break above the 2.25% highs made early last week.

### Car "Mortgages" are Getting More Popular

JD Power just released the following chart. It is right up to date to February 2015...and it shows the percentage of car buyers opting for 6 years or more on their car financing. REALLY?



### If Apple Had Entered the Dow Industrials in 2008.....?

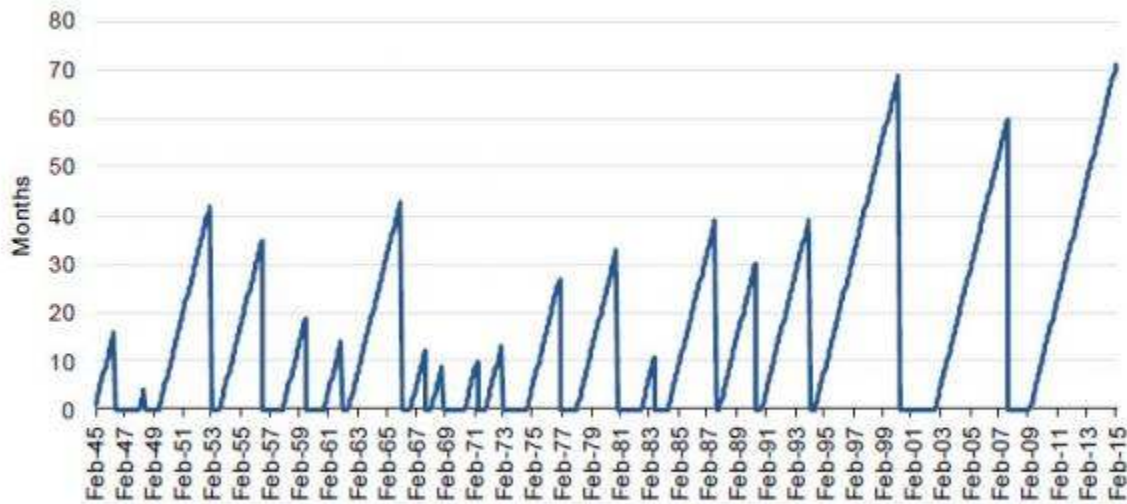


It is a little tough to see on the chart. The Dow including Apple would have been at 22,518, rather than 18,135.

That is an incredible difference!

## Longest BULL Market on Record Since WWII

The longest post-war bull market - Length of S&P 500 bull markets in months



Source: SG Cross Asset Research

And we keep hearing that the party is just getting started...? Hmmm?

...and that is it for another week!!!

**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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