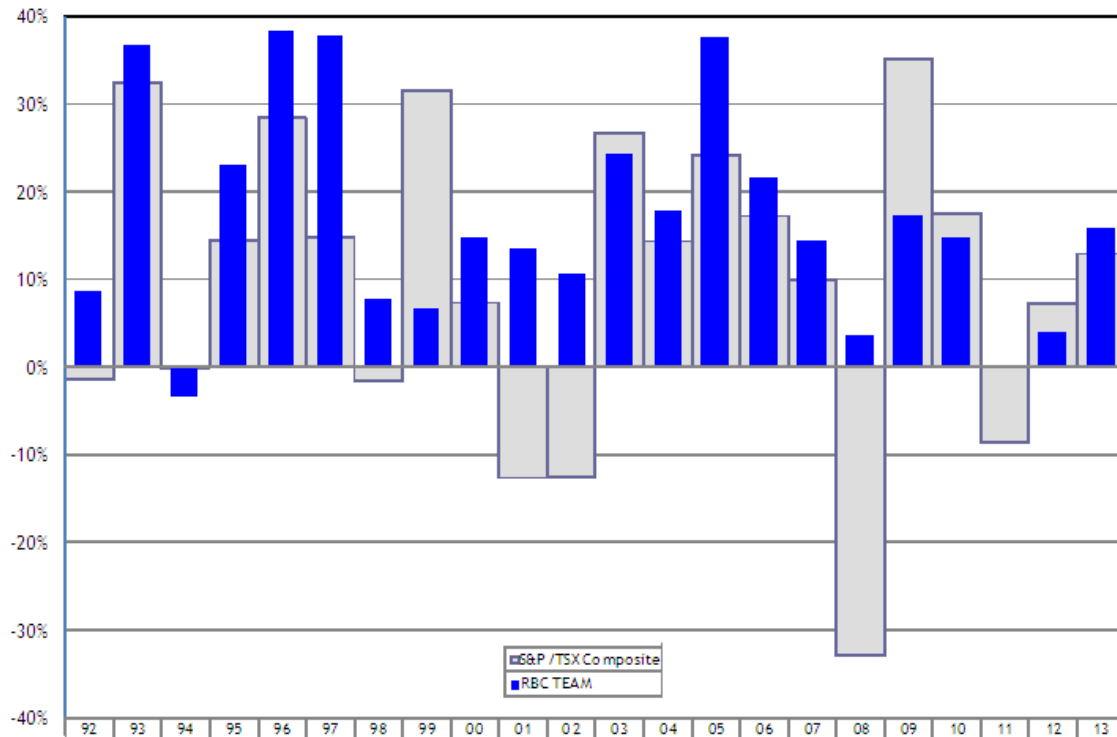


December 5<sup>th</sup>, 2014

## ***“Won2One” with Nick Foglietta***

### **Tactical Equity Income Model Portfolio Record**



### **Tactical Equity Income Model Present Conditions:**

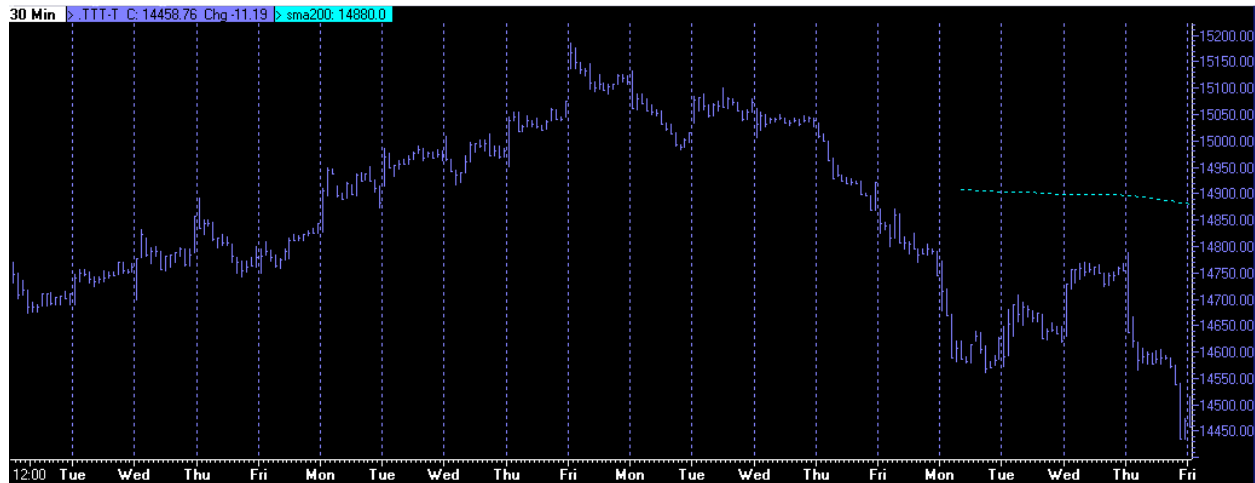
TEAM Model Asset Allocation: **50% Equities/ 50% Fixed Income**  
S&P/TSX 60 Closing Value: 14,480  
TSX 200 Day Moving Ave: 14,810  
% Above/Below 200 Day Moving Ave: **-2.23%**  
Levels for change: 100% stocks - **TSX 15,549** and 100% fixed income – **TSX 14,069**

### **Weekly Quote**

*“Christmas, my child, is love in action. Every time we love, every time we give, it’s Christmas!” – Dale Evans*

## Brief Market Update

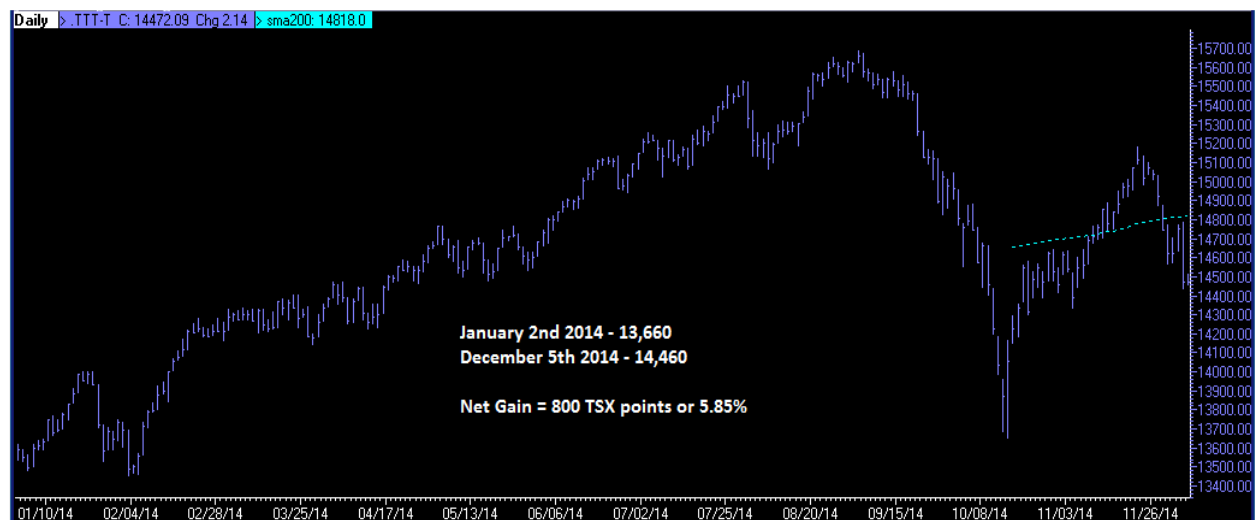
The first week of December was a tough one for Canadian stock markets. The 1 month chart below shows the quick trip higher and lower the Canadian TSX index took in the last 30 days.



Commodity based companies (Oil stocks) were definitely the main driver for this decline, but the new twist that entered the equation was the Canadian bank stocks.

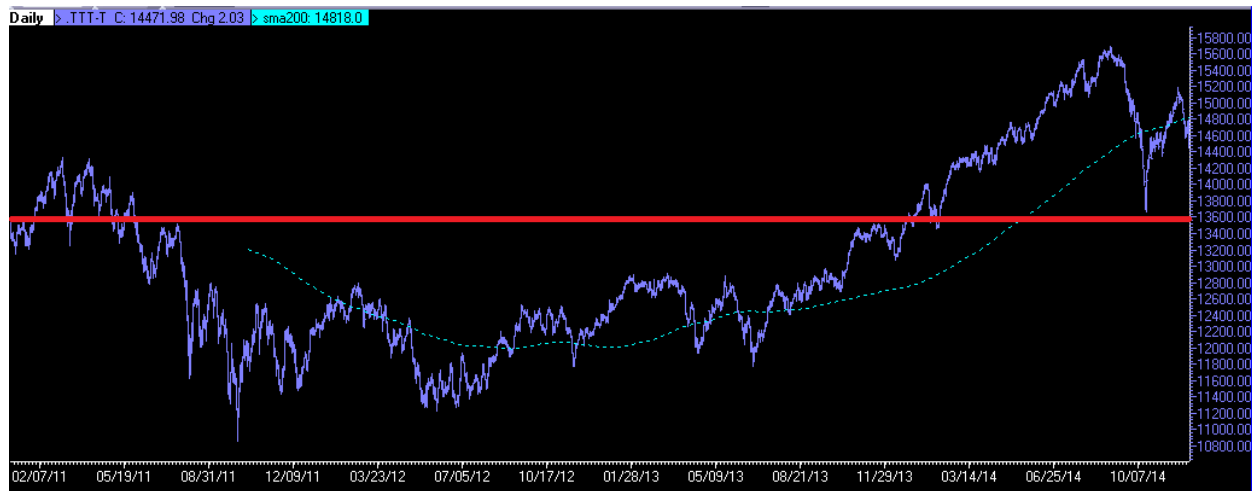
Bank earnings were "OK", but OK is definitely not enough to drive the prices higher when the banks are priced as dearly as they are at present.

A one year chart of the TSX shows a nice, tidy 5.85% gain for the 2014 year so far.



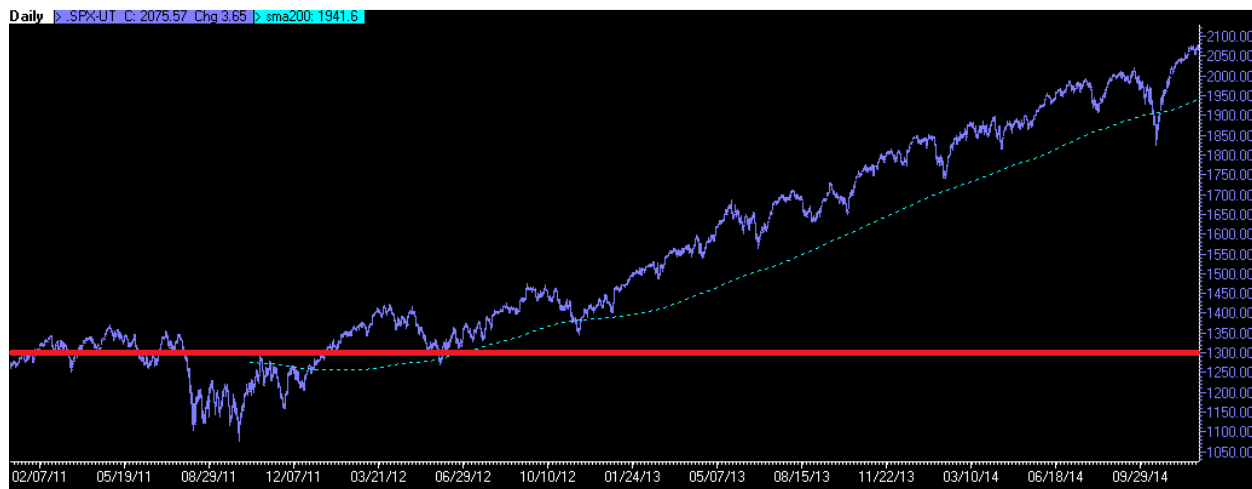
Why do I suspect most people think the gain has been greater than this? Maybe the media has made the markets sound so much better?

The final TSX chart I will show starts at the 2011 “European crisis end” to present day.



The chart makes a sad statement...the TSX has only gained 900 TSX points (or 6.6%) over a full four year period! (The red line depicts January 3<sup>rd</sup>, 2011)

Compare this picture to the [S&P 500 chart](#) for the same time period.



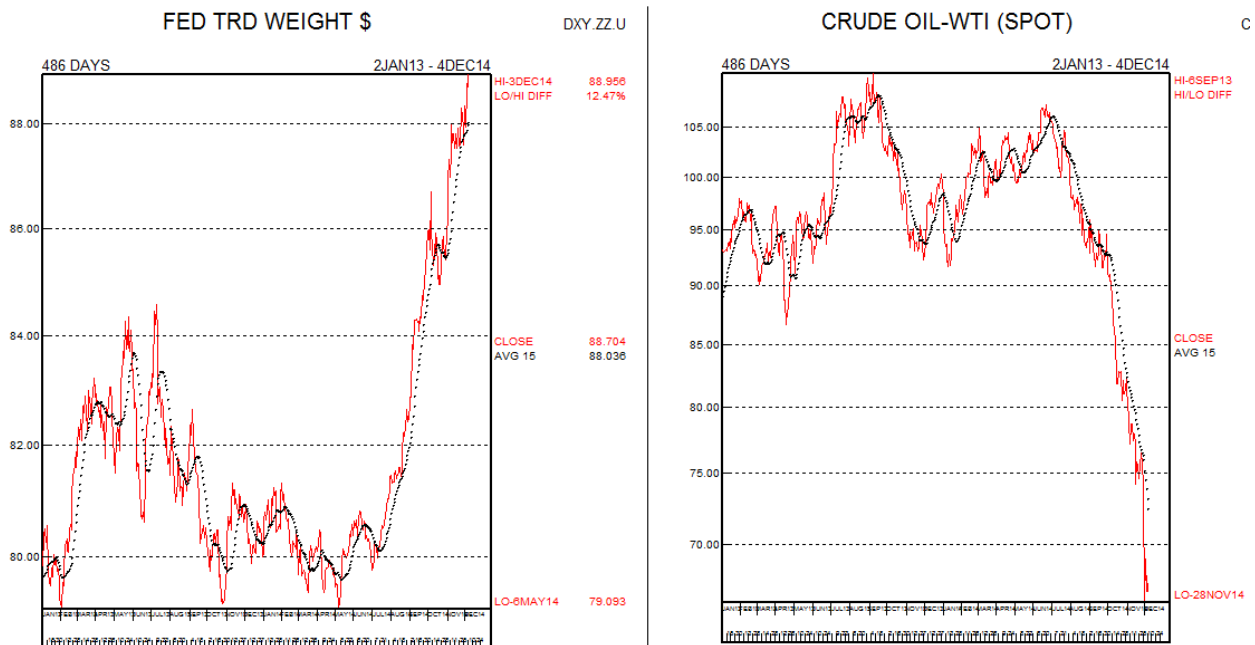
Here we see a 760 point increase (or 58%) gain! Any guesses as to when QE 3 started when you look at the chart above?

I will write more about these differences in my year end summary and yearly forecast later this month.

To end this short weekly comment, I return to my two favourite charts that continue to be my guides to the possible return to more normal financial conditions.

To repeat: **Until the US dollar index starts to decline or the price of crude oil starts to recover, the global economic markets are unstable.** I don't care at what

levels the US stock indexes trade...the dollar index needs to stop rising and oil needs to stop dropping before they can be considered able to hold their gains.



A picture is worth a thousand words...obviously, neither chart has stopped going in the wrong direction yet!

### Christmas Vacation

I am gone from December 8<sup>th</sup> to December 22<sup>nd</sup> on vacation. Robyn is here if you need any help with your portfolios. Saul Hilchey and Kerry Frankham have also graciously stepped up to assist you if something urgent comes up in the next two weeks.

With the TEAM model at 50% stocks and 50% fixed income in Canada, I am pretty comfortable just letting the rest of the year play out and seeing what the new year will bring.

I am back in the office all through the Christmas break if you want to book an appointment before year end.

Thanks again for all your interest and feedback!

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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