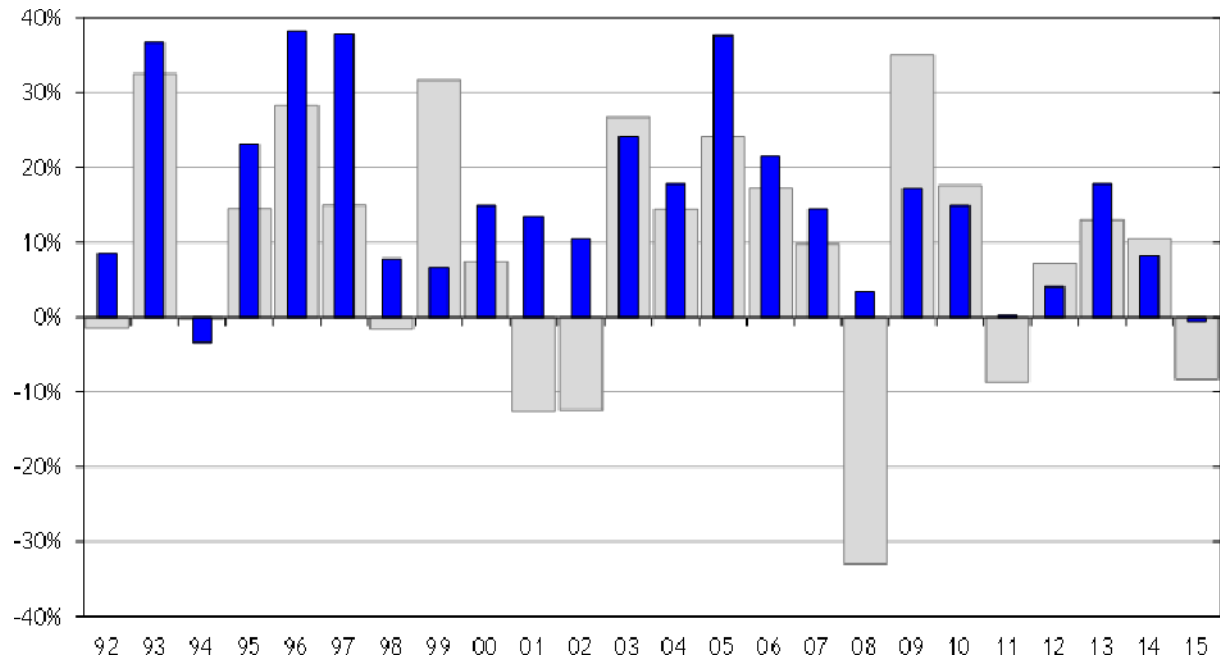


January 30th, 2017

"Won2One" with Nick Foglietta

Tactical Equity Income Model Portfolio Record



Tactical Equity Income Model Present Conditions:

TEAM Model Asset Allocation: 100% stocks
S&P/TSX 60 Closing Value: 15,557
TSX 200 Day Moving Ave: 14,592
% Above/Below 200 Day Moving Ave: **6.61% Above**

Levels for change: 50% stocks - **TSX 15,321** and 100% cash at – **TSX 13,826**

Weekly Quote

"Nothing but consensus ideas all the time in the business media these days – circa 2000 and 2007. Be forewarned!"

Doug Kass, Seabreeze Partners – January 27, 2017

CRM2 Statements Received

My inaugural CRM2 statements arrived in my mailbox on Thursday last week so I assume yours have arrived too. (If not, they will very soon!)

For the most part, the statements are easy to read. There were a couple of points I had to look up to be sure what my statement was saying so don't feel bad if you feel you need some clarification.

I would recommend that you re-read the **"Important message – Understanding new costs disclosure statement"** message below on my website. It highlights some of the known weaknesses in the publications and might answer some of your questions.

And again, I invite you to gather all of your CRM2 statements from all of your financial relationships and come in for a meeting to get a clear understanding of what you are paying and where adjustments might be made to get better value.

There are so many new, lower cost options available today compared to even 5 years ago.

Don't be afraid to ask!

More Evidence for a "Blow-Off Top"

Each day I watch the headlines that keep condemning Donald Trump and what he is trying to do. Seriously, I can hardly keep up with his pace of action. The media focusses on his personal flaws and massive ego...**but the financial markets keep focusing on what he is trying to accomplish for business.**

My job is to stay on top of the financial market part of the equation...and so far, markets are giving President Trump the benefit of the doubt!

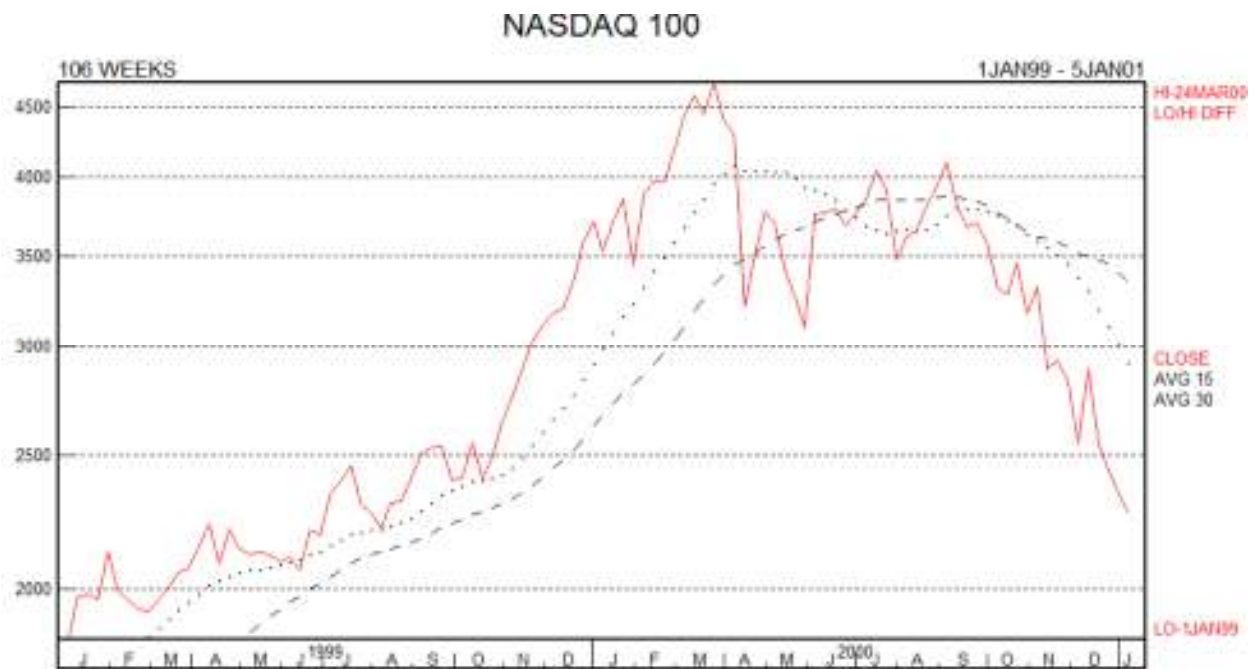
The other interesting correlation that has been persistent since the November 8th election has been that **higher interest rates have been consistent with higher stock prices!**

Now, there is an *"expiry date"* on that correlation. Higher interest rates will, ultimately, top out stock prices because the higher bond yields will become more attractive than expensive stocks at some point. But that is unlikely to happen without a "flattening" of the yield curve (short term interest rates at similar yields as longer term interest rates) and we are nowhere near that situation.

So what does this mean from an investor's perspective?

My thinking is that we could be in a similar phase of the market cycle that was represented by the 1999/2000 period. (This is not the first time I have made this comparison in these pages.)

The theme driving investments at that time was the “New Economy” which referred to the technological economy where the narrative stated “*valuation did not matter, nor did underlying economic fundamentals*”. Let’s take a quick look at a chart of the NASDAQ from beginning of 1999 to the end of 2000. Notice how the market ripped up from 2500 in November 1999 to a peak in April 2000 of over 5000!



This time the euphoria has translated to almost every sector of the stock market. Check out the present day S&P 500 market.



The potential for the November 8th bottom in the S&P 500 is a similar launch point that October 1999 was is very real!

Here is an interesting factoid to remember: **In a typical “financial bubble” approximately 1/3rd of the total price appreciation takes place in the final 1/10th of the time frame of the bubble!**

If that formula stays the same in the stock market bubble we are presently experiencing AND the November 8th launch represents the starting point of the last 1/3rd move that takes place in 1/10th time frame, we end up with a price and time target on the S&P 500 of 2560 in the summer of 2017. **As a percentage that represents about a 10% increase from here in the next 5 months.**

The psychology to propel the present bubble is historically normal. The narrative goes something like this: *Trump is going to make America great again (business-wise at least)...money is coming out of bond investments because interest rates are going higher and that money doesn't want to sit in cash so buy US stocks with the proceeds...and foreign investors keep pouring money into the US indexes.*

***Please hear me loud and clear...this is not a BULL market that just keeps going...this is “blow-off top” that ends in a consolidation and likely larger than garden-variety BEAR market. (I would not be surprised by a 35% - 40% index decline once the top is in.) Just look at the post summer 2000 NASDAQ chart above!)

But now is not the time to be BEARISH. Now is the time to be BULLISH on the US equity market with stop loss orders close below the market.

Feel free to discuss your personal details of what we can do to stay involved with this opportunity by giving me a call!

Wealth Management in Nanaimo, B.C., Canada. He has been managing money since 1988.

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