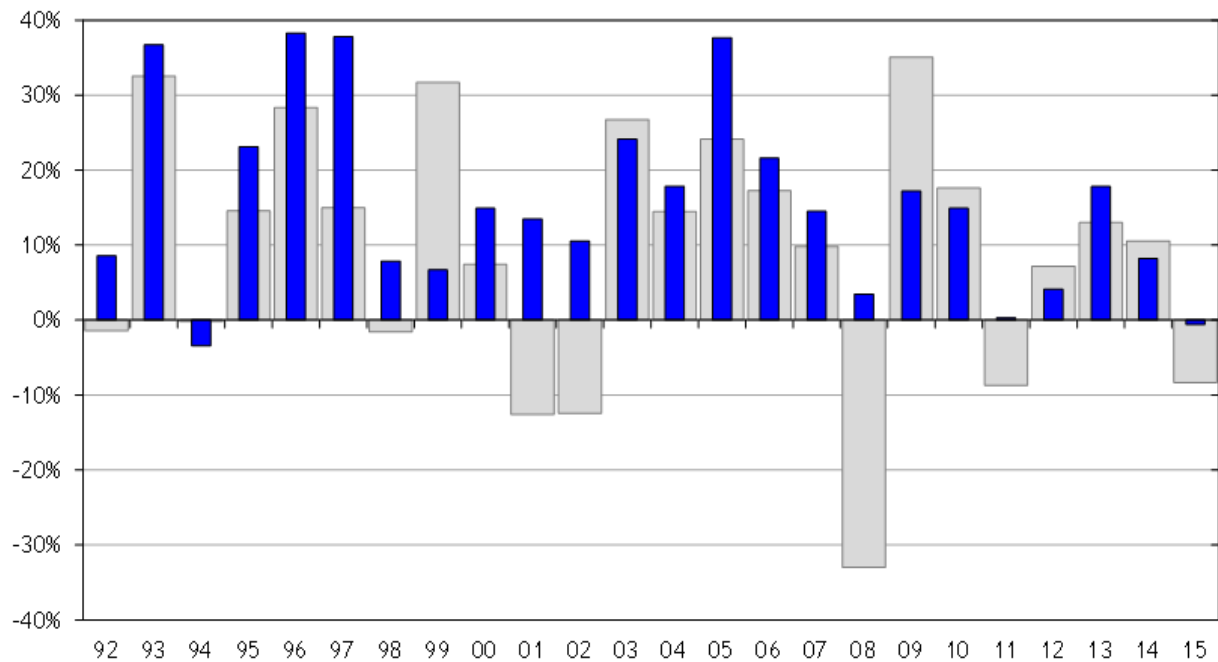


November 7th, 2016

“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: 14,509
TSX 200 Day Moving Ave: 13,961
% Above/Below 200 Day Moving Ave: **3.90% Above**

Levels for change: 50% stocks - **TSX 14,659** and 100% cash at – **TSX 13,263**

Weekly Quote

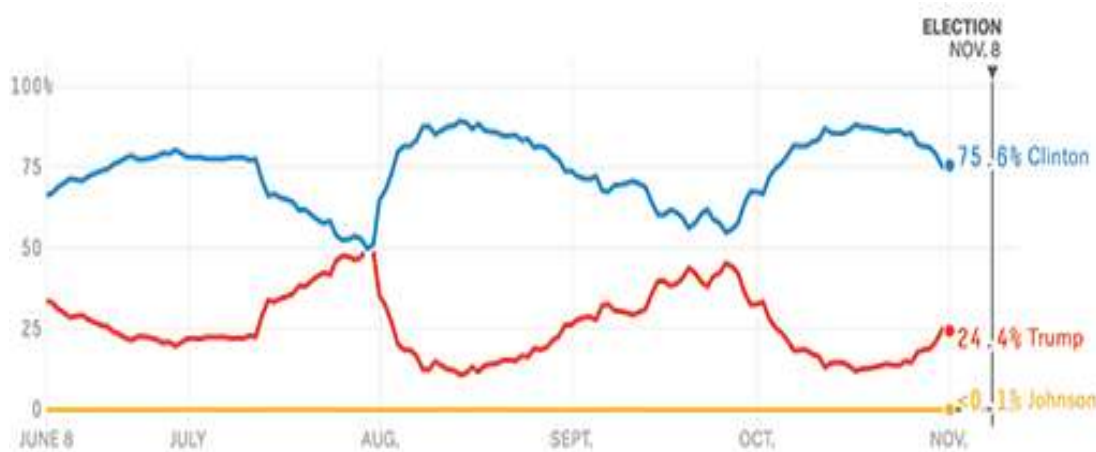
“Refusing to vote is refusing to choose, but it is itself a choice, to be irresponsible without actually avoiding responsibility.”

A record number of Americans are expected to “destroy” their ballots in protest this year...it is not the right answer!

Beyond the Election in the US

Tomorrow is Election Day in the US. The media is trying to make the race sound close. I still don't believe it!

Yes, the gap has closed between Donald Trump and Hillary Clinton. But the betting odds in favour of a Hillary win are still 1 to 4. (This means you have to bet \$4.00 to win \$1.00)



This vote is not like the “Brexit” vote...the odds were much closer in that situation.

Unless something crazy happens in the next 24 hours, Hillary Clinton will be the next President of the United States.

My guess is that a Clinton win will, initially, be taken as a positive by stock markets.

What I want to see is how far does the Clinton “bounce” in the markets really go? Or stated another way, was the 8 day decline in stocks the last couple of weeks really about Trump catching up or was there something else?

Let me be specific in what I am looking for in coming weeks.

Assumption 1: Clear Clinton win on Wednesday, November 9th

Here we see Hillary Clinton with the election with no reasonable doubt. It also assumes Donald Trump makes a “traditional” acknowledgment of her win and speaks to “reconciliation and working together for the better of the nation.”

With this outcome, I see global stocks moving higher and a special emphasis on Canadian oil and gas names that were destined to be negatively impacted by Trump’s protectionist policies.

I am not convinced the “relief rally” in stocks will last for very long...but I do believe a relief rally would incur.

Assumption 2: Close Clinton win on Wednesday, November 9th

In this second assumption, markets are no picnic. As long as Trump did not challenge the outcome, I believe a slight positive bias would exist in global stocks. But the possibility of Trump challenging the legitimacy of the results looms large...and that would cause uncertainty.

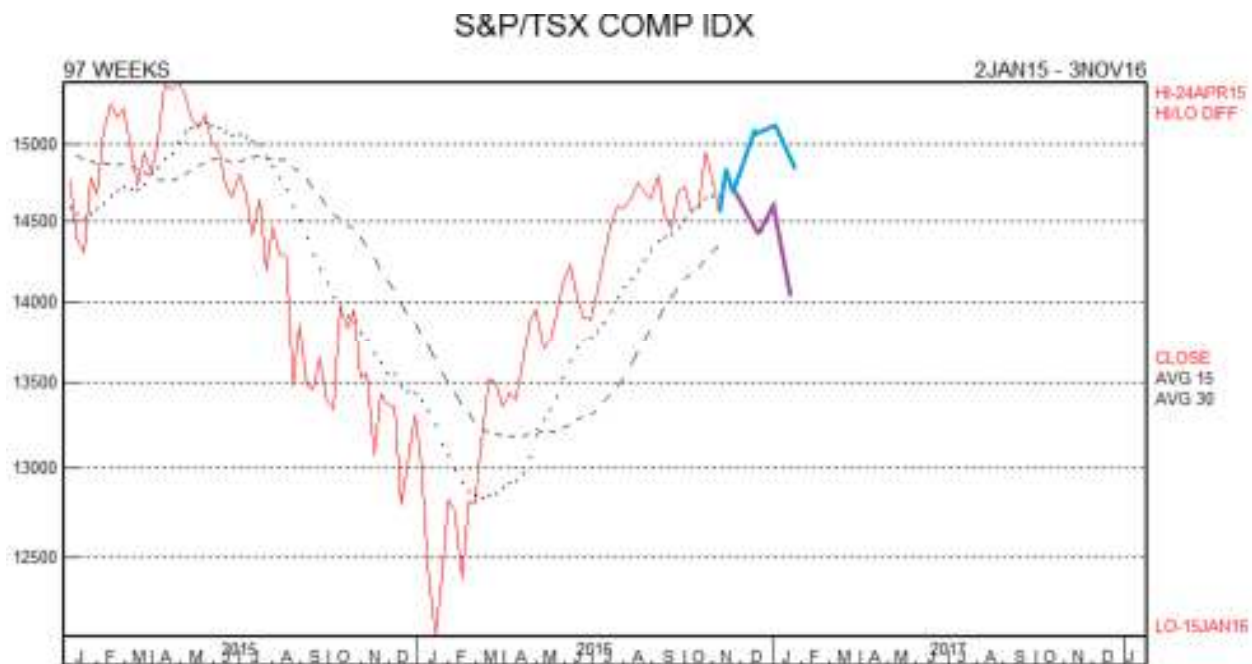
In any case, assumption 2 makes for difficult times for investors.

Assumption 3: A narrow Trump victory on Wednesday, November 9th

Global asset markets are not ready for this outcome. I would expect quite a negative tone to the following days investing markets. I think Canada would get “smoked” on this result...especially oil and gas. Banking too...

If you think this could happen I would strongly recommend we talk today or tomorrow before the election results are known.

Since I believe the Clinton win is most likely I want to take a few more paragraphs to outline what I would be watching for AFTER the election:



The “red line” represents the TSX index since the beginning of 2015. The “blue line” is what I expect will happen with a Clinton win tomorrow going into year end. There is no reason to make a large adjustment to your portfolio given the “blue line” outcome.

The “purple line” represents what I am more worried about. Here the Clinton win is shrugged off by markets before the end of November and investors start pushing asset prices lower again based on “higher interest rates” and a number of other concerns that still exist.

We will continue to look for signs of which path the markets are following over the coming weeks and months in these newsletters.

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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