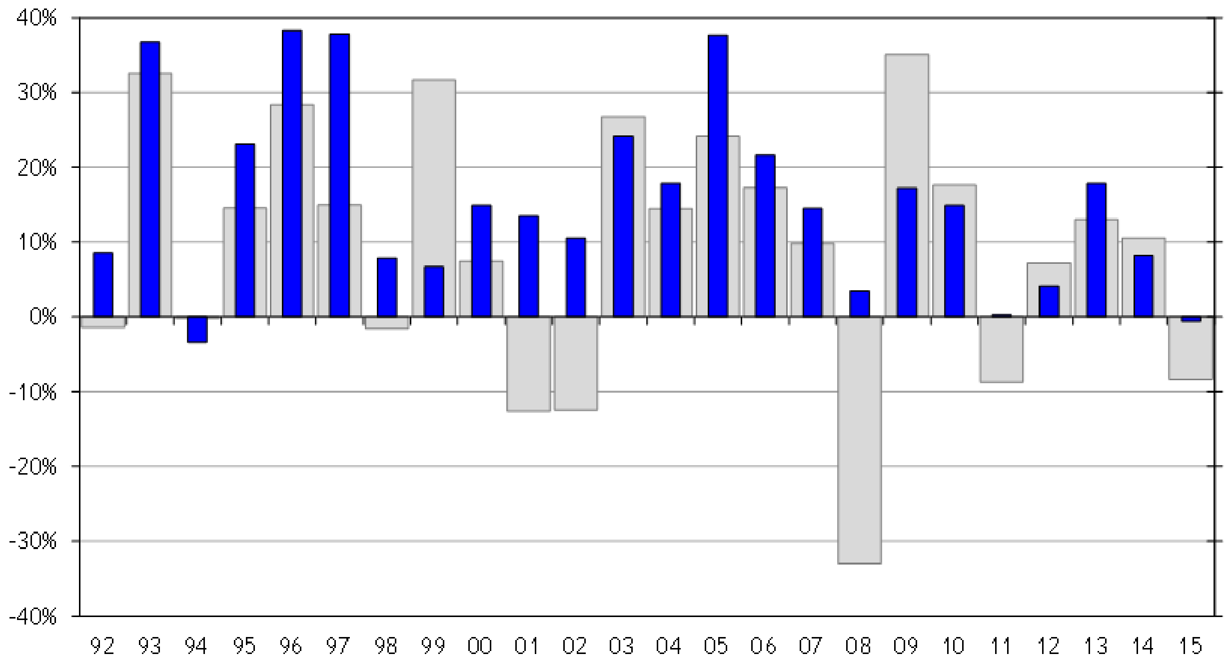
October 3rd, 2016

"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: 14,726
TSX 200 Day Moving Ave: 13,729
% Above/Below 200 Day Moving Ave: **7.40% Above**

Levels for change: 50% stocks - **TSX 14,415** and 100% cash at – **TSX 13,043**

<u>*Weekly Quote*</u>

"I called it a tie, with the country as the ultimate loser!" – Michael Covel of the *Daily Reckoning* speaking about the first US Presidential debate.

The End of the Third Quarter

The summer months of 2016 provided little in the way directional information for financial markets in North America. Interest rates continued to hover at all-time lows, stock markets fluctuated in a relatively narrow range, and complacency levels rose as investors enjoyed the weather.

September has seen some interesting market moves around the world. Some of the complacency has evaporated and investors appear to be paying attention once again. The US election will undoubtedly be a market distraction for the next month and a half!

As for the "box score" for markets:

All TEAM Models are 100% equities. That said, the moving averages for both the TSX and the S&P500 are catching up to the underlying indices. When this happens it is the first sign that the indices are losing momentum. I like to argue that the TEAM is smarter than I am so let's just see where the next few weeks take us in terms of asset mix in these models.

TSX – BULLISH with a stop at 14,415.

S&P500 – BULLISH…no stop at this time

Oil – BULLISH with a stop at $40

Gold – BULLISH/NEUTRAL with a stop at $1290

The other big change in September has been the global price deterioration in bank stocks. When I look around the world, Canada is about the last country with banks still near their all-time high prices! The worst performers were the Italian and German banks. (See below in "*Deutsche Bank to Phone a Friend*").

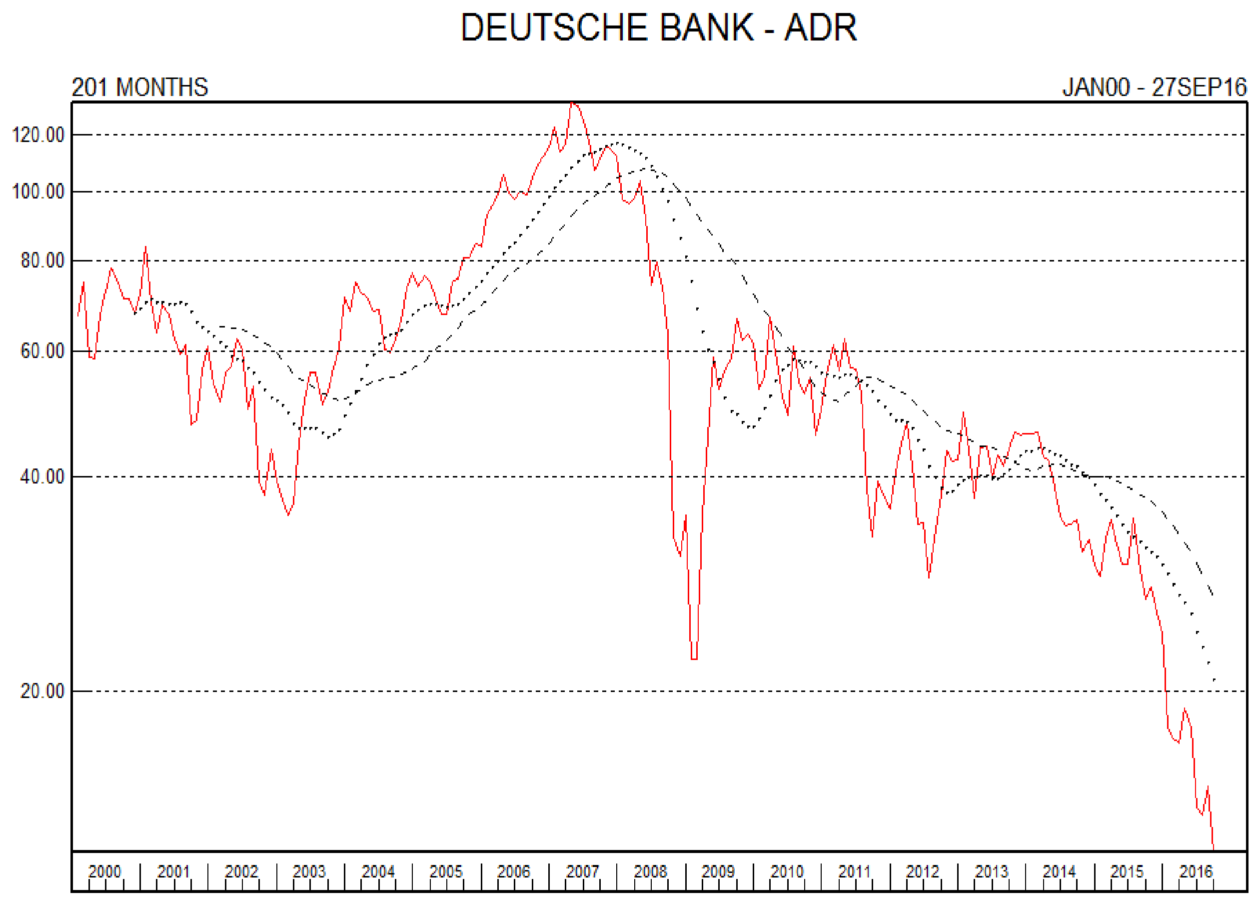
Final thought: Looking ahead to the fourth quarter of 2016 it appears that US politics will continue to play a large role in the news stories. As you will notice in the section below, the connection I continue to watch for is how "**confidence in the global central banks is impacted by what is happening day to day**." In the first US Presidential debate, Donald Trump called out the US FED as being "political in its decision making process". He also said the FED is "sitting upon a huge financial bubble and that higher interest rates would pop this bubble". Those are not original thoughts to readers of my weekly comment, but the fact that they were spoken to 85 million Americans in the Presidential debate is a huge change in audience.

Until central bank confidence changes, nothing changes…we wait and watch!

Deutsche Bank to Phone a Friend

A short comment on the shares of Deutsche Bank (DB) and what their travails may mean going forward give the present weakness.

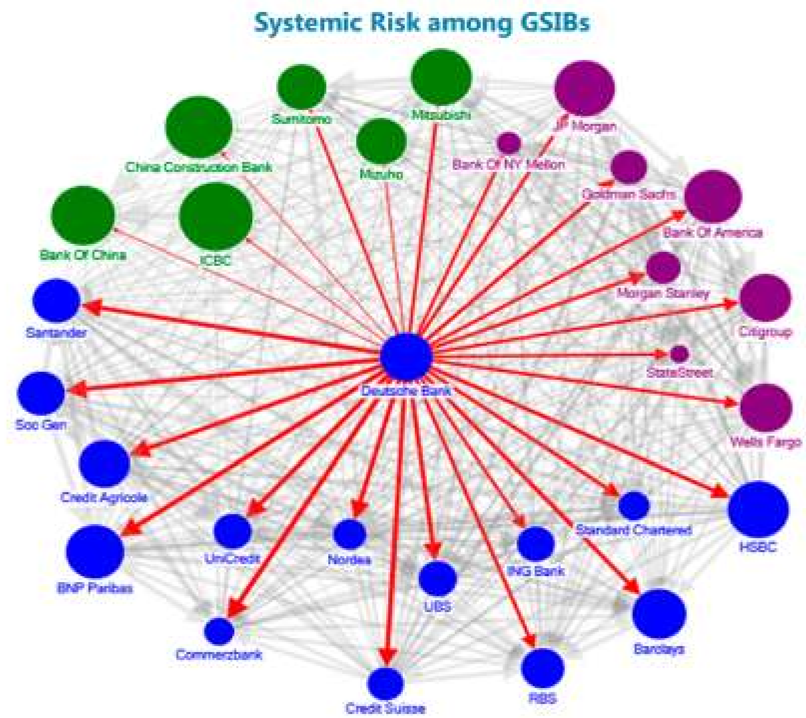
Deutsche Bank is a huge German multi-national bank. They are involved in virtually every facet of present day finance and they have been in the news as of late because the rumour is DB needs a bailout.



To this point, I have kept my comments to minimum when speaking of DB but when the CEO came out last week saying *"there is no truth to rumours that DB needs a capital injection*"…well, I really started to get worried!

Let's be clear…this is not the same investment climate that we saw in 2008 and Lehman Brothers in the US. Low interest rates and already strangled bank regulations create an environment where a bailout of DB is much easier to facilitate in 2016 than any of the bank bailouts of 2008! But the labyrinth of bank inter-dependency and the sheer size of the derivatives markets make DB worth tracking.

The International Monetary Fund warned in a late June report that Deutsche Bank appears to be "the most important net contributor to systemic risks" among Global Systemically Important Banks, followed by HSBC Holdings Plc and Credit Suisse Group AG.



The way I am approaching the news flow about DB is again **<u>to watch how the handling of it impacts investors' confidence in the central banks and their policies</u>**.

You will likely hear more buzz around DB in the media in coming weeks and months. Feel free to send me any questions you may have about what you hear. I will do my best to find you answers.

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.