

# R Hunter Wealth Management Group

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Talking Points – Client Breakfast  
September 23, 2017



## Market Update...

The Canadian market remains negative year-to-date, as a result of weak commodity stocks (which represent two thirds of the economy – mining/energy).

The strength has come from the U.S. market through that has been tempered (offset) over the last quarter due to rising CDN dollar / weakening U.S. dollar.

I believe this to be a temporary event and a potential buying opportunity for the U.S. dollar.

While the CDN dollar has risen on rising interest rates, it tends to historically track with oil which remains historically weak.

- Recent movement in the Canadian dollar may have been augmented by five year Canada bond yields which have risen to 1.84% from under 1% just months ago
- The U.S. dollar may have weakened somewhat due to confidence in the current administration.
- I believe we are still in a U.S. dollar stock cycle. (The opposite of a commodity stock cycle)

## Market Cycles

Long term: Commodity vs U.S. Dollar stock cycle

Short Term: **November – April (stay)**

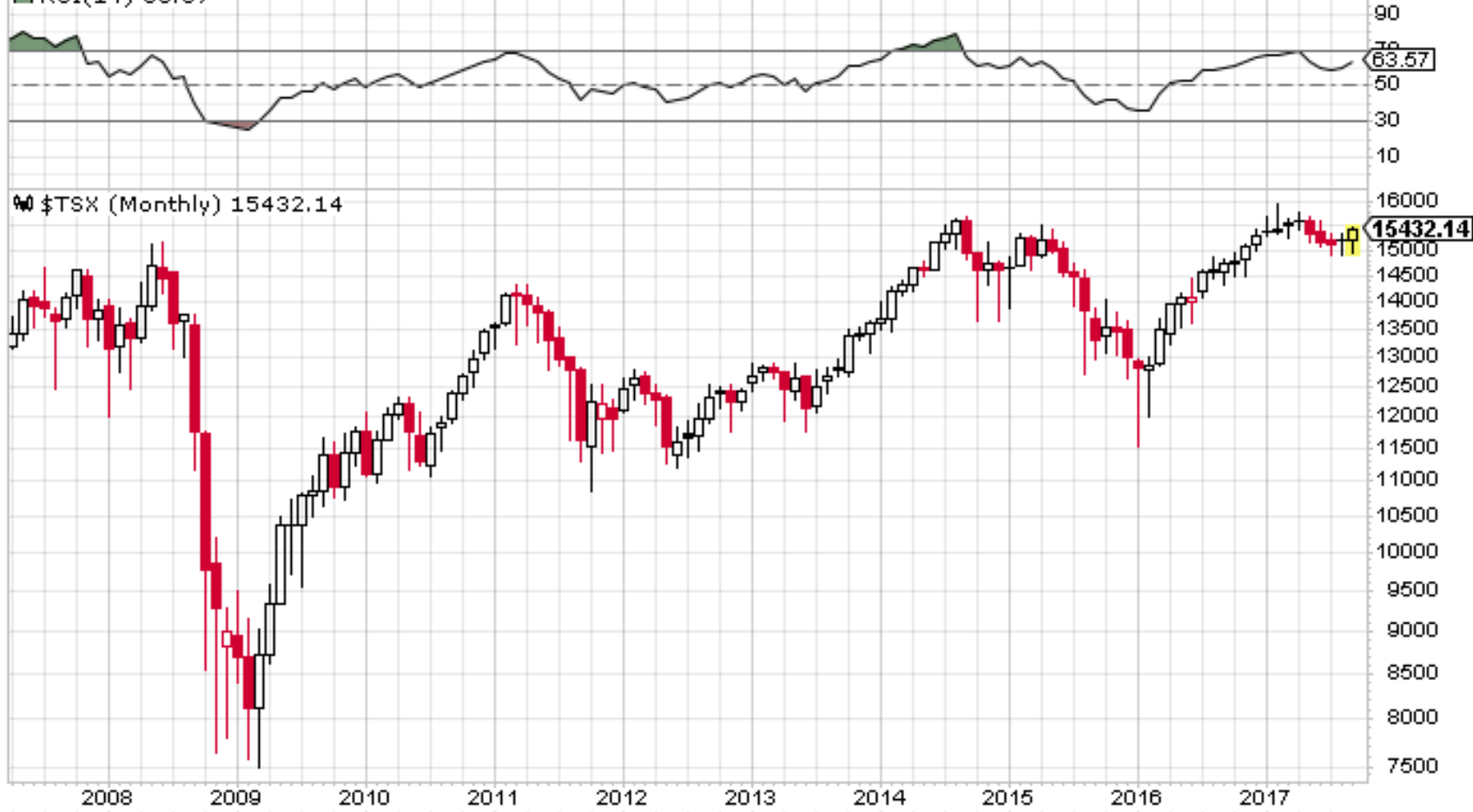
May – October (go away) This period has outperformed winter period only 27% of the time since 1950. This period has often concluded with negative market performance as September and then October, are historically, but not always, the worst calendar months for the stock market (buying opportunity/have some cash).

**\$TSX** TSX Composite Index TSE

© StockCharts.com

22-Sep-2017 12:54pm **Open** 15194.73 **High** 15479.19 **Low** 14953.90 **Last** 15432.14 **Volume** 2.8B **Chg** +220.27 (+1.45%) ▲

▲ RSI(14) 63.57



# The TSX (CANADA)

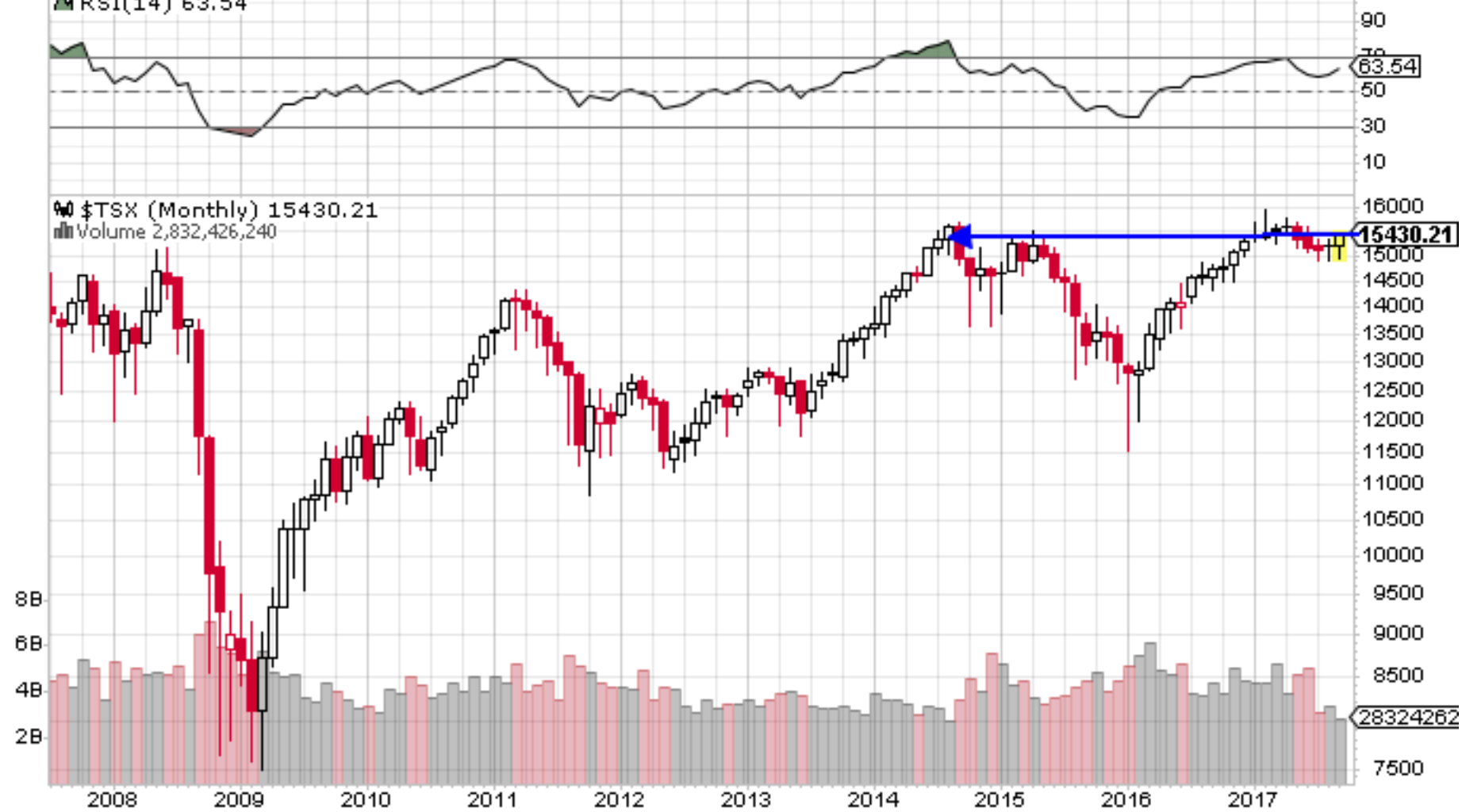
**\$TSX** TSX Composite Index TSE

© StockCharts.com

22-Sep-2017 12:47 pm

**Op** 15194.73 **Hi** 15479.19 **Lo** 14953.90 **Last** 15430.21 **Vol** 2.8B **Chg** +218.34 (+1.44%) ▲

▲ RSI(14) 63.54

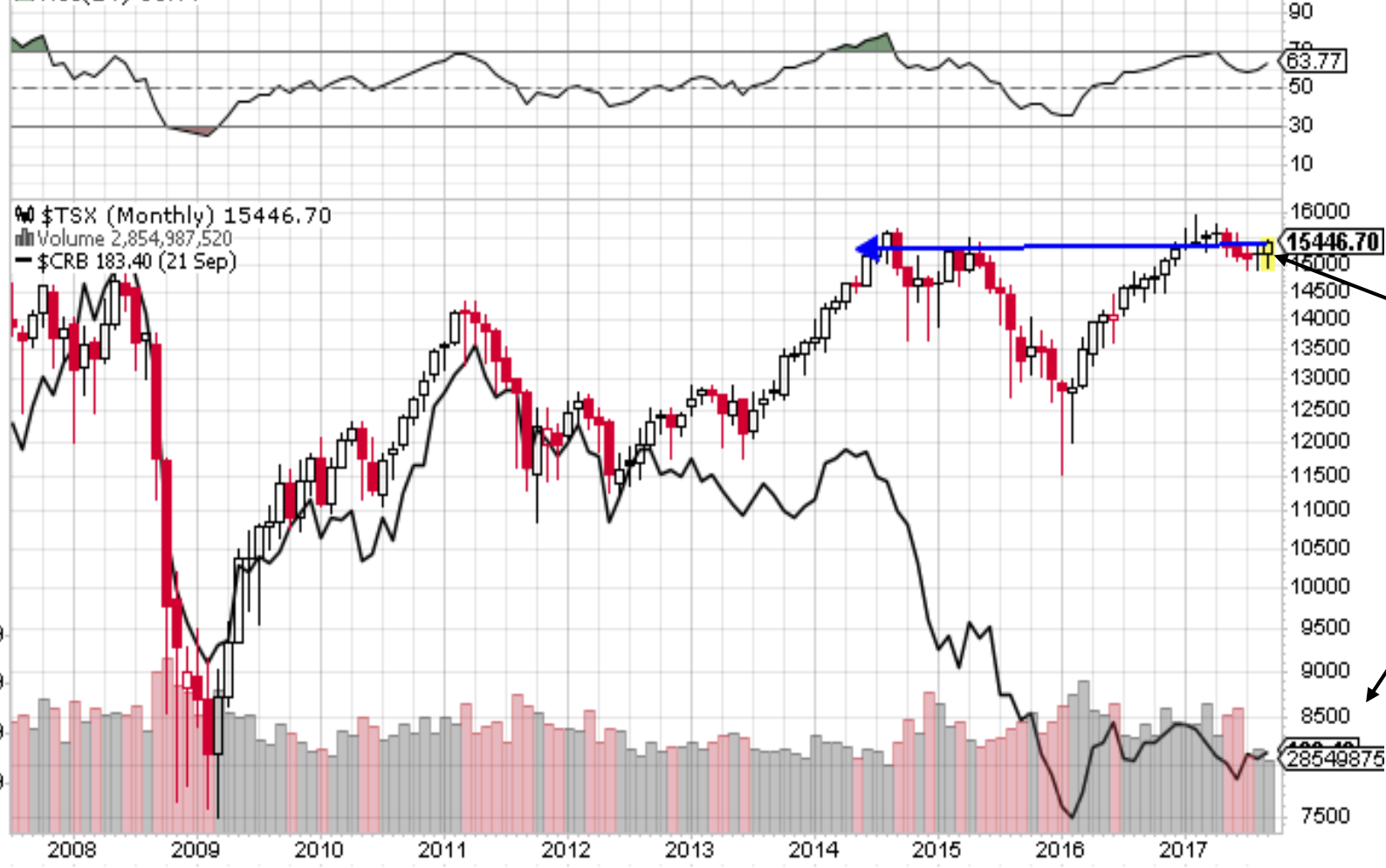


**\$TSX** TSX Composite Index TSE

© StockCharts.com

22-Sep-2017 2:38pm **Open** 15194.73 **High** 15479.19 **Low** 14953.90 **Last** 15446.70 **Volume** 2.9B **Chg** +234.83 (+1.54%) ▲

▲ RSI(14) 63.77



**TSX – 3 years of upside resistance due to weak Commodities**

**XEG.TO** iShares S&P/TSX Capped Energy Index ETF TSE

© StockCharts.com

22-Sep-2017 2:11pm

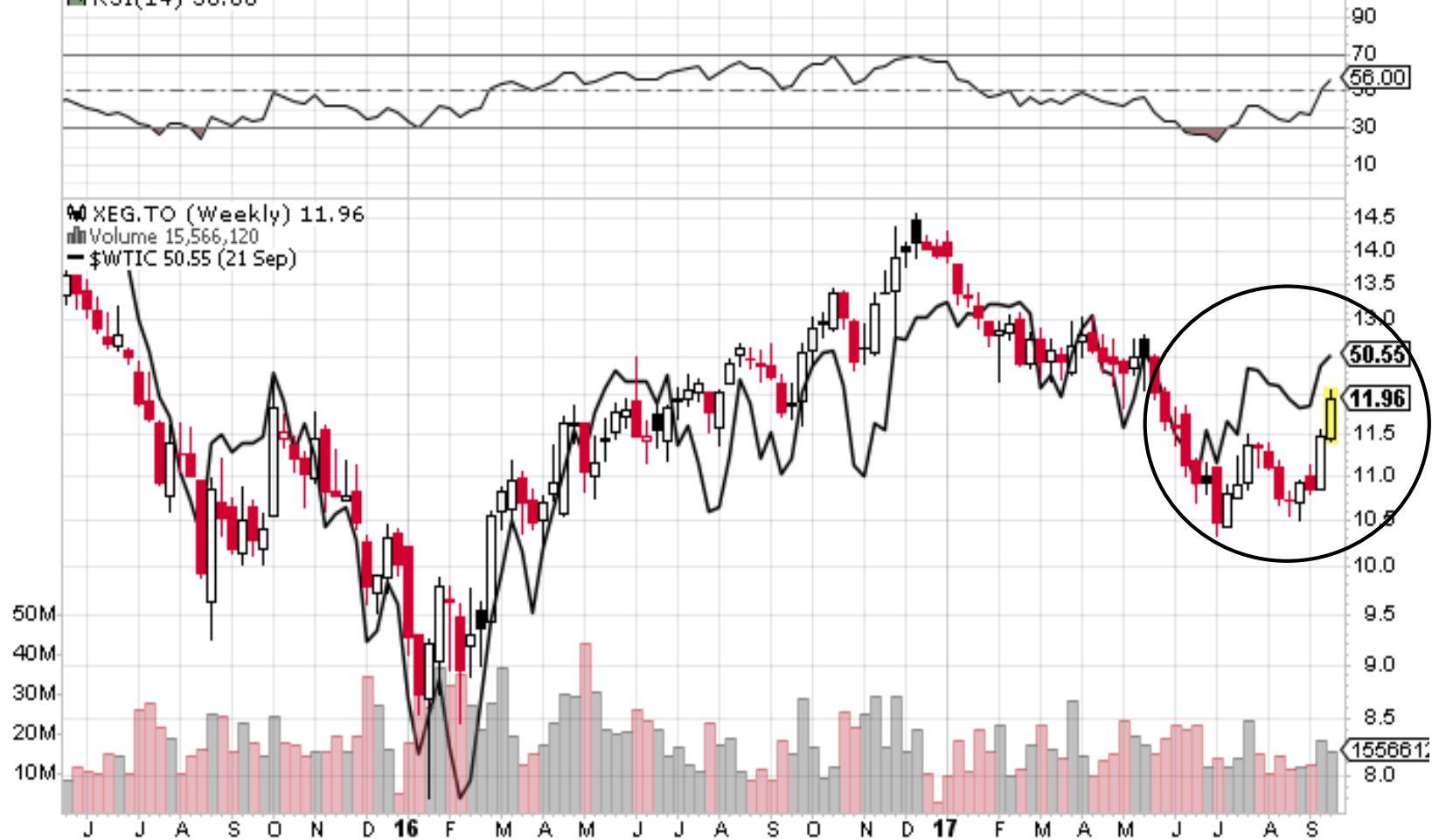
Open 11.45 High 12.06 Low 11.43 Last 11.96 Volume 15.6M Chg +0.49 (+4.27%) ▲

▲ RSI(14) 56.00

W XEG.TO (Weekly) 11.96

Volume 15,566,120

— \$WTIC 50.55 (21 Sep)



**Recent  
movement in Oil  
and Oil stocks.  
(Last 60 days)**

\$CRB Reuters/Jefferies CRB Index (EOD) INDX

© StockCharts.com

21-Sep-2017

Open 180.63 High 184.94 Low 179.61 Close 183.40 Chg +2.54 (+1.40%) ▲

▲ RSI(14) 41.68



## CRB (Commodity Index) And Currency

**\$CRB Reuters/Jefferies CRB Index (EOD) INDX**

21-Sep-2017

© StockCharts.com

**Open 180.63 High 184.94 Low 179.61 Close 183.40 Chg +2.54 (+1.40%) ▲**

▲ RSI(14) 41.68



**Commodities  
and the USD  
trade inversely.**

CRB



\$CRB Reuters/Jefferies CRB Index (EOD) INDX

© StockCharts.com

21-Sep-2017

Open 180.63 High 184.94 Low 179.61 Close 183.40 Chg +2.54 (+1.40%) ▲

▲ RSI(14) 41.68



**The CDN\$ trades with  
Commodities  
- Particularly Oil  
(2/3 of our GDP is  
Commodities)**

CDN\$

CRB

## Summer cash raise?

We raised cash in Spring and continue to hold on average around 15%.

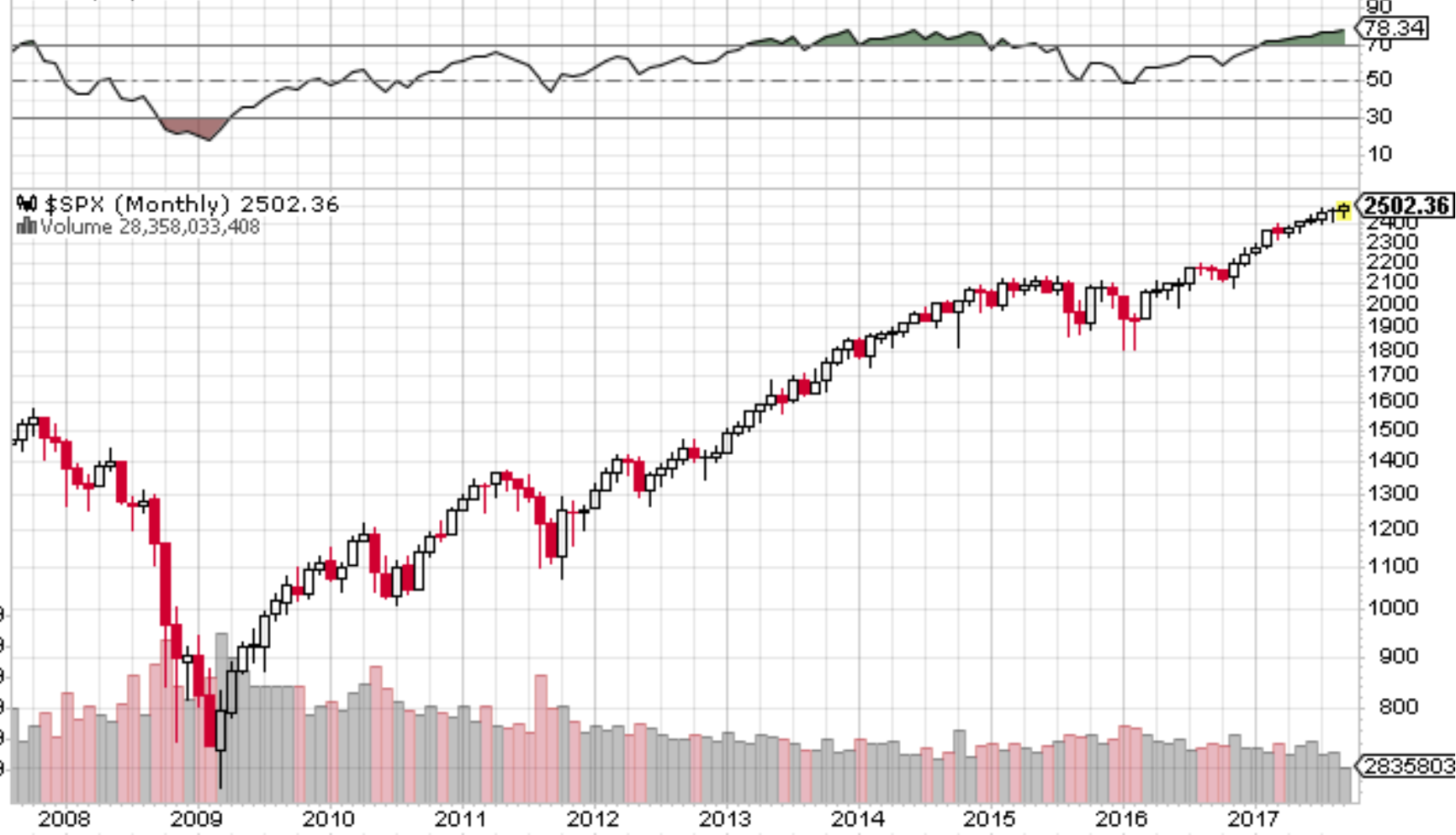
- We are more than 8 years into a bull market where we have had just one 10% correction (late 2015).
- Historically, we have had a 10% correction almost every year during a U.S. stock cycle.
- Growth stocks are not cheap.
- Historically, September is the worst month in the calendar year for stock markets, followed by October. Not always.
- You are never wrong having some cash because.
- So far, I have been *wrong* estimating U.S. market behavior with the Trump victory. (This could potentially change with a tweet or special prosecutor).

**\$SPX S&P 500 Large Cap Index INDX**

© StockCharts.com

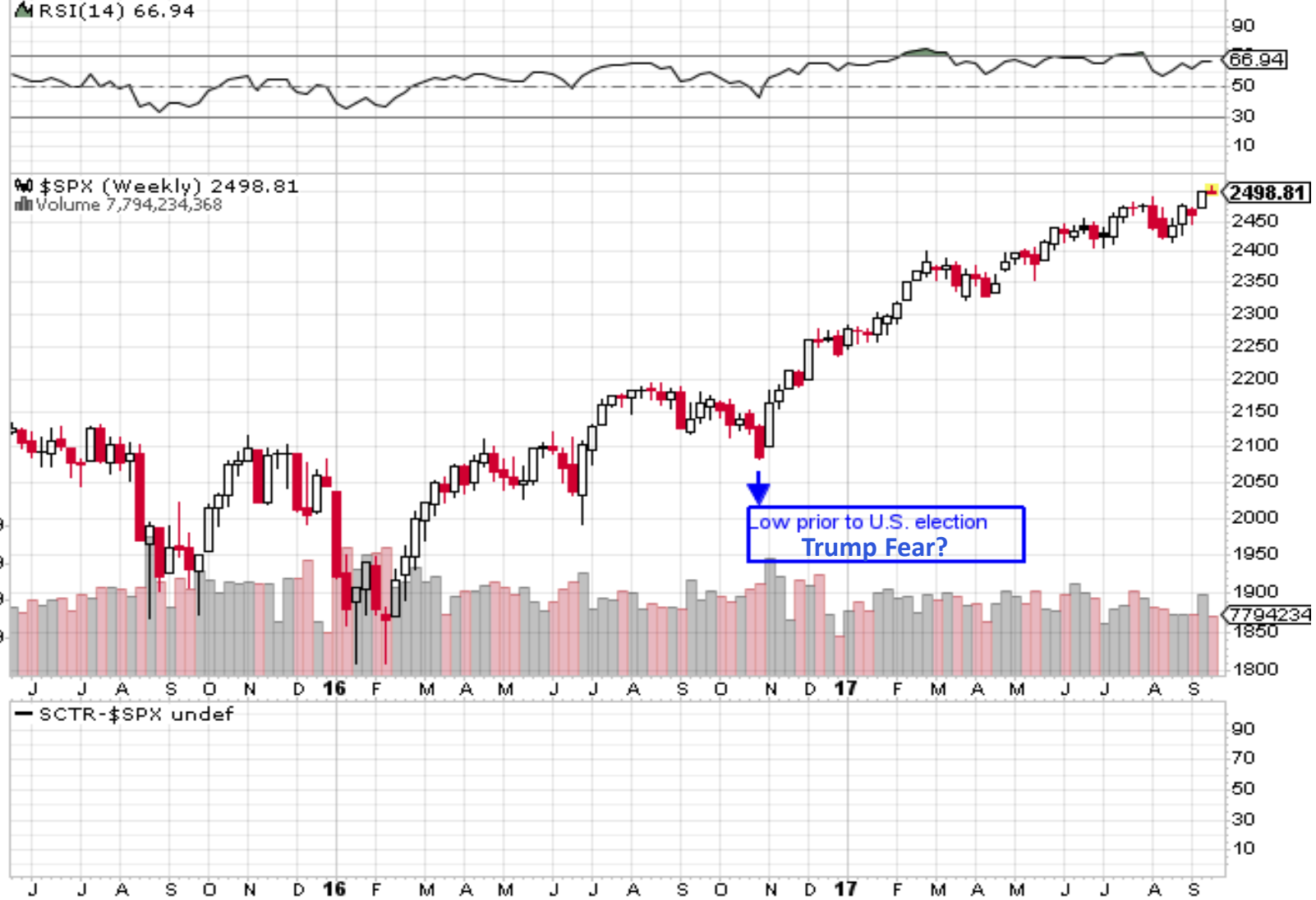
22-Sep-2017 3:49pm **Open** 2474.42 **High** 2508.85 **Low** 2446.55 **Last** 2502.36 **Volume** 28.4B **Chg** +30.71 (+1.24%) ▲

▲ RSI(14) 78.34



**The Bigger More  
Diverse U.S. Market**

**\$SPX** S&P 500 Large Cap Index INDX © StockCharts.com  
22-Sep-2017 1:10pm **Open** 2502.51 **High** 2508.85 **Low** 2496.54 **Last** 2498.81 **Volume** 7.8B **Chg** -1.42 (-0.06%)



## Strong Post-Election U.S. Market Momentum

**\$USD:\$CDW** US Dollar Index - Cash Settle (EOD)/Canadian Dollar - Philadelphia ICE/INDX © StockCharts.com

22-Sep-2017

Open 1.14 High 1.15 Low 1.12 Close 1.14 Chg -0.02 (-1.77%) ▼



**While the U.S. Market has been strong we have recently given back 15% in currency.**

**I believe this is a short term event and potential buying opportunity in USD.**

## Summer Survey Results ....

- Clients generally happy.
- What is covered call writing – video on website.
- Insurance – Insurance as an alternative investment asset – on website.
- Are we referable?
  - Referral cheat sheet – is very simple – **“Would you like Rob to give you a call?”** versus **“Give Rob a call”**

## Consolidate your investment assets (... with us 😊)

- As wealth managers we can't see the whole and it skews advice all the way to your estate.
- Don't put all your eggs in one basket?
  - You don't. We diversify your investment capital to reduce risk.
  - We are fully licensed advisors so there isn't much you can think of we can't invest in. That isn't the case at competitors.
  - Example – is misuse of TFSA. Don't have your TFSA just anywhere. Putting any fixed yield investment today (GIC or Bonds) provides you with a negative rate of return.

## What are we doing for you?

- Response to summer survey – Insurance as alternative investment, Covered call writing ... both on website
- Tax loss selling – trying to keep your tax neutral
- What did we do for you this year?
- TFSA
- January call expiration (largest each year)
- Value Proposition – how we do what we do...



## Our Value Proposition



## Review of Options Basics

### BUY A CALL

The **RIGHT** to buy at a fixed price for a fixed period of time

### BUY A PUT

The **RIGHT** to sell for a fixed price for a fixed period of time

### SELL A CALL

The **OBLIGATION** to sell for a fixed price for a fixed period of time if called upon to do so

### SELL PUT

The **OBLIGATION** to buy for a fixed price for a fixed period of time if called upon to do so

## Ideas...

Canada anemic. **Who has the money?** Those over 60 years. How will they spend?

Examples:

Tech – PCLN (recent pullback) (Leisure)

Biotech – SGEN Application to FDA by December (Health)

Private Hospitals – DR owns hospitals in mid-west U.S. and currently pays 7.4%

Banks – What other companies in Canada can make \$1 billion every quarter in a poor operating environment?

A guy has \$500,000 effectively doing nothing.

He becomes a bank owner (a shareholder)...

CM at \$108.00\*

4.77% dividend cash yield

**6.68% pre-tax interest equivalent yield (after dividend tax credit)**

Five year Canada bonds currently pay 1.8%

Insurance as an alternative investment?

- Creating an estate? Providing for offspring without impacting yourself (leverage of insurance)
- Creating a tax-free estate (tax-free status of insurance – also private contract)
- **Now is good time to convert term insurance to permanent insurance – ask me why?**

“Thank you for the privilege of our relationship”

[www.rhunterwealth.ca](http://www.rhunterwealth.ca)

Sources: Stockcharts.com, Reuters

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