CastleMoore News

Buy, Hold... *and* Know When to Sell™

WHAT'S NEWS?

By Ken Norquay, CMT, Partner

The Age of Information.

The internet has brought tons of free information into our lives instantly. With all this valuable information, why are the world's financial markets still wrought with news-inspired panic selling? Why doesn't "the smart money" quietly sell their risky investments before the panic hits?

Case in point: Canada's giant pension plans lost billions because they held too many financial stocks when the US sub prime mortgage story hit the headlines in late 2007 and 2008? But, these dangerous US mortgage statistics were readily available in 2006. Several analysts had warned of the problem six months before the stock market started to react. Why didn't pension funds quietly reduce their exposure to financial stocks in the light of this readily available information?

Their Problem

Big pools of money have a problem that small investors do not have: illiquidity. In order to sell their really big investment positions, they need time. If they were concerned about those dangerous US mortgages, they would have to start their stealth-selling program early, quietly off loading their giant positions with little or no fan fare. The information on US sub prime mortgages was available in the winter of 2006-7 and the market didn't react until July - August of 2007. The big pension managers had plenty of time to act. Why didn't they sell?

The answer is tangled in our human nature: human nature as it applies to big investment managers and to those who report financial news.

Sacred Cows

Human beings have an instinct to stick together like cattle: the herd instinct. In the sophisticated investment industry we call it the prudent man rule. Investment managers are required to act in the manner of a prudent man: in other words, to act like everyone else. So, if 80% of pension fund managers' portfolios have big exposure to the financial sector, then wouldn't it be prudent for the other 20% to have lots of exposure to the financial sector too? If one or two bold pension fund mangers chose to sell their financial stocks in early 2007, before the bear market began, they would not have been acting in a prudent manner. Those bold managers would be criticised for being imprudent.

Financial Journalism: Man Bites Dog

The press likes to explain why the stock market did what it did. When the market goes up, they tell us good news about why it went up. When it goes down, they report the bad news that they think made it go down. In winter of 2006-7, the market was still in an up trend: the statistics about the US sub prime mortgage situation were readily available, but not relevant. In a rising market, good news is important, bad news is irrelevant. Why report boring statistics about some obscure mortgage story?

In a falling market, the opposite is true. Financial news is reported so as to match the direction of the market. As the 2008-9 stock market collapse got worse and worse, the news got worse and worse. Financial reporters move in packs like dogs: in a rising market, when it's time to be optimistic, they all report the good news. And when the markets move down, the pack reports the bad news.

Investment managers manage with the herd and financial reporters report with the pack.

Lone Wolf

In such a world, why did CastleMoore sell all its financial stocks in February 2007?

CastleMoore buys or sells investments based on methodology, not news. We try to invest in stocks with the strongest up trends. In winter 2006-7, the market trend was UP, but the financial stocks started to under perform other sectors. We sold the financials because they were no longer leading the up trend. We didn't care what the herd did or what the pack said.

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Future News

In 2006 and 2008 some very large oil discoveries were made in the USA. Google this: "U.S. Geological Service report April 2008." Follow this: http://bakkenshale.net/bakkenshalemap.html. Peruse the internet's normal exaggerations and inflammatory comments: some claim the USA now has oil reserves several times larger than Saudi Arabia. But right now, the price of oil is in a slight up trend. The financial media are focussed on scarcity of oil and the reasons why the price of crude is slowly rising.

But CastleMoore has noticed that oil stocks have fallen from grace. They are no longer leading the current stock market up trend. Perhaps, some day, the price of crude oil will slip into a down trend, and financial reporters will search for stories about why it's going down. Maybe then the pack will shift its attention to this old story about America's monstrous new oil reserves. And maybe then the herd will buy or sell its oil stocks.

No News

CastleMoore will continue to focus on the data relevant to our investment models and not on the news. We hope to participate in market up trends and avoid down trends. And, in order to do that we are required to go against the prudent herd and ignore the financial wolf pack.

DRIVE – BY MORTGAGING

By Ken Norquay, CMT, Partner

We were tough in the old days. When I was a mortgage inspector in the early 1970's, we made it hard to get a mortgage. Inspectors like me had to examine the house top to bottom: was it really worth what they said? If the borrower were to default, could the bank get its money back? Was the neighbourhood in decline? Did the basement leak? How long before it would need a new roof? In those days, the mortgage companies took great pains to make sure their mortgage portfolios were safe.

And, of course, we were even tougher on the borrowers. Did they earn enough money to make the mortgage payments? Could they afford this house? Can they prove they actually earn what they say they earn? Can they prove they have the cash for the down payment? When the wife becomes a mother and stays home with the kids, will they still be able to make the payments on his income alone? My, how times have changed!

What's it Worth?

What's a home really worth? Today's lenders have access to a great new service: postal code appraisals. Just enter the address of a house and the computer examines sales of houses in that area – and if the borrower's estimate of value is in the range of other homes in that area, that's the value they use. No mortgage inspector. No worries about cracked basements or leaky roofs. Computer appraisals are close enough.

How Much Can I Borrow?

A few short years ago a home buyer could borrow the entire purchase price: CMHC would insure home purchases with 0% down payment and 100% financing. When the US sub prime mortgage fiasco surfaced in 2007, they toughened up the rules. Purchasers had to put 5% down.

Easy Approvals?

The banks' mortgage lending staff is paid commission. Their personal pay cheques depend on getting mortgage loans on the books. They are motivated to bring good mortgage applications to the bank. "Proof of income? We can help you with that. And we can help you borrow the down payment; there's no reason to report that on the mortgage application…" Commission driven bank employees aggressively promoted big mortgages – whether the borrower could afford it or not.

Risk Free Investing?

With the exception of one 6-year period, house prices have gone up from 1973 to 2010. Mortgage lending is much safer than it used to be. In 1973 the bank might have loaned a $30,000 mortgage on a $40,000 house. Today that house is worth $240,000. Looking back, the $30,000 loan was risk free for the bank. If the owner defaulted, the bank would foreclose: the house would always be worth more. Risk-free lending - what a great business.

Computer generated postal code appraisals, low-or-no down payment, and commission-driven lenders; do you see how the real estate bubble was created? Banks got more and more aggressive. US banks went crazy with those sub prime loans and in 2008 the inevitable occurred: their bubble burst.

In Canada we still think real estate is risk free. We still think house prices only go up. This is our blind spot.

An Eye Opener

Has there ever been a time when Canadian real estate prices went down? What about 1989 to 1996 – didn't Canada's house prices drop during those seven lean years? This is how I recall it:

Motivating Incident

After the 1987 stock market crash, many investors became fed up with the stock market. They turned to real estate investing for something more wholesome, less risky.

Financial Crisis

The 1987 stock market crash was followed by a US 'Savings and Loan' crisis. (In the USA they refer to trust companies as 'savings and loan' companies.) And that crisis was followed by a junk bond crisis. Those financial blow-ups triggered a huge drop in interest rates, including mortgage rates.

Boom

These two factors caused an increase in both volume of sales and house prices.

Trigger: In late 1988 early 1989, there was an up-tick in interest rates, including mortgage rates. This triggered a rush to buy houses – that final rush resulted in an even greater flurry of home sales and house price increases.

Hush

In April 1989 a hush settled over the Canadian real estate industry. The top of the cycle was in.

Aftermath

House prices dropped and did not start up again until 1996. The world's biggest real estate company, the Reichmann brothers' Olympia and York, went broke. Construction was stopped on the monolithic office tower between Bay and Yonge Streets in Toronto (just south of The Bay): the unfinished building stood there for years. The game was over. It took seven years for the real estate down trend to stabilize.

What's Happening Now?

Motivating Incident

Many investors are fed up with the stock market after the 2008-09 crash when market averages dropped 50% in only nine months. Many disgruntled investors have turned to real estate for a more wholesome, less risky investment.

Financial Crisis

The 2008/9 stock market crash was followed by a world banking crisis, a crisis in corporate America and the continuation of the US sub prime mortgage crisis. These crises triggered a massive drop in interest rates, including mortgage rates.

Boom

These two factors combined to give us a flurry of real estate activity. Volume of sales is up and prices are up. (Reference: Toronto Real Estate Board, Feb 2010)

Déjà Vu?

The 1987 stock market crash sequence led to a top in real estate in 1989. We wonder if the 2008 crash sequence is setting up a top in real estate prices now.

The Trigger has been pulled In 1988-89 the first up-tick in mortgage rates triggered the last surge of home buying. And when that surge of buying ended, the top was in. In March 2010 and twice again in April, Canadian banks announced increases in their mortgage rates.

What to Expect

If this pattern repeats, we are in the final surge in home sales right now. Buyers who had been holding off are rushing into the housing market now. Volume of home sales and house prices will be rising dramatically in April, May and June 2010. And once that buying is over, there will be a hush: then house prices will start to fall: the game will be over.

What to Do About It

If you are an ordinary homeowner who lives in the right size of house for your needs, there is nothing for you to do. You watched the price of your house rise these past 14 years, and now you might see it fall for a while. It's all the same. Home is home, regardless of what you think it's worth.

But if you have been thinking of selling your too-large house and buying a smaller one, "sooner" might be better than "later."

If you own investment real estate, should you sell to the current surge of buying? Should you cash in your chips? If the market does drop as it did in the early 1990s, real estate investors with lots of cash will be poised to buy at the bottom. To sell or not to sell: tough decision…

At CastleMoore, we manage investment risk by selling and we deal in liquid markets. If we sell an investment we should have kept, we can easily buy it back. Real estate is not like that: it's not a liquid investment. It takes time to find a buyer or seller.

It was easier when the market just went up and everyone got rich. You could buy and never think of selling. Maybe the old days weren't as tough as we thought.

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WHAT DOES BUY AND HOLD TRULY MEAN?

This article is a reprint from last year, exactly a year ago. Upon reflection, I felt this article deserved to be highlighted again. The points are as valid and possibly more so today than they were last year. We think of it as our Duty of Care or Fiduciary responsibility to get this message out there. Pass it along to those you care about too.

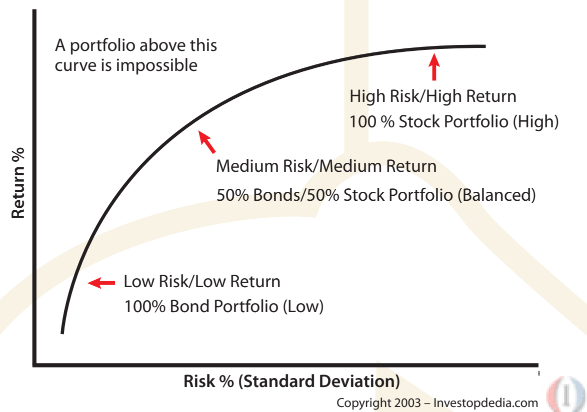
By Robert 'Hap' Sneddon, FCSI, President

The March-April newsletter was closed out with a brief synopsis of a complex topic: Modern Portfolio Theory and specifically how it actually has faired over a long study based on the data. The mea culpa here is that the subject really needs more attention than a half page affords. After all, the "buy and hold" approach is the conventional investment methodology, the methodology used by most investors through their defined benefit pension plans, advisory relationships with large financial institutions and most mutual funds they hold.

To begin filling in the discussion on the topic, first, let's define and understand the principles behind Modern Portfolio Theory (MPT), examine again in more detail how it has worked in the past, and last, examine why it may not be the best strategy for today's investment climate.

Modern Portfolio Theory was put forth by Harry Markowitz back in the mid 1950's in the Journal of Finance. The theory addresses inherent investment risk through the diversification of a portfolio across sectors and or across asset classes. Any one security alone is risky. When you put several together you reduce the risk. If one security performs less than the average return expected of it, you have others to pull up the slack the theory goes. The graph shown to the right is a visualisation of risk vs. return expectations from a properly diversified portfolio, whether 100% bonds, a balanced mix or 100% stocks. Any point on the arc represents a portfolio of securities that has the risk and return in harmony, and any portfolio landing on the arc is described as "efficient". For example, if you are a moderate investor your portfolio of securities should land on the arc somewhere around its midpoint. The medium return/medium risk arrow implies that an investor has assumed the appropriate risk (lower axis) and accordingly, should be able to receive the appropriate return (vertical access) for assuming such risk. Any mix for the same investor that falls below the actual arc reveals that they have assumed too much risk compared to the reward potential, and hence, the portfolio would be deemed inefficient. No portfolio can be placed above the arc as it is an impossible scenario. The arc can be used to measure this relationship amongst or within any one class of investment as well. There are efficient all-stock or all bond portfolios. For example, if an investor only wanted to invest in equities, the lower end of the arc would be where utilities, pipelines or prosaic staples like Proctor and Gamble, would lie; small cap, emerging industries or emerging market securities would fall on the arc at the far right.

What we are most concerned with and how MPT has been mostly applied in investor asset management, is a complete portfolio approach



that looks at cash, bonds and stocks in aggregate. In this case the most conservative efficient portfolio would be 100% cash or shorter term bonds at the lower left on the arc and a 100% equity portfolio at the far right on the arc. A balanced portfolio approach – our primary objective at CastleMoore – would be 50% bonds/50% equities and would, like the above stock example, land in the middle on the arc. One of the guiding principles of the buy and hold methodology is that the correlation between cash/bonds and stocks is inverse. That is to say, when cash/bonds are doing well providing positive returns equities are probably going in the opposite direction, or at least, treading water. They do for periods also move in the same direction.

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The benefit of the modern portfolio theory is that by grouping securities of cash, bonds and stocks, investors do not have to get every individual selection right. The principle says that there is safety in numbers. The graph depicts empirical evidence of how the data came out over a very long period of time. The academic or ideal efficient frontier discussed earlier to illustrate the basic of MPT comes out in reality as the navy blue arc in the centre of the graph. The other differently coloured arcs depict different time periods for a balanced asset mix. For example, the yellow arc shows that during the entire 1970's the arc was very flat, with little difference in return (-2.5% for bonds, 0.0% for stocks) between stocks and bonds, but a very high standard deviation or risk measurement. The red arc shows the distribution of returns between 2000 and 2005. Bonds were the best asset class earning on average 7.5%, while stocks returned -2.5%. Bonds were also far less risky than stocks. In fact, this efficient frontier was turned upside down inverted by comparison with the model arc we discussed and the navy one.

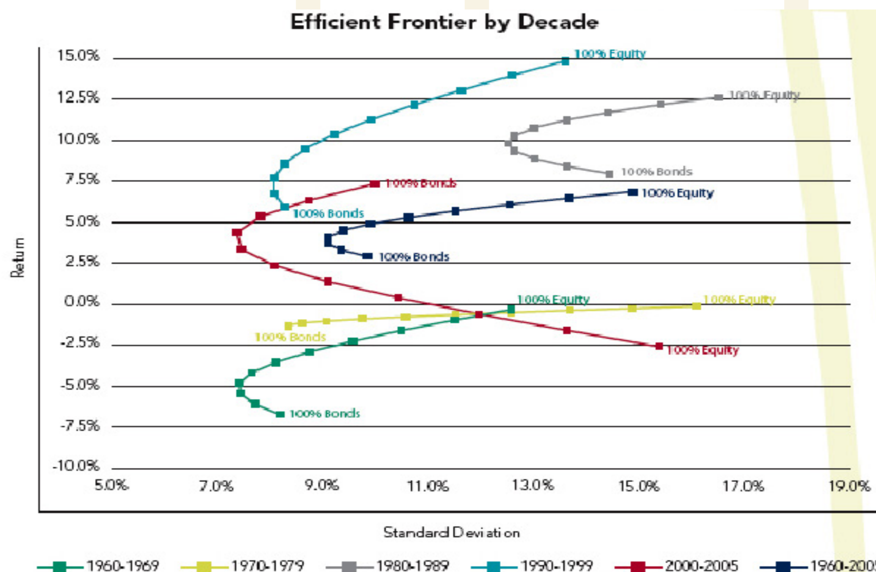
In relying on an efficient and diversified portfolio alone, investors have several hurdles to jump to reach a successful investing conclusion. The most obvious challenge to today's investors being served well by the theory is the time requirement. The navy frontier spans 45 years, the time required to match the historical rate of returns for the various asset classes. The average 50+ investors do not have the time required to complete the full cycle. If you are in your 20's a good balanced portfolio makes great sense, but not when you are close to or in retirement.

Second, a balanced portfolio approach that utilises the power of the efficient frontier assumes that the advisor has constructed the portfolio properly, and has not skewed the "balance" towards equities, as equity transactions pay better commissions, trailers and management fees. Back in the January –February newsletter, I quoted the following on this topic from Peter Bernstein:

"Professional managers, who by 1969 had pushed client portfolios as high as 70% in common stocks, felt like fools. Their clients took an even harsher view. In the fall of 1974, the maiden issue of The Journal of Portfolio Management carried a lead article by a senior officer of Wells Fargo Bank who admitted the bitter truth:

Professional investment management and its practitioners are inconsistent, unpredictable and in trouble…Clients are afraid of us and what our methods might produce in the way of further loss as much or more than they are afraid of stocks… The business badly needs to replace it cottage industry operating methods.[2]

Lastly, the investment climate for the foreseeable future seems that it will be primarily characterized by volatility: large price swings, dramatic shifts in focus from one asset class to another and periods where you should just sit out. Could we see above average returns as depicted by the two upper arcs on the Efficient Frontier graph (light blue and grey) reappear over the next 5 to 10 years? I don't know the answer, but I do know if you have an adaptable, conservative and principled methodology you can recognise such an environment. I do not mean a short-term rally, I mean an intermediate trend.



Calculated by Rydex Investments using Ibbotson Investment Analysis Software (1/31/2006)

And that's the point. I founded CastleMoore because I believe that how ever the data falls out over the next 10 years, it will most likely not be a reversion to the mean or the average. The mean was the 1980', 1990's and early 2000's. The mean meant you bought a mutual fund or security without close regard for the overall methodology. We are now and in the future living outside the norm. A period that will present excellent investment opportunities only if you are not blindly stuck in letting diversification and time do the heavy lifting.

Much like people responding during difficult times by being thrifty, disciplined and steadfast, investors, and moreover, their advisors must be prepared to shrug off passive and easy fee collection by working harder and smarter, seeking returns through focussing on what is working, jettisoning what is not, and being able to know when to just be patient on the sidelines. The premise of "buy and hold" still underpins proper portfolio management – we just need to know when we are using "hope" instead of proper selling, buying and allocation of assets within our portfolio. It's okay to be wrong, its not okay or, more importantly, financially prudent to stay wrong.

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THE CHART PAGES

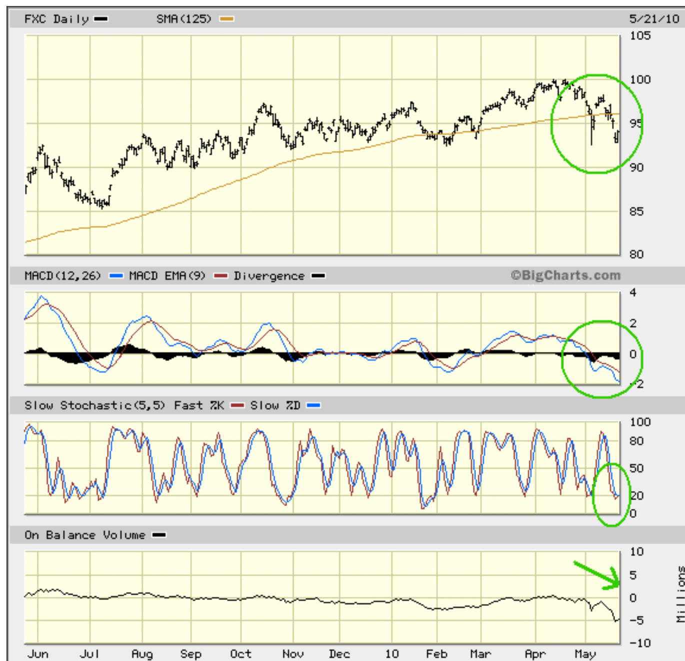
GOLD BULLION

Gold is in a long term or secular uptrend. It appears that we may enter a mild correction in the near term providing investors with a purchase window. The common belief is that gold protects against inflation. While true to some degree it performs better during periods of deflation, something only now being entertained by the large conventional stock brokerages and media.

CHINESE STOCKS (XINHUA 25)

Chinese equities as represented here by the Xinhua 25 Index are off on average 21%, breaking the bear market definition barrier of 20%. Clients and friends will know we pay particular attention to Asian shares as from hindsight they (and copper and the Nasdaq) gave an early buy signal in November 2008 before the bottom in most other things in March 2009. The correlation suggests more equity downside.

LOONIE



The Canadian dollar has been part of the global growth story or "bounce" off the lows of last year. The chart indicates that it is "oversold" right now and may move back up between 96 and 98 USD before pausing and potentially resuming the more recent downtrend. The lower graph depicts up day volume against down day volume. It appears that the drop off and year long strength came from traders alone.

CANDIAN EQUITIES

The Canadian stock market, unlike the S&P has not moved much since the fall. We did participate in a short term fashion as indicated, but we knew we were "renting" the positions not investing as we are doing in high quality bonds, utilities and gold bullion. All stock markets now move tick-for-tick and accordingly, we are getting another rentable situation, but one that is very, very short.

THE CHART PAGES

US EQUITIES

US stocks, represented above by the S&P, have done well recently but are now in danger of entering a correction too. Of particular interest here is the bottom panel on accretive volume. What the section clearly shows is distribution. Large investors such as pension funds and institutional players have been unloading stocks for a year and a half.

LONG BONDS (US)

Against the backdrop chatter of interest rate hikes from economists and the media to squash inflation, bonds, and in particular long bonds, have recently broken out and are accelerating. We believe the aforementioned are just now recognising the deflationary forces at work. Again the lower panel tells us that underneath it all investors have been quietly accumulating bonds.

WHAT MAKES CASTLEMOORE UNIQUE AND VALUABLE?

- Management of Client Life Savings
- Not Stock Brokers or Mutual Fund Salesman
- Discretionary Asset Management
- Methodical and Disciplined
- Unemotional, Unbiased Decision-making
- Low Loss Tolerance
- All-Inclusive Fee Pricing
- Focused Approach – No “Super-Market of Services”
- Pre-Existing Portfolio Transition Option
- Effective Portfolio Management – Plain & Simple
- Broad & Deep Industry Experience
- Managed Asset Classes – cash, maturities, ETFs/stocks, precious metals

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A COMMON-SENSE APPROACH TO RISK AND REWARD – PART FOUR "WHEN IT'S GONE, IT'S GONE FOREVER"

By Thomas Kleinschmidt

Did you end up holding on to your equities portfolio during the stock market correction of 2008 and watching the values fall, and then fall even further and further? Are you determined to avoid the next bear market?

Talking with individual investors, I hear "investing for the long term" and "diversification" as reasons NOT to sell stocks, even when at substantial risk of lower values…that "losses can be made back". Untrue, since stocks are priced daily. Thinking otherwise would lead one to the conclusion that their brokerage statement was simply a misprint/typo and that their financial planner would simply correct the obvious error in values!

Of course I'm not talking about normal price movements, but instead of significant and obvious (in the end) stock market "corrections". Not selling when risks outweighs rewards but instead "holding tight" means that a portion of your capital has been lost and is unavailable to repurchase when prices are lower. You get my point – remembering that you are investing for the long term can indeed ease the pain of capital losses, but once capital is gone, it's gone and gone forever. Actively protecting capital means that you must periodically review your portfolio to: (a) keep it out of harm's way and (b) put it to work in something that should (or must) have a decent positive yield. So, how do you go about keeping your capital out of harm's way while also putting it to work in the best way? Simple: methodology.

A methodology needs to (1) go beyond asset allocation and buying to include active selling aspects and (2) needs to be congruent with your individual/family's goals, temperament, risk tolerance, sophistication and experience. Such a methodology will keep you safely on course and allow you to float over regular waves but know when to go to harbor for the big storms.

Unfortunately, what I'm finding is most investors learned their strategies during the Great Twenty Year Bull Market (1982-2000). What is not obvious to most investors is that those markets have actually come to an end for a long while. Things are different in the world now that most citizens of G20 countries have outspent their savings and are entrenching with their money. Corporations also are preparing for leaner, tighter times. We are now in a New Market, with new rules and the old strategy of buy-and-hold stocks is now putting your financial goals at substantial risks. The stock market is a discounting mechanism, yes, but there are times when that mechanism resets itself – and during these times most (sometimes all) asset prices fall. Asset allocation helps cushion the impact of a 2008 style stock market collapse but diversification in equities can outright fail. Trusting your financial futures on a simplistic cash-bonds-equities approach or even a fundamental this-is-the-best-company-out-there approach and then blindly holding the positions have turned out to be grand mistakes. Selling methodologies can prevent these large losses. Methodology can tell you what to buy next – bonds? gold? – or stay in cash for a time.

The first "key" is to know yourself. Sign up for our "Investor Centre" and listen to the audio tracks that help you identify what kind of investor you are. Then make sure that your life savings are managed for the kind of investor you are. It might mean you have to switch financial planners/brokers/or stop doing it yourself. The only caveat is that if you determine that you are a B.I.P. (buyer of investment products) then you must either stay in bonds or cash OR find a manager who is a Class investor or better. Trusting a financial planner who is a B.I.P. is not like trusting your lawyer, doctor or dentist. Investing skills are learnable by everyone. Investing without a selling safety net is just plain gambling. Right now, most investors have too much unprotected exposure to the stock market. Please protect yourself before the next "correction" obliterates a good portion of your life savings. Remember: when capital is gone, it's gone forever.

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GUEST COLUMNISTS

THE GOLDMAN SACHS EFFECT

By Don Vialoux and Jon Vialoux

Goldman Sachs has been at the forefront of news lately due to allegations surrounding creation of subprime mortgage products and investment positions placed against these products. Those who benefited are alleged to have made billions of dollars. Events and negative news on Goldman were one of the reasons why equity markets were reeling last week. Investors are losing faith in the company and the markets that it makes.

This "too big too fail" firm has clout in the marketplace. Over the past ten years when Goldman's shares recorded a daily rally of 5% or more, the S&P 500 gained an average of 2.39% and increased 91percent of the time. Gains of this magnitude certainly did not occur on quiet days or during isolated events.

The same holds true when Goldman's stock had a bad day, losing 5 percent or more. The ripple effect through equity markets saw the S&P 500 Index lose an average of 2.81 percent and the S&P 500 Index drop 94 percent of the time. When Goldman moves, the market follows.

Stances on equity markets, sectors and individual equities taken by Goldman are highly followed and have the strength to influence the direction of recommended equities. Stock components of the Dow Jones Industrial Average, that received recommendation upgrades by the firm over the last 10 years, gained an average of 1.84 percent on the day of the upgrade. Conversely, equities lost 2.30 percent on the day when the company's analysts downgraded Dow Jones Industrial Average stocks. However, responses to new equity ideas only have a short term impact. Many investors, who purchased equity investments marketed by the company beyond the first day of a new idea, have experienced greater success. If holding a stock that plummets as a result of a Goldman downgrade, the 2.3 percent one-day loss quickly levels out to a loss of only 0.4 percent within one month of the demotion as investors partake to the cheaper equity.

The "too big to fail" has become "too big to ignore". When investors observe that Goldman has lost faith in a particular investment, traders react. Stocks taken off its "recommended list" have dropped an average of 5.35 percent during the day of removal, even though a market perform or a market outperform rating is maintained. Lost prestige due to removal from its recommended list has a significant negative impact. Question: with the company's ability to move markets on individual securities, is there reason to oblige the company to disclose its interest in these securities?

The bottom line is that it is detrimental to act as a contrarian to new equity ideas offered by this company. Investors take great faith in the strength and intuition that Goldman brings to the marketplace.

How can we increase our odds of success by following opinion changes offered by this financial giant? First, May is documented as the worst performing month for Goldman's shares, losing as much as 5 percent on average during the past 20 years. May represents the period that the stock tops out following seasonal gains in anticipation of strong first quarter earnings. The January to April period of seasonal strength in Goldman coincides with a period of seasonal strength by the S&P financial services sector that has generated an average return per year of 8 percent over the past 10 years.

Second, seek alternatives to Goldman in the month of May and invest in gold, man. During Goldman's period of weakness in May, gold usually rallies as a safe-haven investment prior to more volatile summer months for equity markets.

Third, when Goldman is subjected to news and scrutiny, step back. Public interest in the stock gauged by the number of internet searches performed on the term "Goldman Sachs" shows that attention is high. If attention increases, volatility in its stock will increase, placing severe pressure on its value. Losses averaging 20 percent over a two month period following a period of notoriety have been the norm based on past history.

Goldman Sachs leaves a giant footprint on equity markets when it takes action. Investors may not have Goldman's insight on equity selections, but they can develop a plan designed to profitably respond at the appropriate time to its actions.

Jon Vialoux and Don Vialoux are authors of free daily reports on equity markets, sectors, commodities, equities and Exchange Traded Funds. Reports are available at www.timingthemarket.ca and www.equityclock.com. Don Vialoux is also a research analyst for Horizon Beta Pro.