SIA WEALTH MANAGEMENT

SIA Wealth Management U.S. Dollar Analysis, February 3, 2016

By Jeremy Fehr, Founder and CEO of SIA Wealth Management and SIA Charts

On January 15th, 2016 we had a call to move to a defensive posture on our portfolios at SIA Wealth Management based on a SIA Negative Equity Action Call™ (EAC). With a negative or UnFavoured EAC™, our equity mandates moved out of all positions currently held and moved to the iShares Short Treasury Bond ETF (SHV). The move to this ETF positions us with exposure to the U.S. Dollar (USD) and the portfolio value will fluctuate with the positive or negative movement of the USD vs. the Canadian Dollar (CAD). To some this move may seem contrary to a risk off trade but what the EAC is telling us is to reduce equity exposure to our lowest level possible, not currency. The reason for this is that during a Negative EAC™, we largely see a movement to the most liquid currencies, the USD being the most liquid of them all. This rush to liquidity may take days, weeks, or even months, but in most situations allows us to benefit from the defensive posture of large money managers around the world.

For those that have held any of our mandates over the past few years, this change mirrors our currency position, overweight U.S. Equities, giving us exposure to and the benefit of the large USD run up since 2012. Since then, we have seen more than 50% exposure and up to 100% exposure to U.S. equities and those who followed our strong performance in 2015 can attribute a lot of the upside in our mandates to the influence of USD exposure!

So what is happening since we moved to U.S. Treasuries? A pull back in the USD vs. the CAD giving negative short term performance to our mandates. For some this is troubling, and of course we understand that negative movement in any mandate is never fun but let's keep in mind that our process is not looking for short term events but rather 6 to 18 month or longer trends. This intermediate view point has served us well as we avoided many false corrections from 2012 to present and, if we follow our process, this short term movement in the USD is not cause for panic. One of the advantages of point and figure charting and relative strength is the ability to eliminate some of the short term noise in the market and identify longer term trends.

SIA Wealth Management Inc. specifically represents that it does not give investment advice or advocate the purchase or sale of any security or investment whatsoever. This information has been prepared without regard to any particular investor's investment objectives, financial situation, and needs. None of the information contained in this document constitutes an offer to sell or the solicitation of an offer to buy any security or other investment or an offer to provide investment services of any kind. As such, Advisors and their clients should not act on any recommendation (express or implied) or information in this report without obtaining specific advice in relation to their accounts and should not rely on information herein as the primary basis for their investment decisions. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. Neither SIA Wealth Management Inc. nor its third party content providers make any representations or warranties or take any responsibility as to the accuracy or completeness of any recommendation or information contained herein and shall not be liable for any errors, inaccuracies or delays in content, or for any actions taken in reliance thereon. Any statements nonfactual in nature constitute only current opinions, which are subject to change without notice.

SIA Wealth Management Inc.
Suite 201, 5403 Crowchild Trail NW
Calgary, AB, Canada, T3B 4Z1

Tel: 403-744-5190
TF: 844-744-5190
Email: siateam@siawm.com
Web: www.siawealth.com

SIA WEALTH MANAGEMENT

Let’s take a look at the USDCAD as it sits at the close of February 2, 2016.

Exhibit A: (U.S. Dollar vs. Canadian Dollar)

We can see in the chart above that the run up in the U.S. Dollar (USD) vs. the Canadian Dollar (CAD) has been nothing but parabolic since 2012. This movement though, has not been straight up in manner, with 4 corrections before the current pull back. Had our analysis during any of these events moved us away from the USD we would have subsequently missed enormous opportunity and our mandates performance would have been significantly less than what it was over the last 3 years.

SIA Wealth Management Inc. specifically represents that it does not give investment advice or advocate the purchase or sale of any security or investment whatsoever. This information has been prepared without regard to any particular investor's investment objectives, financial situation, and needs. None of the information contained in this document constitutes an offer to sell or the solicitation of an offer to buy any security or other investment or an offer to provide investment services of any kind. As such, Advisors and their clients should not act on any recommendation (express or implied) or information in this report without obtaining specific advice in relation to their accounts and should not rely on information herein as the primary basis for their investment decisions. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. Neither SIA Wealth Management Inc. nor its third party content providers make any representations or warranties or take any responsibility as to the accuracy or completeness of any recommendation or information contained herein and shall not be liable for any errors, inaccuracies or delays in content, or for any actions taken in reliance thereon. Any statements nonfactual in nature constitute only current opinions, which are subject to change without notice.

So what do we see going forward? We see continued intermediate term outperformance of the USD over the CAD. Technically, the chart is bullish with a strong SMAX (our individual investment analysis indicator) and we have yet to move through our first support level, at 1.3645. So at this time, any move away from the USD would be an emotional move, not a process driven one, which we pride ourselves in using and one that has found strong support from our investment advisor supporters across Canada. That being said, our supporters do know that if the USD reaches a stop using our analysis, we will move decisively away from it into the CAD without second guessing this decision for a moment.

In conclusion, we do feel your pain when we have reversals of any kind. I do mean this literally as SIA employees are also investors in our mandates. We do though follow a process, one that has been developed and successfully executed for over 15 years. This process and history shows us that the U.S. Dollar has been a strong ally, adding value in bullish markets, but also a good place to be when we have strong uncertainty, as we do right now. We remain diligent on our observation of the positions we have in our mandates and will act accordingly when we see the intermediate outlook change.

If you have any questions please reach out to myself, or the SIA Wealth Management Team with your thoughts.

Jeremy Fehr
jfehr@siawm.com
403-744-5190

SIA Wealth Management Inc. specifically represents that it does not give investment advice or advocate the purchase or sale of any security or investment whatsoever. This information has been prepared without regard to any particular investor's investment objectives, financial situation, and needs. None of the information contained in this document constitutes an offer to sell or the solicitation of an offer to buy any security or other investment or an offer to provide investment services of any kind. As such, Advisors and their clients should not act on any recommendation (express or implied) or information in this report without obtaining specific advice in relation to their accounts and should not rely on information herein as the primary basis for their investment decisions. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. Neither SIA Wealth Management Inc. nor its third party content providers make any representations or warranties or take any responsibility as to the accuracy or completeness of any recommendation or information contained herein and shall not be liable for any errors, inaccuracies or delays in content, or for any actions taken in reliance thereon. Any statements nonfactual in nature constitute only current opinions, which are subject to change without notice.