

TMTA
Theme | Momentum | Technical Analysis

Blog Post #2 | February 29, 2016

2 Weeks After Standing on the Precipice...

The markets could have gone either way after the Valentine's Day weekend. We avoided the massacre and popped quite strongly. Have we seen the bottom on the TSX?

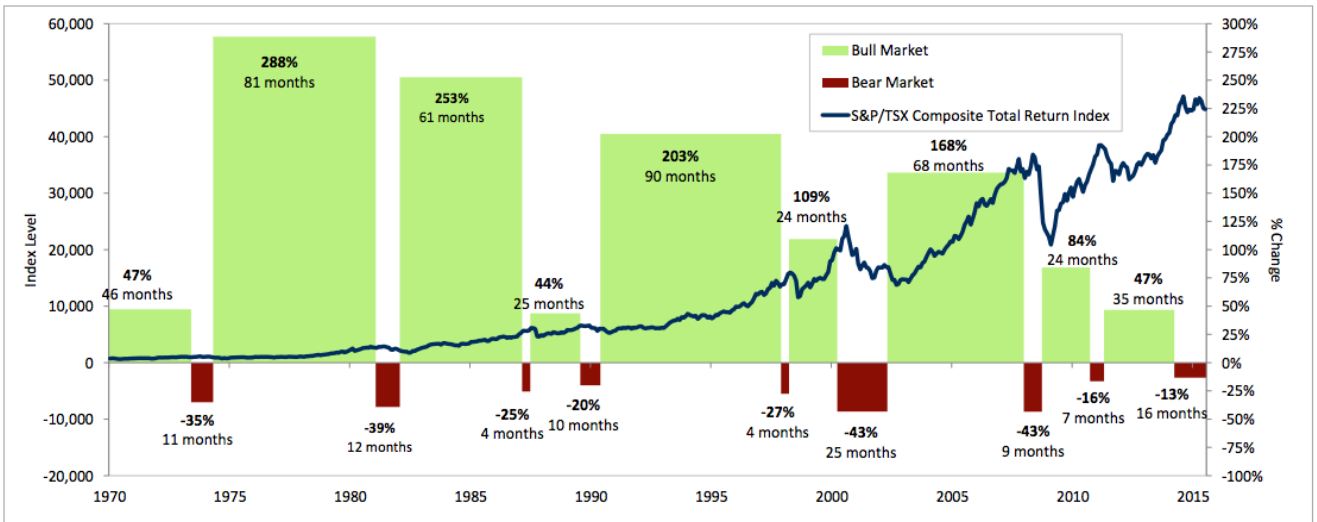
Bear Market Stats for the TSX: 9 Bear markets since 1970

Average Duration	Average Loss	Current Duration	Current Low
11.11 months	-29%	18 months	-26.48%

Bull Market Stats for the TSX: 9 Bull markets since 1970

Average Duration	Average Gain
50.44 months	138.11%

Canadian Bull & Bear Markets



Source: Bloomberg, Raymond James Ltd. As at December 31, 2015 using monthly total return data.

The main three S&P/TSX Cap weighted indexes:

Mining: - 57%

Financials: - 21%

Energy: - 63%

TMTA

Theme | Momentum | Technical Analysis

I'm not smart enough to catch the bottom, but as you can see, bull markets follow bears and the average length and gain of bull markets are significantly greater than bears – so you can afford to be cautious...but stay engaged as it appears we're close to the end, and the reversal in February could be the bottom – this is no time to be snoozing.

Previous mentions:

TSX:DF - Buy for exposure to a 50%+ upside with a dividend reinstatement (\$0.10/m, \$1.20/y) that would yield the equivalent of approximately 28% yield based on the Friday closing of \$4.26. This one requires patience as the banks have a significant weight and they're just starting to show the strains of their exposure to the energy markets. There was an opportunity to get shares under \$4.00 last week, I'm not sure if there will be another chance. Watch closely for an opportunity under \$4.20

TSX:HTA.UN - I haven't done anything with this one. Still a buy with a stop on a close under \$6.60

TSX:IPL - I added IPL to Family accounts after the last blog post.

ENERGY



Crude is attempting to put in a bottom and I'm inclined to believe that given the high volume on this last leg down that we could be building a solid base...but the real opportunity is likely to come with a retest

TMTA

Theme | Momentum | Technical Analysis

of the February low that holds. Then we should see a move to the \$45 area – that would be my target for the back half of the year. Short term it's gonna be choppy.

Ignoring the noise coming out of OPEC it seems like the market is starting to price in slowing production out of the US in 2016. In the near term we may see some pullbacks as the supply numbers are always sloppy over the next 6 weeks as the refiners switch over to producing “summer-blend” fuels and go through scheduled maintenance during the turnaround - this causes a storage back-up that will likely freak the markets out at some point. Pullbacks should provide an opportunity for long term buys.

Speaking of energy and headlines, knowing the difference between what is urgent and what is important is the subject of [this blog post](#) and well worth the read for those who get frustrated or fixated with headlines. A big red banner on the CNBC.com website shouts MARKETS DOWN TRIPLE DIGITS ON OIL PRICE DECLINE. Is that urgent information or important information, and what’s the difference between the meaning of those two words? Every investor should read this article and start focusing on what’s important.

RECOMMENDATIONS:

Start revisiting the energy sector. Add high quality yield and growth. Stay away from smaller companies and any company that hasn't cut its dividend.

Continue to focus on yield opportunities.

TSX:TOG Torc Oil & Gas



TMTA

Theme | Momentum | Technical Analysis

Rationale:

Top quality Canadian energy stock - it appears we have a high volume bottom and possibly institutional accumulation. Recently reduced their dividend and the stock popped smartly - they were one of the last holdouts on their yield. A high quality name, popular amongst institutions, the yield is now a conservative 3.8% and if you believe in a \$45 crude price in 2016 I believe the upside is 50%+ as institutions move back into the market, IF crude does in fact stabilize here.

Entry Price: Pullback to \$5.50 area or the 50 day moving average

Target zone: \$8.50 - \$9.00

Yield: ~ 3.87% at \$6.20

Stop: Close below February low of \$4.56

Risk: With the recent dividend cut the risk is now strictly related to the price of crude.

Buy for growth based on crude prices stabilizing.

NYSE:WLL Whiting Petroleum

September 2016 \$5 or \$6 call options (\$1.00 - \$1.15 on Friday's close) A large order went through on Friday for the \$6.00 calls. If you're not a fan of options - buy the common shares.



TMTA

Theme | Momentum | Technical Analysis

Rationale:

Short squeeze play based on big potential upside on stabilizing crude market. This is the proverbial throwing the baby out with the bathwater play. The market is over-reacting to this name because it has a lot of debt - but the debt doesn't come due anytime soon. In a rising crude market this stock could easily pop to \$10+, and in a hurry as the short interest is almost 20%.

Entry Price: Purchase options, either \$6 or \$5 under \$1.20

Target zone: \$10.00+ on the shares

Stop: My option rule is to sell on a 50% loss - if I'm down 50% I usually assume my timing was just wrong. Stop shares on new low under \$3.35

Risk: price of crude

Buy for the potential short squeeze on a stabilizing crude oil market.

TSX:SOT.UN Slate Office REIT



Rationale:

Boomers need their yield. Slate is a fairly new REIT, and off 22% from its peak. The REIT sector seems to have bottomed but Slate is lagging. With a small following and a niche space of office and commercial real estate in non-core areas, SOT.UN offers a great yield with solid upside potential. Not exciting, but sometimes boring is just what the doctor ordered! Management owns about 19% - so their interests are aligned with investors.

TMTA
Theme | Momentum | Technical Analysis

Entry Price: < \$7.20
Target zone: \$8.75
Yield: 10.43%
Stop: Weekly close below \$6.67
Risk: general market risk

Buy for excellent yield with strong growth potential

Gold



It's hard to ignore information like this:

Bank of America-Merrill Lynch noted that buying of gold has been strong, with \$5.8 billion of inflows over the past three weeks, the highest three-week inflow since June of 2009.

What I find most interesting is that in June 2009 people were completely shell-shocked, fear was rampant - financial PTSD reigned. We were just coming out of the biggest financial crisis in modern times. People wanted protection - and they bought gold protection along with the general markets all the way to the top in 2013 - only then did the market feel confident enough to start dumping the gold security blanket. What's going on right now that is causing such a rush to gold?

TMTA

Theme | Momentum | Technical Analysis

I'm also monitoring the current 17% move in the GLD very closely. I wouldn't touch anything right now as I think we're in the midst of a full blown counter trend rally (something we saw in the summer of 2013 as well when the GLD rallied 16%) and can't call it anything else until we see a hard pullback to test the December lows. What's got my interest is the whopping 60% move on the GDX from the December lows - compared to a 36% move in the rally of the summer of 2013. This indicates to me that investors are in fact returning to the gold sector and the next pullback in gold should bring a great buying opportunity. I wouldn't touch anything now, but stay tuned.

Watchlist:

TSXV:NYX* - smacked down with other gaming stocks because of TSX:AYA. Excellent quarterly results and 2016 guidance. Potential takeover target.

TSX:CXR – painted as a mini Valeant and suffering because of it. Nice double bottom forming on the charts. Potential long term double.

**I currently own a small personal position based on a technical breakout last week. Need to do more due diligence before recommending or adding a full position.*

Author Ownership

Symbol	FAMILY	PERSONAL	NONE
TSX:DF	√	√	
TSX:HTA.UN			√
TSX:IPL	√		
TSX:TOG		√	
NYSE:WLL			√
TSX:SOT.UN	√		

The Author may, at any time, purchase positions, add to positions or dispose of existing positions without notice.

DISCLAIMER

The Author hereby discloses that he may or may not directly or indirectly own some of the securities that are the subject of the commentary, analysis, opinions, advice, or recommendations in, or which are otherwise mentioned in, TMTA Report (TMTA). The Author is not paid for mentioning any stocks listed on this blog. TMTA is an entertainment newsletter which, along with its related publications, website, and other services (collectively, the "Newsletter"), is offered free to the general public. Newsletter subscribers will receive the benefit of TMTA commentary, analysis, opinions, advice and recommendations. The Newsletter is impersonal and does not provide individualized advice or recommendations for any specific subscriber or portfolio. The Editor may directly or indirectly own the securities which are the subject of the commentary, analysis, opinions, advice, or recommendations in, or which are otherwise mentioned in, the newsletter.

TMTA

Theme | Momentum | Technical Analysis

Investing involves substantial risk. Neither the Editor, the publisher, nor any of their respective affiliates make any guarantee or other promise as to any results that may be obtained from using the Newsletter. While past performance may be analyzed in the Newsletter, past performance should not be considered indicative of future performance. No subscriber should make any investment decision without first consulting his or her own personal financial advisor and conducting his or her own research and due diligence, including carefully reviewing the prospectus and other public filings of the issuer. To the maximum extent permitted by law, the Editor, the publisher and their respective affiliates disclaim any and all liability in the event any information, commentary, analysis, opinions, advice and/or recommendations in the Newsletter prove to be inaccurate, incomplete or unreliable, or result in any investment or other losses. The Newsletter's commentary, analysis, opinions, advice and recommendations represent the personal and subjective views of the Editor, and are subject to change at any time without notice. The information provided in the Newsletter is obtained from sources which the Editor believes to be reliable. However, the Editor has not independently verified or otherwise investigated all such information. Neither the Editor, the publisher, nor any of their respective affiliates guarantees the accuracy or completeness of any such information.

The Newsletter is not a solicitation or offer to buy or sell any securities. Subscribers may submit questions to the Editor by email at [TMTA Report](#). However, since the Newsletter is impersonal and does not provide individualized advice for specific subscribers, the Editor can only answer questions of a general nature about the markets or specific securities. The Editor will make every effort to answer subscriber questions on our website or in the pages of an upcoming issue of the Newsletter. Neither the Editor, the publisher, nor any of their respective affiliates is responsible for any errors or omissions in any Newsletter.