

HAC Update for February 12, 2018

	Gain % from Feb 5 to Feb 9
HAC	-4.1
S&P 500	-5.2
S&P/TSX 60™ Index	-3.9

Portfolio Performance / Transactions/End of Week Holdings*

Ticker	Week % Gain**	% Buy/Sell***	% End of Week Holdings****
HXS	-5.4		58.2
HXT	-3.8		18.0
HUZ	-1.9		4.7
XLI	-5.1		2.5
XLY	-4.5		2.5
XLB	-3.4		4
FHD	-1.6		2.5
FHG	-4.4		2.5
FHM	-3.8		3.6
CASH			1.5

* Transactions and End of Week Holdings are % of portfolio

** Based on price from a sell/buy during the week where applicable

*** Buy/Sell may not be equal due to use of cash

**** Includes trades on last day of week

Market/Portfolio Comments

Last week, the S&P 500 ended up with a loss of 5.2%. On Monday, the market opened with some volatility, but it appeared the investors were buying the dip in the market and the S&P 500 was positive in the late morning. In the afternoon, investors became skittish and started to sell stocks. There is a lot of speculation about what contributed to the large drop in the market on Monday afternoon. Rising yields on the U.S. 10 year Treasury notes was probably the big catalyst that started the tumble in the stock market, but the tumble continued as a lot of over-leveraged funds had to sell into markets in order to meet margin requirements, which became a negative feed-back loop, pushing stocks down even further. There was very little “dip-buying” last week until Friday afternoon. The Friday afternoon rally helped to push stocks higher on a large

intraday price swing. Investors are hoping for stability in the stock market in the coming weeks. A key report this week in the stock market is the U.S. CPI report on Wednesday morning. Core January CPI is expected to be 1.7% on a year-over-year basis. If the CPI is higher than expected, fears of higher inflation could be stoked, causing an increase in bond yields once again and affecting stocks negatively.

Last week, the S&P/TSX 60 Index produced a loss of 3.9%. Generally, energy and gold mining stocks performed very poorly. Canadian banks, although negative for the week, managed to outperform the S&P/TSX 60 Index. Last week, HAC produced a loss of 4.1%. HAC’s underhedged U.S. dollar position increased in value as the Canadian dollar lost 1.2% relative to the U.S. dollar.

U.S stock market (HXS) –

The U.S. stock market declined last week, producing the worst weekly loss for the S&P 500 in two years. Currently, investors are looking for good news to help support stock market. Many investors expect Trump’s planned infrastructure announcement on Monday February 12th to help support the stock market.

Canadian stock market (HXT)

The Canadian stock market, was negative for the week, but managed to outperform the U.S. stock market for the second week in a row. Energy stocks generally lost more than the overall market. Canadian banks were negative for the week, but managed to outperform the U.S. stock market.

Silver (HUZ)

Silver has a strong seasonal period from January 1st to March 31st. Last week, silver was negative. The sweet spot for the silver trade is January into the beginning of February. Silver’s price has been fluctuating largely based upon the movement of the U.S. dollar. The U.S. dollar has generally increased against world currencies as volatility has increased in the stock market. The rising U.S. dollar has put downward pressure on silver bullion.

Industrials (XLI/FHG)

Recently, the industrial sector has been showing signs of strength relative to the S&P 500. The seasonal period for the industrial sector started in late January and lasts until early May.



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Materials (XLB/FHM) – Added to position last week

Recently, the materials sector has been showing signs of strength relative to the S&P 500. The seasonal period for the industrial sector started in late January and lasts until early May.

Consumer Discretionary (XLY/FHD)

The consumer discretionary sector's seasonal period lasts until mid-April. The sector has been outperforming the S&P 500 since early November. Recently, the sector has been showing signs of starting to underperform the S&P 500.

Please visit <http://www.horizonsetfs.com/HAC> for the complete historical performance of HAC.



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