

HAC Update for June 18, 2018

	Gain % from June 11 to June 15
HAC	0.5
S&P 500	0.1
S&P/TSX 60™ Index	0.7

Portfolio Performance / Transactions/End of Week Holdings*

Ticker	Week % Gain**	% Buy/Sell***	% End of Week Holdings****
HXS	-0.2		10
XLP	1.4		10
XST	2.9		5
HFR	0.1		25
HUF	0.1		10
DLR	2.0		12.5
HBB	0.7		10
HTB	1.9		10
XLK	-0.1		-5
IBB	0.0	5	5
XLB	0.0	-5	-5
HUG	0.0	5	5
CASH			12.5

* 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 gain of 0.1%. It was a busy week with the CPI number on Tuesday, North Korea Summit on Tuesday, FOMC meeting on Wednesday, ECB meeting on Thursday, Bank of Japan meeting on Friday and the introduction on new tariffs from the US on Chinese goods. One of the bigger surprises of the week was Maria Draghi's more dovish than expected plan to exit QE and raise rates. The on-again off-again trade wars heated up as Trump is increasingly taking an aggressive stance with other countries.

On Friday, Trump's introduction of \$50 billion of tariffs on Chinese goods rattled the stock market early in the day, but by the end of the day the S&P 500 managed to climb back to only a nominal loss for the day. Next week, there is not a lot of economic news to move the stock market. It will be more of a week where investors digest the news from the previous week's and try to determine the direction for the stock market.

Last week, HAC was positive as its fixed income positions and defensive positions were generally higher. Last week HAC's position long the US dollar gained in value as the Canadian dollar lost 1.9% relative to the US dollar.

US Stock Market – (HXS) –

Last week, the US stock market ended the week with a nominal gain. The geopolitical risks did not provide a lot of volatility as investors seem to be getting comfortable with a certain amount of risk. Investors also did not react strongly to the US tariffs on China, nor the counter tariffs from the Chinese. The risk remains that an accelerating trade war between the US and other countries could have a dramatic impact on international trade and global growth.

Consumer Staples – (XLP/XST) –

Last week, the consumer staples sector in the US outperformed the S&P 500 as investors were more attracted to the defensive sectors of the stock market, A falling yield on the US 10-year Treasury Note increased the attractiveness of higher dividend sectors of the stock market, such as consumer staples.

US Dollar – (DLR)

Last week, the US dollar increased in value relative to the Canadian dollar. The US dollar gained strength against most major currencies around the world. An interest rate increase and a hawkish statement by Jerome Powell, the chairperson for the Federal Reserve, helped to push the US dollar higher. Flailing trade negotiations between the US and Canada put downward pressure on the Canadian dollar.

Technology - Short Sell (XLK) –

Recently, the technology sector reached all-time highs, but on a seasonal basis when the sector has performed well into the start of June, it tends to underperform the broad market for most of June. Last week, the technology sector performed at market.



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Canadian Bonds – (HBB)

Canadian bonds have a strong seasonal period from May 6th to October 3rd. The seasonal sweet spot for the sector is in August and September. Last week, Canadian bonds increased in value as investors became concerned that Canadian growth will not be as strong as previously expected.

US Government Bonds – (HTB)

US government bonds have a strong seasonal period from May 6th to October 3rd. The seasonal sweet spot for the sector is in August and September. Last week, US government bonds increased in value, despite the FOMC increasing its federal funds rate. The interest rate was largely anticipated, and as a result, the yield on government declined after the rate announcement.

Biotech - (IBB) (Entered into a position)

The biotech sector has a period of strong seasonality from June 23rd to September 13th. The biotech sector tends to

perform well at this time as investors view the sector as an alternative to the technology sector in the summer months. Recently, the sector has been showing strength ahead of its seasonal period.

Materials- Short Sell- XLB (Entered into a position)

The materials sector tends to perform poorly for most of June. Recently the sector has been showing signs of weakness and HAC entered into a short sell position for the sector.

Gold Bullion - (HUG) Entered into a position

Gold bullion has a strong seasonal period from July 12th to October 9th. Starting in mid-April the sector turned down but has recently started to show signs of strength. Based upon technical strength, HAC took an initial position in the sector.

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



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