

# HAC Update for January 15, 2018

	Gain % from Jan 8 to Jan 12
HAC	1.1
S&P 500	1.6
S&P/TSX 60™ Index	-0.3

## Portfolio Performance / Transactions/End of Week Holdings\*

Ticker	Week % Gain**	% Buy/Sell***	% End of Week Holdings****
HXS	1.6		45.0
HXT	-0.3		18.0
IWM	2.2		10.8
HXQ	0.8	-2.5	7.5
ROBO	3.7	-1.1	1.9
XLK	0.8	-1.1	1.9
HUZ	0.1		4.7
GDX	1.4		5.1
XLI		0.6	0.6
XLY		0.6	0.6
XLB		0.6	0.6
FHD		0.6	0.6
FHG		0.6	0.6
FHM		0.6	0.6
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 gain of 1.6%. The gain was a continuation of the strong rally the week before. So far, the S&P 500 has produced gains of over 4% year-to-date. It is going to be extremely difficult for the S&P 500 to maintain this torrid pace. The Q4 earnings reporting season kicked off last week, with Wells Fargo & Company and JP Morgan both reporting their earnings on Friday January 12th. Wells

Fargo disappointed investors, but JP Morgan surprised on the upside. As of January 5th, Thomson Reuters is stating the fourth quarter earnings are expected to increase by 11.9% from last year. Investors strong expectations are helping to drive the stock market higher. Last week, HAC reduced its positions in the technology sector and the Nasdaq-100. The seasonal period for both of these sectors finishes shortly and both sectors were starting to show signs of underperformance. HAC started to take positions in the consumer discretionary, industrials and materials sectors as these sectors were showing strength just before the start of their January seasonal period.

Last week, the Canadian stock market ended up with a loss of 0.3%. The Canadian banks were a major drag on the Canadian stock market, as investors have recently shied away from the sector. New mortgage rules are making it more difficult for people to purchase homes and also encouraging home owners to consider using trust companies instead of banks. Last week, HAC produced a gain of 1.1%. HAC's underhedged U.S. dollar position increased in value as the Canadian dollar lost 0.3% relative to the U.S. dollar.

## U.S. stock market (HXS) –

The U.S. stock market produced a gain last week. Seasonal tendencies are supportive of the stock market at this time. The start of the year has been extremely strong. Although it is not reasonable to expect the stock market to continue climbing at its torrid pace, the price action of the S&P 500 remains positive.

## Canadian stock market (HXT) –

Last week, the Canadian stock market was negative as the poor performance of the Canadian banks weighed on the Canadian stock market. The Bank of Canada is expected to raise its overnight lending rate this Wednesday based upon Canada's strong economic performance. Although higher rates generally increase the banks profitability because of better net interest margins, investors have been increasingly worried about the negative affect of higher rates on the housing market and as a result Canadian banks have not performed very well relative to other parts of the stock market.

## U.S. Small Caps (IWM)-

Last week, the small cap sector outperformed the S&P 500 after underperforming the previous week. The seasonal period for the small cap sector tends to last until early March. So far, overall, in its seasonal period the small cap sector has



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underperformed the S&P 500. Consideration should be given to exiting the sector upon further weakness.

## **Technology (XLK/ROBO) – Reduced positions last week**

Recently, the technology sector has generally been more volatile than the broad market. The sector tends to outperform the S&P 500 until approximately January 17th. Last week, the sector generally underperformed the S&P 500. HAC reduced its positions in the technology sector.

## **Nasdaq-100 (HXQ) – Reduced position last week**

The Nasdaq Composite tends to outperform the S&P 500 from December 15th until January 23rd. Last week, before the end of its seasonal period, the Nasdaq-100 started to show weakness relative to the S&P 500. HAC reduced its position in the Nasdaq-100.

## **Silver (HUZ) –**

Silver has a strong seasonal period from January 1st to March 31st. Last week, silver was generally “flat.” The sweet spot for the silver trade is January into the beginning of February.

## **Gold Miners (GDX) –**

Silver’s strong seasonal performance tends to spill over into the gold miners sector at this time of the year. Recently, gold miners have been performing well.

## **Industrials (XLI/FHG) – Added positions last week**

The industrial sector’s seasonal period starts on January 23rd. Recently, the sector has been performing well and as a result, HAC started to take positions in the sector.

## **Materials (XLB/FHM) – Added positions last week**

The materials sector’s seasonal period starts on January 23rd. Recently, the sector has been performing well and as a result, HAC started to take positions in the sector.

## **Consumer Discretionary (XLY/FHD) – Added positions last week**

The consumer discretionary sector has been showing continued strength. HAC started to increase its positions in the sector. The consumer discretionary sector has a strong seasonal period that lasts until late April.

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



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