Thackray Market Letter

— Know Your Buy & Sells a Month in Advance —

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Market Update

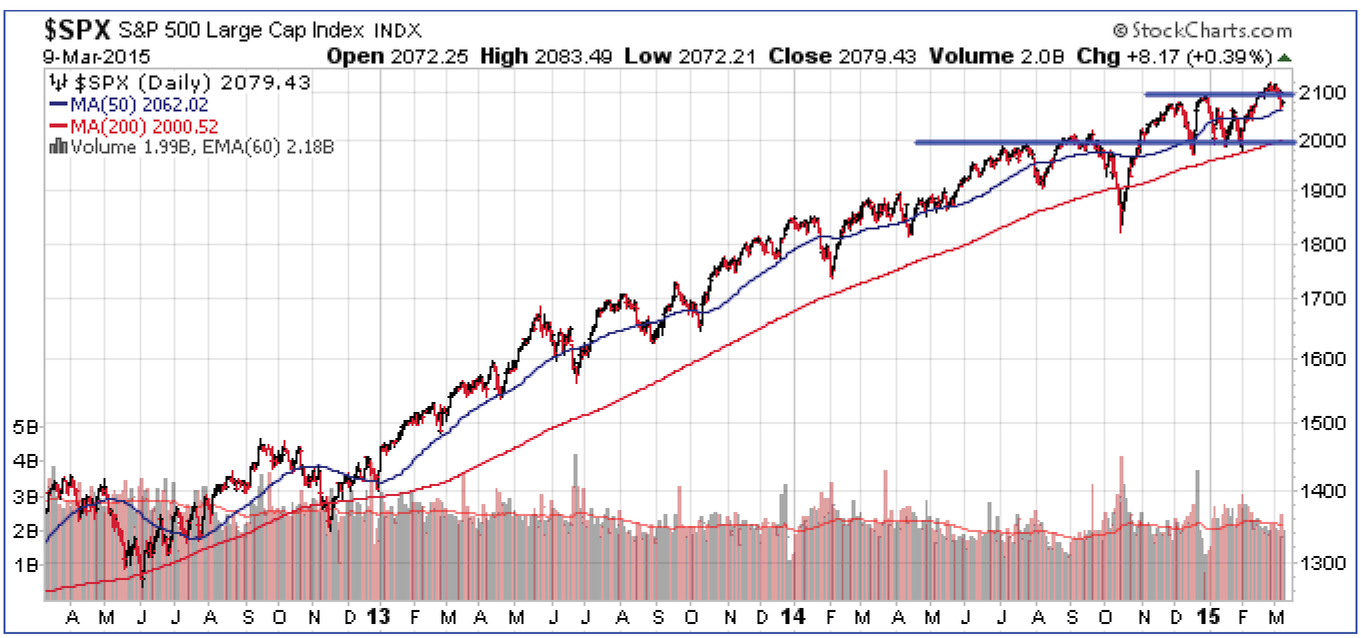
In the last few months we have seen the Dow Jones Index and the S&P 500 reach all-time highs and the Nasdaq trade above the 5000 level, finally after fifteen years. Despite the new high levels reached, the market has not moved substantially higher since the end of October (the start of the six month favorable period for stocks). There is less than two months left before the favorable period for the stock market ends, time is running out to put in a strong performance.

Investors should not expect a lot more upside. The S&P 500 is struggling at and below 2,100 and needs a boost. At this time it is typically the expectation of positive earn-

S&P 500 Technical Status

After a strong run in February, the S&P 500 has pulled back down below its support level of 2100. Although we are still in the favorable six month period for stocks, it is not surprising to see the S&P 500 have trouble staying above 2100 on its first attempt. Over the last four months, the S&P 500 has been forming a consolidation box between 2000 and 2100. It is possible for the S&P 500 to move back to 2000 and if it breaks below 2000, which is also the current 200 day moving average, this will be bearish for the stock market.

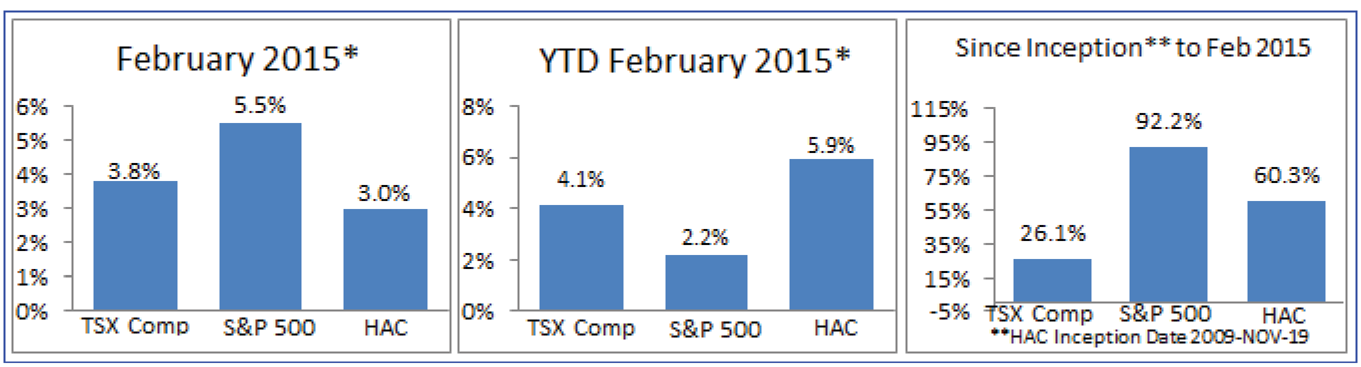
S&P 500's move below 2100 does not mean that it has to stay below this level. It is entirely possible for the S&P 500 to once again rally and move back above 2100. At this point, the market is looking for a positive catalyst to resume its rally. Given that we are still in the six month favorable period for stocks, seasonal investors should still have a bullish bias to the stock market.



Horizons Seasonal Rotation ETF (HAC :TSX)
Portfolio Exposure as of **February 28th**, 2015

Symbol	Holdings	% of NAV
	Canadian Dollar Exposed Assets	
	Equities	
HXE	Horizons S&P/TSX Capped Energy Index ETF	14.7%
HXT	Horizon S&P/TSX 60™ Index ETF	9.9%
HXU	Horizons BetaPro S&P/TSX 60 Bull+ ETF	9.1%
HXF	Horizons S&P/TSX Capped Financials Index ETF	7.7%
	United States Dollar Exposed Assets	
	Equities	
IWM	iShares Russell 2000 ETF	21.5%
XLY	Consumer Discretionary Select Sector SPDR Fund	10.4%
XLB	Materials Select Sector SPDR Trust	9.2%
XLF	Financial Select Sector SPDR Fund	7.0%
EFA	iShares MSCI EAFE ETF	5.4%
XLI	Industrial Select Sector SPDR Fund	5.2%
	US Dollar Forwards (March 2015) - Currency Hedge **	-0.1%
	Cash, Cash Equivalents, Margin & Other	0.1%
	Total (NAV $116,559,325)	100.0%

** Reflects gain / loss on currency hedge (Notional exposure equals 58.6% of current NAV)



* Source: Bloomberg, HAC based upon NAV

The objective of HAC is long-term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends. The Thackray Market Letter is for educational purposes and is meant to demonstrate the advantages of seasonal investing by describing many of the trades and strategies in HAC.

ings that fuels the stock market higher. Unfortunately, the outlook for Q1 earnings does not look strong.

As of February 27th, there have been 89 negative EPS pre announcements versus 17 positive pre announcements for a ratio of 5.2 (N/P). This compares to the average ratio of 2.6 over the last ten years (Thomson Reuters). In addition, the forecasted earnings growth is currently at -3% for Q1 (Thomson Reuters). Negative forecasts do not necessarily translate into negative stock market performance. If companies produce positive surprises, the stock market will tend to move up.

Of course economic numbers can and do move the economy. Recently, the economic numbers coming in have been generally weak. The exception to this negative trend is February's non-farm payroll report which came in at 295k, substantially above the expected 230k. Investors responded to this strong number (bullish report) by selling the market (bearish), fearing that the Federal Reserve schedule for raising interest rates was going to be advanced as a result.

> *When investors respond bearishly to a bullish report, this is bearish for the stock market*

Can we expect the EU or the Federal Reserve to move the market higher? Not likely. The Federal Reserve is trying to get the market warmed up to the idea of a rate hike in the future and the EU has just recently announced a quantitative easing program. It can hardly be expected that the EU will announce further stimulative action so fast. If anything, Europe could put a damper on the stock markets as the Troika continues to rattle swords with Greece over the conditions for monetary assistance.

I am not trying to build a bearish case for the stock market, but rather state that the upside potential is not astronomical at this point. Seasonal investors should still be invested, as April on average has been one of the strongest months of the year. From 1950 to 2014, April has been the third best month for the S&P 500, with an average gain of 1.5% and a track record of being positive 69% of the time. In addition, we are still in the six month favorable season for the stock market.

What the HAC is going on?

In February, HAC produced a solid gain, but after outperforming the S&P 500 and the TSX Composite for the last few months, HAC fell short of the major indices. The main reason for this was HAC's position in the energy sector. After performing well in January and the first part of February, the sector pulled back.

Sector Trends

Canadian Dollar - (See Thackray Seasonal Trade - March, www.alphamountain.com)

After a large correction, the Canadian dollar has recently been consolidating and is poised to perform well in its strongest month of the year - April. For more information on this seasonal trend, please see the Thackray Seasonal Trade - March, www.alphamountain.com.

Industrials – (See March sector video for more commentary)

In October, the industrial sector started to outperform the S&P 500, before the S&P 500 bottomed. This is a positive sign as the industrial sector generally reflects the economic outlook. Since November, the industrial sector has had a long period of market performance up until the current time. When the industrial sector performs at market for an extended period of time in its seasonal period, it is often a good litmus test for the direction of the overall market. If the industrial sector deviates from this position in an upward move, this portends to a stronger market ahead. On the other hand, if the sector starts to underperform early, then this will often forecast weaker market conditions ahead. The jury is still out on the sector, but it is definitely worth monitoring.

Consumer Discretionary – star performer

The consumer discretionary sector has been a stellar performer, outperforming the S&P 500 since late January. The sector finishes its strong seasonal period in mid-April and investors should be looking to exit the sector on weakness.

Retail– outperforming but showing signs of fatigue

The retail sector continues to perform well, but recently has been starting to show some signs of fatigue. The sector finishes its strong seasonal period in mid-April and investors should be looking to exit the sector if it starts to underperform the broad market.

Energy– stumbling but early in the trade

We are in the beginning stages of the period of seasonal strength for the energy sector. So far the results are less than impressive. After a strong run in the energy sector in January and early February, the sector has pulled back. There are forecasts for the price of oil to move both higher and lower from this point. There is no question that the outlook for oil is dim, but the big question remains: has the price moved low enough to account for the negativity? It is difficult to determine. Typically, the best seasonal strategy in this circumstance is to favor the seasonal trend by taking a position and then exit if the trade is not working out. Seasonal trends do not guarantee success, they point to the propensity for a sector to outperform at a certain time. There is nothing wrong with exiting a trade if it is not working. We are still early in the trade and it still has some room to work.

Natural Gas– back down to recent lows

Natural Gas has two periods of seasonal strength in the year, September 5th to December 21st and from March 22nd to June 19th. The first seasonal period is driven by the heating season demands and the second seasonal period is the result of cooling season demands. To be clear, the natural gas injection season, where storage of natural gas is increased, lasts from late March into October. Nevertheless, natural gas does tend to increase in price in the Spring. Recently, natural gas has been hit hard and is almost back down to its recent February low. Natural gas storage levels are at their average levels over the last five years. Production is still high, but should be somewhat mitigated in a few months as oil production starts to be curtailed, as the result of low oil prices. A portion of natural gas production is the result of oil production, as natural gas is a by-product of oil drilling. At this point, investors should be looking for a new low and then signs of strength before entering the sector.

Silver– the shine has gone

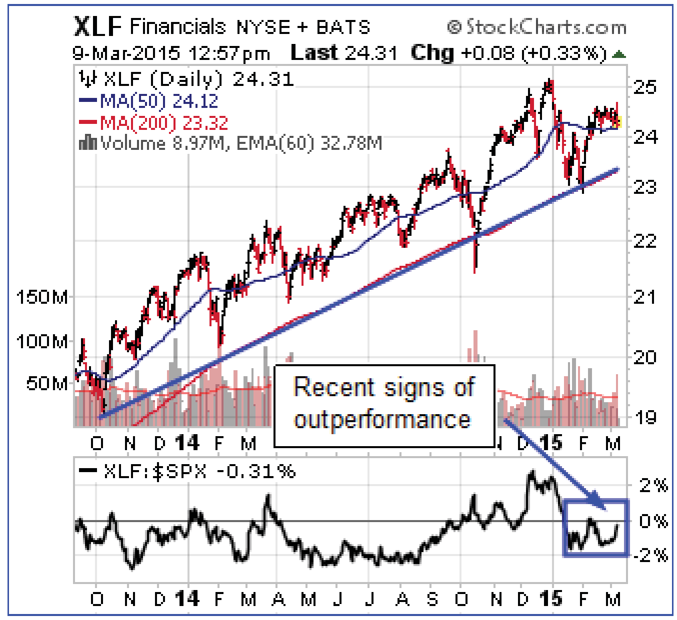
Silver ends to perform well from January 1st to March 31st. The real sweet spot to the seasonal trade is in January and February. In last month's newsletter, I stated that if silver (SLV) broke through support at approximately $16.30, investors should consider exiting the position. Silver did break through its support level, and as a result, HAC exited its position.

Materials– strong performer

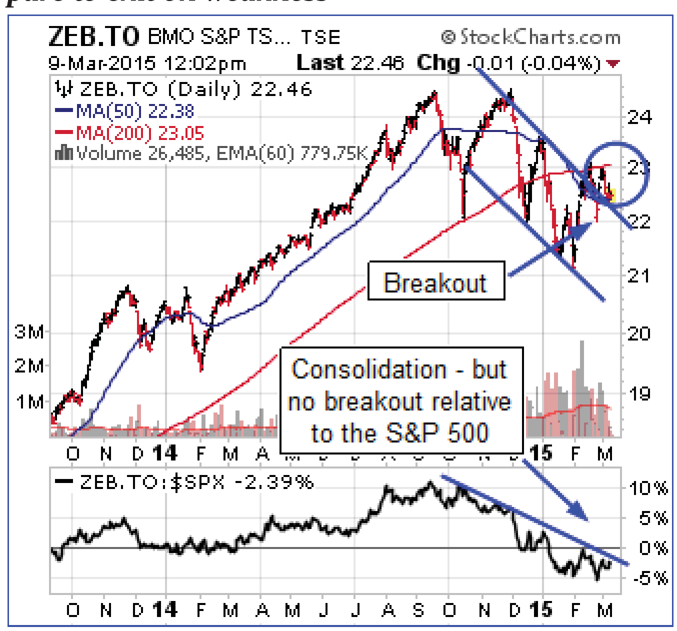
After the materials sector had a strong run that started in late January (the start of the second seasonal period for the sector), the materials sector has lost a bit of ground to the broad market. Nevertheless, it is still one of the top performing sectors for the year.

Financials– picking up again but seasonal period ends soon

The financial sector has been showing signs of improvement, after a run of market performance. The sector ends its seasonal period in mid-April and investors should be looking to exit if the sector starts to underperform.



Canadian Banks– seasonal period ends soon, prepare to exit on weakness



The seasonal period for Canadian banks ends mid-April. Investors should be looking to exit the sector mid-April or sooner if the sector starts to underperform. Although the Canadian banks can perform well in the first half of April, they tend to underperform in the second half of the month. At the current time, the sector has broken its downward trendline and is consolidating.

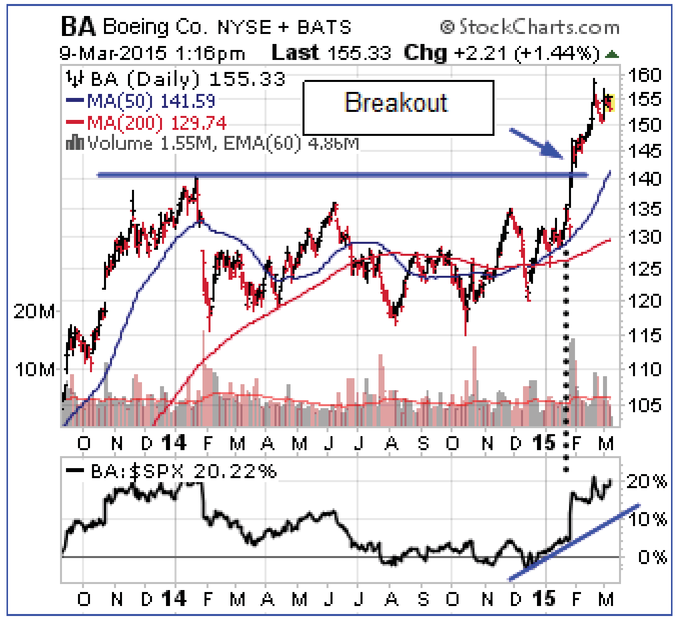
Small Caps– still performing well

The small cap sector has finished its official seasonal period, which ended on March 7th. The sector has performed well, outperforming the S&P 500. Although it has finished its seasonal period, the small cap sector tends to perform at market in the month of March. It is perfectly acceptable to maintain a position in a sector that is outperforming past its seasonal period, monitor it closely and exit the position when it starts to show signs of starting to underperform. The small cap sector falls into this category, but needs to be watched closely.

Stock Spot

Boeing– early take-off, but more altitude ahead

After strong earnings in January, Boeing took off and has since maintained its strong performance. Boeing typically performs well from March 13th to June 15th. In this time period, from 1990 to 2014, Boeing produced an average gain of 11.6% and was positive 80% of the time. Boeing's seasonal period is just starting. Strong outperformance before its seasonal period does not mean that Boeing cannot perform well in its seasonal period. The gains may be muted, but Boeing is still in a good position to perform well in its seasonal period.



CAT– disappointing results

Caterpillar has been on a downward trend since mid-2014 and underperforming the S&P 500.

The main reason that Caterpillar has performed poorly is the substantial drop in the price of oil. In fact, Caterpillar peaked at the same time that the price of oil peaked in mid-2014. The global economic slowdown and soft prices for copper, coal and iron ore have also contributed to Caterpillar's poor performance. Caterpillar is back to late 2013 prices. If energy is able to rally, Caterpillar should respond positively, but at the current time, Caterpillar is still on a downward slope of underperformance.

Dupont– another strong start

Dupont has been on a strong run recently, once again during its seasonal period. Dupont typically performs well from January 25th to May 5th. In the last twenty-five years, it has only been negative once during this period.

Waste Management– performing well

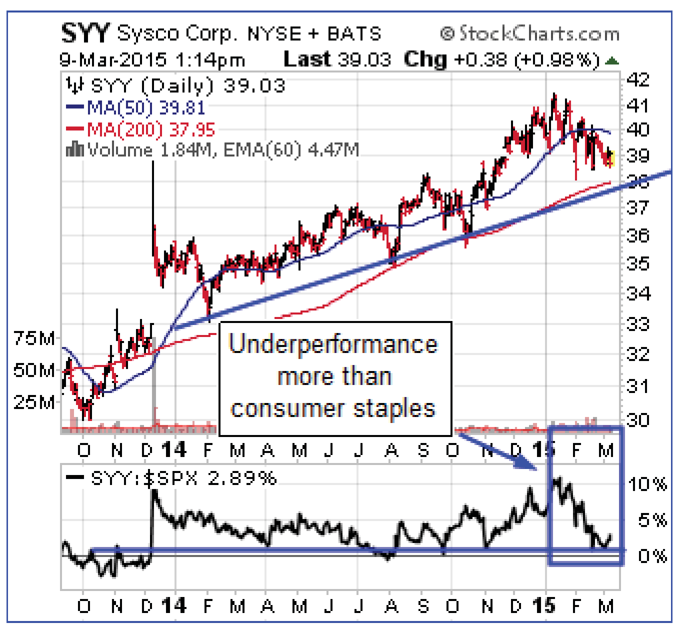
Waste Management typically outperforms from February 24th to May 14th. Over the last year Waste Management has been outperforming the S&P 500. Recently, it has been performing at market. It is still in an upwards trading channel and is expected to continue to perform well.

TJX– barely ahead, but still ahead

TJX has a strong track record of outperforming from January 22nd to March 30th. So far this year it is positive in this period and it is beating the S&P 500 by the barest of margins. Given that TJX finishes its seasonal period shortly, investors should be looking to exit upon any sign of weakness.

Sysco– a stock to watch

Typically, Sysco outperforms from April 23rd to May 30th. Since the beginning of the year Sysco has been correcting and underperforming. Its underperformance is greater than that of the consumer staples sector and it has pulled back to its market performance line. Although it is still early for the seasonal trade, Sysco can start to outperform in March and given the recent pullback, it is a stock to watch.



Brooke's Rant – Who's kidding who?

In my last newsletter I ranted that Greece would bargain hard because if Europe didn't bend then a viable alternative was for Greece to leave the Eurozone. In an interesting twist, the newly installed Greek Prime Minister Mr. Tsipras, appeared to have capitulated and given in to the Troika demands in order to get a four month extension.

The situation has not changed; all that has happened is that Greece has delayed the decision. Who is kidding who? It is going to be very difficult for the Syriza party to make the necessary concessions to stay in the Eurozone. The Syriza party ran on the platform that they were anti-austerity, including such policies as forgiving bank debt for those that cannot afford it, giving away free electricity, reducing taxes, and most importantly, not giving into the Troika austerity plans. Although politicians do change their minds, to be elected on such a radical platform and then go back and run the country with the same Troika austerity programs that existed before, will not be accepted by the Greek population.

In order to track the expectations of a Greek-Troika agreement, watch the net money flow out of Greece. Before the Troika granted the four month extension, massive amounts of money flowed out of the Greek economy for safe keeping into foreign countries. After the four month extension, a large portion of the money returned back to Greece. In the future, as negotiations become heated, expect more money to leave Greece. With money leaving the country, it will only make things worse for the perpetually stumbling economy. But how can you blame the Greeks, as the precedent has already been set with Cypress. Many people in Cypress expected the EU to backstop the banks-they didn't and a lot of money was lost. If I were a Greek citizen, there is no-question, my money would be domiciled outside of Greece. Why take the chance?

There are some milestone payments over the next few months, including this month, where Greece has to show progress in order to receive funds. There are going to be a lot of negotiations, but the gap between the Syriza party's proclaimed policies and the Troika's demands is massive. It is going to be an interesting next few months. Do not expect any speedy permanent resolutions.

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