



YieldSafe INVESTMENTS LLC

OUTLOOK

"Bullish on Canada"

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Along with other global stock market indexes, the Toronto's Stock Exchange's S&P/TSX composite index has fallen sharply this year. Adding to its decline, the TSX index is heavily weighted in natural resources so plunging commodity prices have caused it to fall even more than other stock indexes. The good news is that the TSX looks like a good bargain at these levels.



Relative to the US Dow Industrials Average (INDU), the TSX looks attractive at these levels. If we look at the ratio of TSX/INDU, we can gauge the relative value of the TSX versus the INDU. A ratio of 1 indicates that the TSX is trading at the same level as the INDU. A ratio above 1 indicates that the TSX is trading at a premium relative to the INDU. A ratio below 1 indicates that the TSX is trading at a discount relative to the INDU. As shown by the graph above, the TSX/INDU ratio has stayed above 1 for most of the time since 2007 which means that the TSX has been trading at a premium relative to the INDU. Recently, that has changed. The TSX/INDU ratio has dropped to .959 which means that TSX is trading at about a 4% discount relative to the INDU. At these levels, we think the TSX offers a good risk/reward opportunity that should benefit from a rebound in both equity and commodity prices.

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