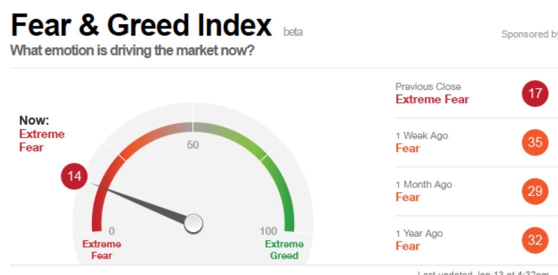
This dispatch is broadcast in nature and is intended for participants (and interested parties) of ***The Dividend Value Discipline™****.*

RAYMOND JAMES | CHRIS RAPER & ASSOCIATES

The RBS "Call"

You are no doubt aware that global stock markets have taken a beating so far this year. The pummeling was especially bad today, Wednesday, January 13, 2016. The CNN Fear & Greed Index has moved into the Extreme Fear mode – we see this as a contrarian indicator.



Of course, selling begets more selling until investors exhaust themselves…and the pendulum always swings too far. What we don't know is how far the pendulum will swing this time around. That said, we have learned a few things about getting through the tough times in past market cycles and yes, I have been through a few in the past 20+ years. To illustrate some of what I have learned, I want to share with you my response to an email I received this morning concerning the RBS "call", with the question: ***"Chris, what do you think?"***

My response is as follows:

"John, I think this call is bordering on insane. What is the cost if you are wrong? The market goes up 10% while you sit in cash and then you don't have the courage to get back in. While you wait for the ultimate correction it goes up another 10%....and so forth. There are way too many people/advisors that missed the biggest rally of our lifetime in 2009 through to present day because the next big one was coming.

My take is even if equity markets do correct 20%, we just have to endure the pain with say a minimum of 40% of our portfolio in equities or we run the risk of missing the recovery. You may recall we had a 19% correction in 2011, we weathered it (even made some pretty good buys which is not possible when you sell everything) and ultimately made a good bit of money. It would have never happened if we had moved to cash.

John, sorry if this sounds like a rant – I just don't think such "advice" should be splashed across global newswires. I read the article yesterday and thought…I'd rather not say."

Bottom line, the "sell all" is a hubris statement that dangerously overestimates one's own talents to "buy back in" at the appropriate time.

Okay Chris, what is your plan? First and foremost is to recognize that we own some great businesses that are paying us more than acceptable rent cheques (dividends), and those dividends continue to grow. In other words be careful about what you are about to give away. As I alluded to in last week's dispatch (Located Here), the market tends to be a leading indicator of things to come, and the 40+ point economic review completed on Monday last showed further softening – and yet it is not severe. We have been incrementally taking money off the table where we feel we are most vulnerable. I intend to use rallies to exit those positions and when I start feeling like I am going to lose my cookies, force myself to buy. That behavior has served us well over time and I will be the first to acknowledge that it does not yield immediate results. It is normally months later when you look back and say to yourself: Why didn't I buy more? I don't expect this cycle to be any different – we simply have to tough it out and manage through it with all the talent and hard work we can muster. That's our plan.

Yours truly,

Chris Raper, CIM, CFP
Senior Vice President | Portfolio Manager

Chris Raper & Associates – the most proactive wealth advisory team on Planet Earth!

This market update has been prepared by Chris Raper and expresses the opinions of the author and not necessarily those of Raymond James Ltd. (RJL). Statistics and factual data and other information are from sources RJL believes to be reliable but their accuracy cannot be guaranteed. The performance outlined in the report is net of fees. The client account performance may vary from the model portfolio due to several factors, including the timing of contributions and dates invested in model. The performance reported is that of the account that represents the model, not a composite. Performance calculation for the models may be different than the index used as a reference point. It is for information purposes only and is not to be construed as an offer or solicitation for the sale or purchase of securities. This commentary is intended for distribution only in those jurisdictions where RJL and the author are registered. Securities-related products and services are offered through Raymond James Ltd., member-Canadian Investor Protection Fund.