

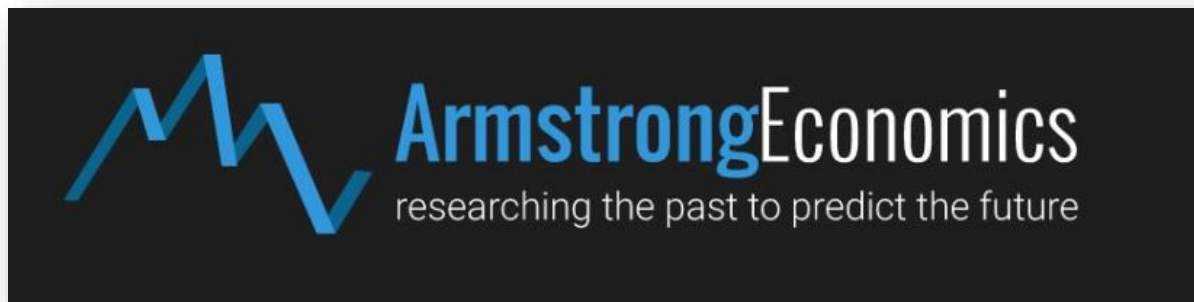


The Canadian Outlook 2019



By Martin Armstrong

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The 2019 Canadian Outlook



The dominant trend that is influencing all government within Western Civilization is the pending decline and fall of socialism. I know people will say no it is capitalism that is collapsing. These people ignore everything beyond the headlines and cannot see that pensions are consuming everything which in turn is sucking the national resources down the drain to the evitable collapse of our society no different from the collapse of Russia and China post-1989.

Instead of blaming government, they will blame the rich. They are blind to see reality that raising the tax on the rich has **NEVER** resulted in lower taxes for anyone else and it has **NEVER** solved the crisis of a never-ending thirst for more and more revenue. Governments have promised their workers lavish pensions and healthcare for life. As those promises have now to be met, for each worker who retires, they must replace them. This is causing the COST of government to expand exponentially. In the foreseeable spirit of avoiding problems, government turns simply to impose new taxes and raise what tax rates they can get away with.

Politicians in a free society were supposed to end the tyrannical and autocratic rule of monarchs. The idea was that is the people were to be in charge of government would end such abuse has proven false. The idea emerged that

replacing monarchs would be fair and just and end all wars has proven a false dream. The Prince Eugene of Savoy (1663–1736) ultimately influenced Montesquieu, who in turn influenced the Founding Fathers of the United States in creating the Constitution. The political discussions with the Prince helped Montesquieu understand the evils of a Monarchy government and forged the Second Amendment of the United States Constitution covering the right to bear arms.



Prince Eugene of Savoy
(1663–1736)

The Prince of Savoy was considered, even by Napoleon, as one of the seven greatest strategists in military history. He fought against the Turks (1683–1688, 1697, 1715–1718), for the French in the War of the Grand Alliance (1689–1691) and was also the teacher of Frederick the Great of Prussia (b 1712; 1740–1786). He also fought during the War of the Spanish Succession (1701–1714). Many believed he was the bastard son of the French King Louis XIV who was always ashamed of such offspring and the king did restrain the prince's ambitions. This ultimately led him to offer his talent to Holy Roman Emperor Leopold I (1640–1705) to fight against the Turks and he was instrumental in their defeat of the siege of Vienna in 1683.

The Prince of Savoy worked for three emperors: Leopold I, Joseph I, and Charles VI. Of these three men, Prince of Savoy considered that the first had been a father, the second a brother, but with the third, he was just the hired help. He came to see that standing armies were evil and inspired war. Kings felt they paid for vast armies that did nothing but consume resources.

He came to see that there should be **NO** armies and that was the only way to reduce war. This brilliant insight he passed on to Montesquieu who thus inspired the Second Amendment in the US Constitution for citizens to bear arms. In that way, if the nation needed a defense against an invader, the people would rally to that cause. If the defense of a nation by the people was also by the people, then this structure would end war and abuse of government.

Benjamin Franklin (1706–1790) in response attributed to him on the day of the close of the Constitutional Convention of 1787, said the truth. When asked as he left Independence Hall on that final day of deliberation, the notes of Dr. James McHenry, one of Maryland's delegates to the Convention, recorded Franklin's response to a question on the street:

- “Well, Doctor, what have we got—a Republic or a Monarchy?”
- “A Republic, if you can keep it.”

Franklin made a terrible mistake. The prevailing view was that a Republic was best because the people really were incompetent to rule themselves. We do not have a Democracy, but a Republic whereby the ruling class are still no different than aristocrats for they are privileged and bare no resemblance to even the middle class with few exceptions. We have been duped into believing we have Democracies and our vote even counts when in fact we have nothing but Republics, which always transform into oligarchies.

Unelected Troika



Christine Lagarde **Jean-Claude Juncker** **Mario Draghi**
Head of IMF EU President Head of ECB

When they designed the European Union, they deliberately denied the right to vote for any Commission member. None of the ruling member ever stand for election. This shows the contempt for the people. You have the head of a central bank destroying pensions and the saving of the retired people and they neither can be fired nor ever are accountable to the people. That is not even a Republic where we elect pretend “representatives” to decide on our fate because we are too stupid to know what is best for us and our families. Every government would love to adopt the same political anti-Democratic structure.



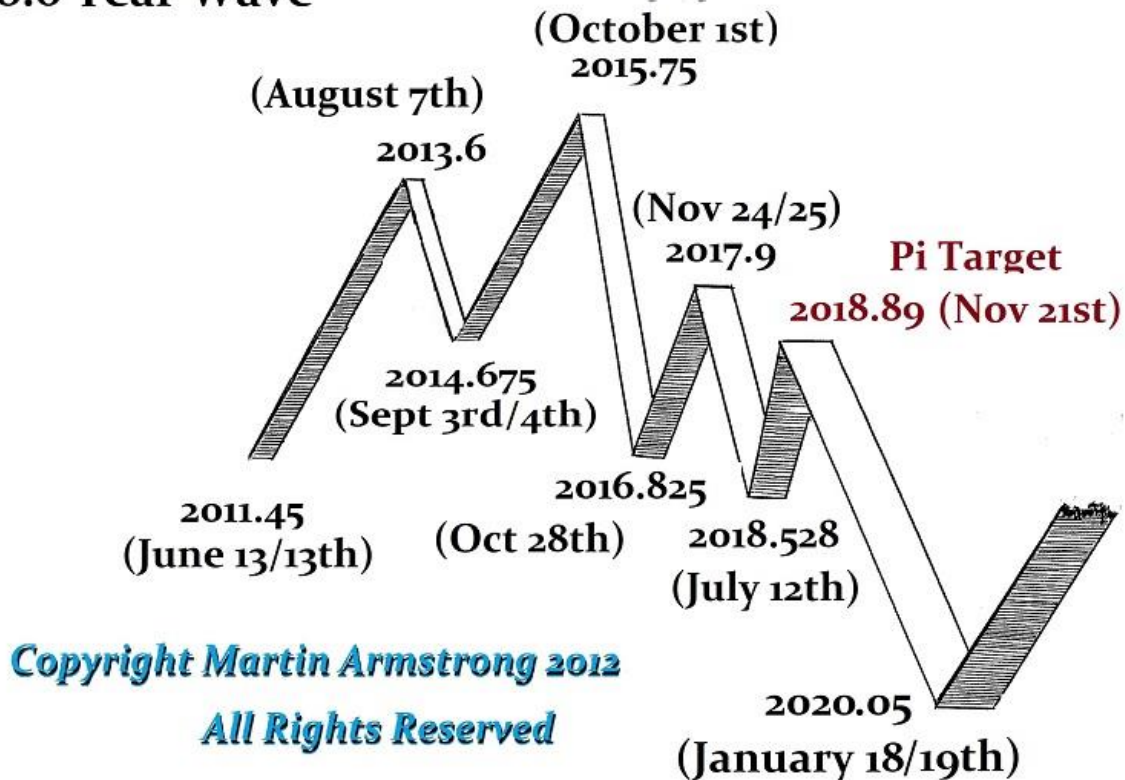
The average person paid no income taxes prior to World War II. Under the guise of Socialism, we have fundamentally altered the family structure that has existed for thousands of years. People had several children for that was their retirement in life. Today, children no longer save for their parents – that's government's job. Instead of taking care of their parents, parents must take care of their children into adulthood. Meanwhile, the ever-increasing taxation has resulted in what is being called the **Generation Boomerang** whereby 51% of children in Canada under 25 still live home with their parents. A third of young unmarried children, as a whole, still live with their parents between the ages of 18 to 34.

Young couples, according to the latest census, are showing that only 50% have any children. The family structure has been significantly altered and the entire pension system was based upon the fact that population growth will always increase so a new crop of workers would pay taxes to fund the last generation. Even if every couple has only one child, that is still a 50% reduction in population which is contributing to the complete collapse of socialism.

Nobody is looking at the profound changes that have taken place to the family structure since the introduction of Socialism post-World War II. However, the plain and simple truth is that governments have lost their way and under the pretext of Socialist ideas made popular by Karl Mark. What has been unleashed is the pervasive corruption of government on a grand scale that has reduced the standard of living and altered the family structure drastically.

Economic Confidence Model™

8.6 Year Wave



To assess the future and the possibilities that we face, we must understand that we are approaching a very profound change in the course of direction of the economy. We have an important election during 2019 in Canada as well as Europe while over in Japan a new Emperor comes to the throne with federal elections as well. Around the world, we are witnessing the rising discontent caused by never-ending taxation.

The Yellow-Vest Movement that began in France has spread worldwide including to Canada. As the economies come under tremendous stress, we will witness the polarization of politics that will most likely result in escalating violence surrounding the 2020 US Presidential elections. Confidence in government providing a workable steady foundation for the future will come to a bitter end as 2020 arrives on a global scale.

Canadian Politics



The Canadian Federal Election will arrive in October 21st, 2019. Justin Trudeau had promised decisive action on climate change. He also welcomed Syrian refugees and legalized marijuana. The first two promises have caused a lot of problems while the marijuana increased tax revenues. However, Trudeau has gone to great lengths to appear as the environmental leader to the world. Interestingly, that strategy will be tested with a federal election looming. Trudeau is gambling big time on his Liberal parliamentary majority as well as his personal political future.

The frustration has been building over Trudeau's climate strategy which has really sacrificed Canada economically on the whole. When Canadians cast their votes next October, they will do so amid the standard electoral issues that govern most elections such as jobs, the economy, and foreign policy. This time, however, Trudeau's climate strategy has turned the Canadian economy upside down and ignored the fact that much of Western Canada is highly dependent on resource extraction.

Trudeau's climate policy has wiped out jobs in **Alberta** with a pair of politically toxic policies of imposing a carbon tax on every home and curtaining pipeline

to the point that Canadian crude oil fell to under \$20 a barrel selling at a steep discount to US oil because of the tremendous cost to get it to market without pipelines. The environmentalists insanely believe by preventing pipelines they will save the planet. All they are doing is reducing the economic growth of Canada and increasing the risk of separatist movements and civil unrest as has emerged with the Yellow Vest movement in France that began with a global warming tax on fuel.

What is taking place in Canada is the very same thing that brought Trump to power – a rising anti-career politician philosophy. Right now, Canadians are overall still comfortable with Trudeau over Conservative leader Andrew Scheer. However, the current polls still show it is a coin toss between the Liberals and Conservatives. The press in Canada keeps pushing Trudeau's climate strategy creating the image that the majority of Canadians remain increasingly concern for the environment. Still, behind the scenes, universities have seen a collapse in people seeking degrees in engineering with respect to energy. This policy has largely been at odds with an economy that is historically dependent on resource extraction. The bottom line results in an often-messy political perspective.



The environment was certainly one of the top issues for Canadian voters in the last election. However, as commodity prices have fallen and unemployment rises in the energy sector, we are witnessing the rise of the **Yellow Vest Movement** in Canada as well, which began in France, and spread to Canada.

The French have been arresting the leaders of the **Yellow Vest Movement** calling them an anti-government movement which they do not respect under Democracy. They have been charging the leader for organizing what the government has labelled an unauthorized protest. We are spiraling down into a position where any complaint that leads to a protest against government will be criminally prosecuted.

During the weekend of December 15th, mimicking the **Yellow Vest Movement** in France, protests have formed all over Canada. These are peaceful protests,

unlike in France, but they have continued every weekend in various cities such as Toronto, Halifax, Edmonton, Saskatoon, Calgary etc., especially in Alberta and Saskatchewan. Still, this movement would not even begin if it were not for the environmental policies of Trudeau to raise taxes as was the case with Macron in France. Whenever the economy turns downward, raising taxes sparks civil unrest. This may be in its infancy, but it will grow with the recessionary pressures economically.

What are Canada's Yellow Vest Protests About?



The Issues

Anti-Tax	We oppose over-taxation laws and policies, including the proposed Carbon Tax.
Energy	We the people advocate for complete energy self-sufficiency, including Pipelines , and oppose any import of oil from foreign states.
Sovereignty	We advocate for maintaining the people of Canada's complete sovereignty over Canada's borders, and call for the immediate withdrawal from the UN Global Compact for Migration.
Immigration	We call for an immediate end to illegal and irregular immigration, while promoting legal immigration in amounts that allow for successful integration into Canada's multicultural society and economy.
Free Speech /Press	We advocate free speech and oppose any censorship laws and measures. We advocate for full freedom of the media.
Peace	We are a peaceful movement and advocate no use of violence.

Alberta has long been known as the oil province of Canada and is tremendously dependent upon the commodity and energy driven economy. With NDP (New Democratic Party) preventing the expansion of the TransMountain Pipeline from Alberta's Edmonton to BC's Burnaby after the project has already been approved by the federal government back in 2013, many people are unemployed.

With oil in Western Canada (Western Canadian Select) hitting \$11.43 a barrel in November 2018, companies simply cannot afford to stay in business. Combining this trend with the announcement that the price of vegetables increased 4%–6% as of January 1st thanks to weather, it's no wonder that many Canadians are frustrated.

This is also apparent as Calgary voted a resounding **NO** on a bid for hosting the 2026 Winter Olympics on November 13th. An estimate of \$5.11 billion was announced with additional extra costs which were never disclosed, people voted no to the increase the taxation in order to pay for it. The wrong event at the wrong time and people simply can't afford to foot the bill. Bottom line, too many taxes impact quality of life and no one will take to the streets when they are fat and happy.

What's important here is that not only has Canada joined the **Yellow Vest Movement**, but it's still going strong and will continue to rise as the economy is subdued into 2020. Trudeau might have his work cut out for him before the next election in Canada in October 2019. When Justin Trudeau came to power, he



stood in stark distinction from the outgoing Conservative government where Stephen Harper refused to sign up to international climate agreements. Harper had even withdrawn Canada from the Kyoto Protocol.

As 2019 looms on the horizon, Trudeau's climate policies are acceptable when everything is going well economically. During a recession when the economy

turns stagnant, such policies become a whole new political game. His pledge for "**Real Change Now**" setting targets to reduce carbon emissions, and to raise taxes on the rich to change the environment are coming into focus. Trudeau's commitment to the UN climate summit may now backfire as the UN itself admits that even if the entire world complied, it would not alter the future climate. For Canadians to pay Global Warming Taxes that will certainly never go to altering the climate, are going to be put to the test in October 2019.

The tax rates have been rising significantly and the government has huge deficits it seeks to reduce with yet more tax money. The Province of Ontario has massive debt and maybe under review from a credit perspective. The Canadian Prime



Minister was asked about the credit ratings of Canada at the Federal level, in which he responded that S&P still has Canada as a favorable rating.

What government simply fail to understand is the fact that the value of their currency depends upon world confidence. The value of any currency carries with it what can only be described as **Political Risk**. For example, no matter how great the deal may

appear in Venezuela, the risk that your assets will be confiscated or diminished by hyperinflation deters investment. Likewise, the Caribbean island state of **St. Kitts & Nevis** dropped the price for a citizenship to just \$100,000 following the last major hurricane. They understand the importance of attracting capital. Larger countries seem to be lost in their political insanity and claim that saving the planet is top priority when in fact unless all nations adopted such a stance, that fails even in theory (assuming you could do it anyway).

Absolutely every single country that has ever attempted to impose the theory of Karl Marx for varying degrees of socialism has failed. There has **NEVER** been a single state that has survived. Trudeau, like Macron in France, has simply used the environment as an excuse to raise taxes. Their philosophy of Socialism has simply failed to ever work historically.





This entire idea of living off other people's money has exposed the dark side of Democracy that allows the majority to oppress a minority. Historically, this has always been imposed by socialists to transform the productive class into economic slave. Even Hitler engaged in targeting the Jews which began with the Jewish bankers. Then it expanded to Jewish businesses. Finally, what the hell, just get all the Jews became the decree. This hatred of wealth always emerges throughout history and it is something we must be very careful about even flirting with such class warfare for it always results in the destruction of the state without exception. Communism collapsed in 1989 because the entrepreneurial class create the jobs and economic growth. They may become rich in the process, but that is their role within the economic model.

It is now simply time for the collapse of socialism. Those who disagree and say it is capitalism that is collapsing assume you can make slaves of the rich and fail to understand who creates jobs and economic growth. They obviously place greed before reason and have never read **Atlas Shrugged**.

Consequently, where Canada is at risk of separatist movements because of a centralized government fails in its attempt to create one-size (policy) for all, Europe is desperately trying to federalize nations and rob its member states of individuality, culture, and sovereignty. Therefore, Europe and Canada are at two entirely different positions politically and economically. The centralized attempt at creating government has historically always resulted in the ultimate collapse of the state.

One need only open a history book to see what happens with centralized government that was a core issue for the collapse of Communism in China and Russia and is undermining the economies in Western culture right now. There was a long tradition of urban life in the Hellenistic and Roman Eastern empire known as the Byzantine Empire. Edward Gibbon wrote in his *Decline and Fall of the Roman Empire* that the Byzantine government became "vitiating by a bureaucratic overelaboration bordering on lunacy: quadruple banked agencies, dozens or even scores of superfluous levels and officials with high flown titles unrelated to their actual function, if any." The term "Byzantine" today simply means an excessive bureaucratic government.

The lesson of Byzantium illuminates the very nature of urbanism which changed from the city-state model of Classical Antiquity. The primary problem was that the provincial cities in Later Antiquity lost power to an ever-growing centralized government that was centered around the imperial court and family in Constantinople. Therefore, it was incredibly important for powerful figures to be close to the power and patronage of the Emperor.



What emerged was a clear distinction between the elites of the provinces and the elites around the presence of the emperor in Constantinople. The administrative changes of the early emperors, especially the Justinian I (527–565AD) reforms, made the elites ever more dependent on imperial patronage and salaried positions. This initially resulted in Constantinople becoming an even more dominant factor in the life of the empire, and thus inspired urbanization.

However, as the Empire began to lose territory during the early mediaeval period in the aftermath of losing Syria (Levant) to the Arabs during the 7th century, there was a distinct decline in the population of the provincial cities that followed. The cycle of urbanization peaked and reversed as was the case with Rome. This new cycle of suburbium (the opposite of urbanization) accelerated. As taxes rose, the rich and powerful began to leave the center. The traditional aristocracy gradually lost power.

During the trend toward urbanization, perhaps the peak may have reached a total of about 20% of the population of the empire. Formerly large cities began to dwindle very dramatically during the 7th and 8th centuries. The cities became walled enclosures and new administrative districts began to emerge clustered around a church or an administrative building known as *kastrons*. From the end of the 9th century onwards, there began a revival of urbanization in the empire as security became the dominant concern. People would then gather behind fortress walls rebuilding new foundations in even previously non-urban settings.

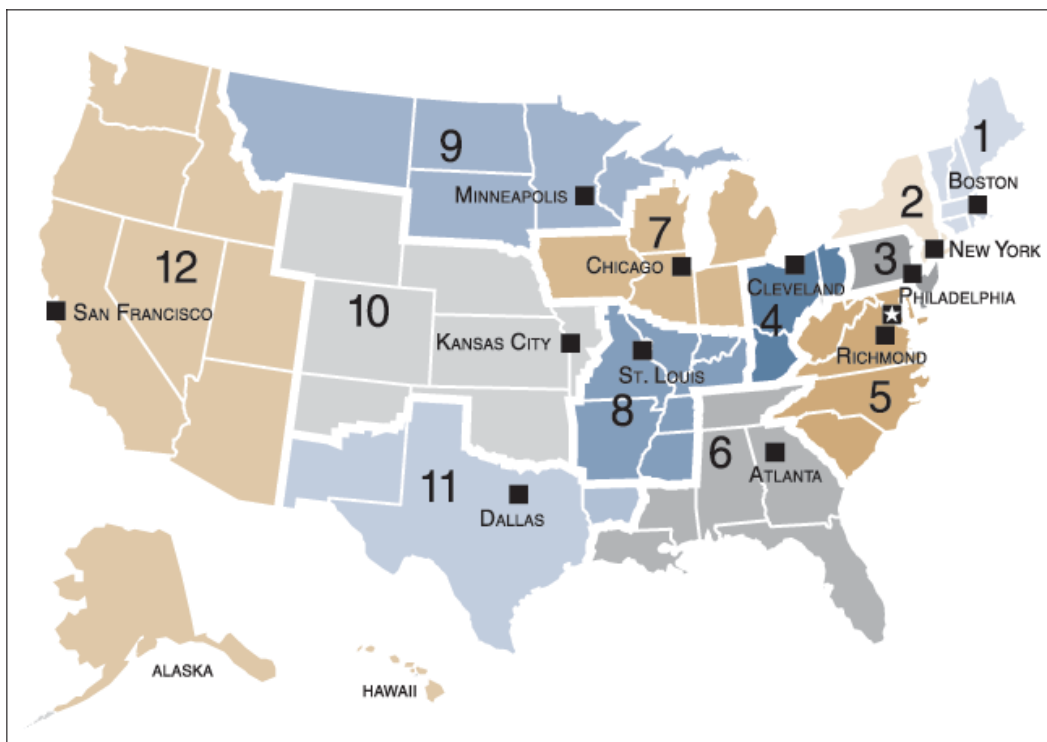
The centralized government was entering a collapsing trend, yet it sought now to maintain control over these cities' enclaves. A new class of local elites that were now centered around governors, tax officials, and bishops. They were not as independent as cities in the West, but the empire was a far more regulated and closely administered political entity than any western nation during the mediaeval period.



It was not until after 1261, under Michael VIII Palaiologos (b 1224, ruled 1259 – 1282) who was the great-grandson of Alexius III Angelus (1153 – 1211, ruled 1195 – 1203) that we begin to observe cities with truly a separatist movement with

independent cities from Constantinople. Many cities were no longer under the imperial control. Even the coinage has lost all artistic quality.

As centralized power historically becomes more bureaucratic, it always loses site of the very purpose of government – to provide an orderly process for people to coexist. When governments lose site of that goal and begin to turn against their people to sustain themselves economically, the rich elites are the first to leave. As they leave, jobs diminish and the trend to decentralize (*suburbium*) begins. In the end, people gathered back to cities, but for security because of the lack of order. This ultimately leads to the disintegration of empires, nations, and city-states.



Even in the USA, there are 12 branches of the Federal Reserve **BECAUSE** after the Panic of 1907, it was realized that there was a great diversity economically throughout the United States. We have called it the Texas–New York Arbitrage for when commodities boom, New York suffers. The same is true in Canada. It is Alberta v Ontario & Quebec. To manage the internal capital flows regionally, the Federal Reserve was created with 12 separate and independent reserve banks. We can see the map of the 12 branches, and each would maintain an independent interest rate. When there was excess cash in that region, the interest

rates would decline. Rates would rise in regions where there was a shortage of cash. This the idea was that capital would flow to the region paying the highest rates of interest,

This is an example of how the United States of independent sovereigns came together but it was Franklin Roosevelt who effectively began to centralize power into the political hands in Washington, DC.

Roosevelt imposed one central policy on the nation first to enforce his Socialism and then to fight World War II claiming that as a nation it needed one single interest rate. Once the federal government was then in control as was Constantinople, the powers it usurped were never returned to the regions. Washington became centralized power and all governments in Europe along with Canada mimicking the structural power of the United States adopting the positions of Roosevelt.

Like Byzantium, the regional differences are making themselves felt once again. We have a great disparity economically between the commodity dominant regions compared to the financial regions. This disparity is making itself self-evident in Canada as well particularly between Alberta v Ontario. This will ultimately fuel the separatist movements we are starting to see in their infancy.

Federal Reserve August 1927 Discount Rate

Atlanta.....	4.0%
Boston.....	4.0%
Chicago.....	4.0%
Cleveland.....	4.0%
Dallas.....	4.0%
Kansas City.....	3.5%
Minneapolis.....	4.0%
New York.....	4.0%
Philadelphia.....	4.0%
Richmond.....	4.0%
St. Louis.....	4.0%
San Francisco.....	4.0%

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The Canadian Dollar



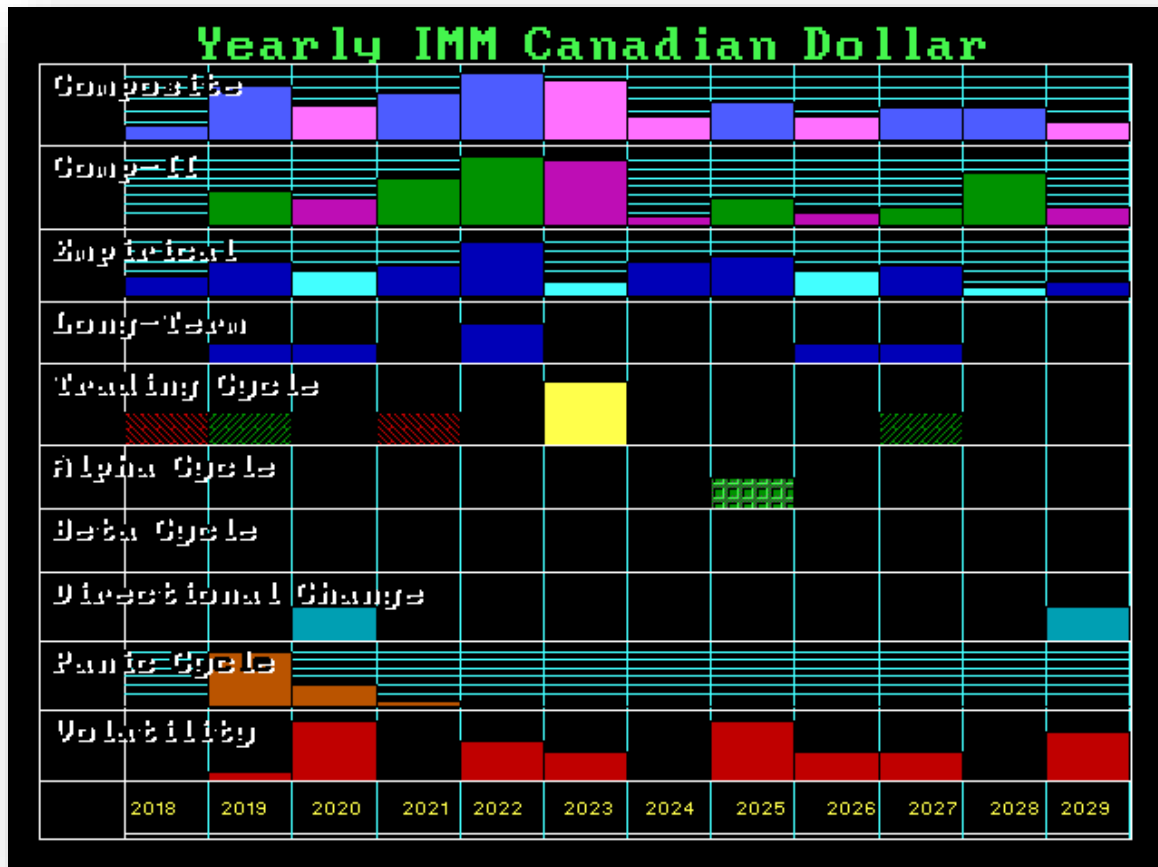
The overall trend for the Canadian Dollar appears to be looking for a change in trend come 2020. While we certainly have the October political elections in Canada that will be important, we are also looking at a rise in commodities between 2020 and 2024. The rise in real estate led politicians in Canada to rush to the cause of the claimed underclass who could not afford housing. Instead of lower taxes to revive their living standards, they adopted the approach to punish foreign investors.

In Vancouver, the government increased the property tax on homes above \$3 million. Additionally, they imposed a 20% tax that was effective immediately on any foreigner who purchasing a home. That meant that any foreigner would have to pay 25% in total taxes just to purchase a home. This was all intended to prevent housing from rising and to stop the influx of foreign capital. This effort introduced a new trend and repelled foreign investment that will feed-back into an economic decline into 2020. This major influx of foreign capital into the real estate market was capital seeking to get off the grid and thus resulted in the strong C\$. With the 20% tax on foreign investment, the intended impact of lowering property values also contributed to the C\$ collapse.



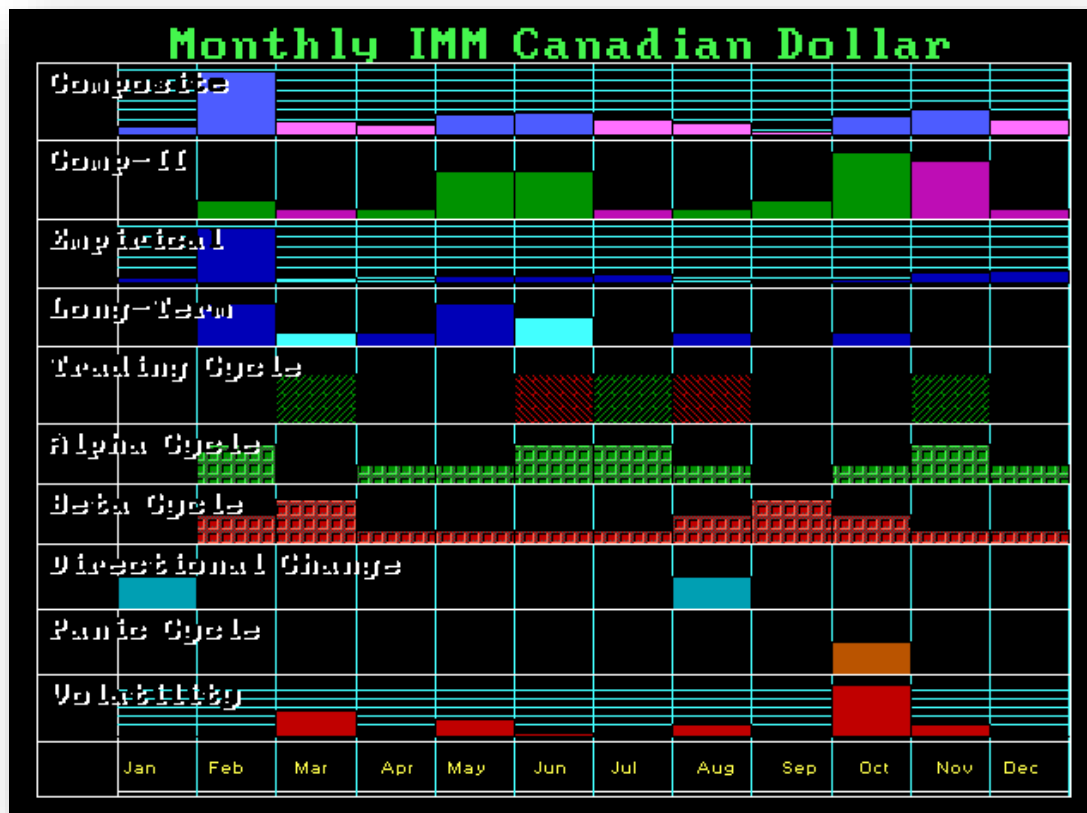
The historical perspective in the Canadian Dollar Futures experienced a rally from 2002 moving into a major high for 2007, from which the market has been in a bearish trend since the high moving into the low in 2016 forming a declining trend of 9 years bottoming at 68090. Even so, we have elected one Yearly Bearish Reversal or sell signal to date from 2007 which tends to warn that the 2007 high will stand. Notwithstanding, we have a reactionary rally in play since the 2016 low.

The price action subsequent to the 2016 low produced a Knee-Jerk Reaction rally into 2017 meaning just one-year. For now, the last Yearly Reversal or major signal for a buy or sell to be elected was a rare Superposition Event. This took place on the Yearly Level basis the closing of 2017. In effect, the market elected 3 Bearish Reversals 1 long-term Bullish Reversal. This meant that the 2017 Knee-Jerk High would stand and indeed, the market dropped back sharply from the 2017 close at 79900 falling back to 73510 for the closing of 2018.



When we look at the Yearly timing models, we do see that things should be volatile during 2019 into 2020. The prospect of a possible low forming in 2019/2020 remains high. However, we have a Directional Change due in 2020 and thereafter we have a strong turning point coming in 2022. This infers that a low 2019/2020 should be followed by a strong rally into 2022.

Besides the commodity cycle coming into play, we have the US political elections in November 2020. Our models are indicating that this is going to be really crazy. The likelihood that this Presidential election cycle will lead to serious civil unrest is extremely high. It appears that neither side will accept a loss.



On the Monthly level, closing resistance stands first at 77800 followed by 78200. The next Monthly Major Bullish Reversal (buy signal) stands at 82360 with a Monthly Minor Bullish Reversal standing at 78975.

The next Monthly Minor Bearish Reversal resides at 73050 which is followed by 71400 and 68000. Immediately, the market remains bearish below all our indicating ranges on a broader perspective. We do have to be concerned that February is an important target in time for a turning point. If this were to be a high, then the C\$ could reverse course and head downward thereafter into the April/May time period. Keep in mind that the 77800 level offers initial target resistance.

We do have important elections in Europe come May. There is a risk of a rise in anti-EU candidates being voted into Parliament. This will increase the risk behind the Euro and will clearly send capital out of Europe. Then look at October. We have high volatility and a Panic Cycle in time for the Canadian Elections. So it appears we have opposite trends forming in February then into April/May followed by September/October.

GAP ANALYSIS

Yet, this is a fair distance below presently the trading level in this market. We also see 3.10% gap in the Bearish Reversals between 70260 and 68080 on the Monthly level whereas we are right now trading at 74985. So far, we have not elected any Monthly Bullish Reversals. The Monthly Bullish Reversal to watch stands at 78160. A bullish trend remains in play for now after we previously elected all four Monthly Bearish Reversals. The Canadian Dollar Futures is in bearish position on the quarterly short-term level of our model while the broader term is also neutral to bearish. Turning to the monthly level, this market remains in a bearish position. Looking at the weekly short-term level, this market is still bullish while the broader term is neutral to bearish. Overall, the posture is generally bearish for now.

INDICATING RANGES

Monthly Level

Indicator Description...	Trend
• Immediate Trend	(Bearish)
• Short-Term Momentum	(Bearish)
• Short-Term Trend	(Bearish)
• Intermediate Momentum	(Bearish)
• Intermediate Trend	(Bearish)
• Long-Term Trend	(Bearish)
• Cyclical Strength.....	(Bearish)
• Broader Trend	- Neutral -
• Long-Term Cyclical Trend ..	(Bearish)

Our Indicators on the Monthly level are turning down at this time. Our Immediate Trend is in a bearish posture while the Short-term Momentum is also bearish. The Short-Term Trend is currently bearish with the Intermediate Momentum is in an also bearish state while the Intermediate Trend is in a bearish posture right now. Our broader indicators show Long-Term Trend is immediately in and neutral with our Cyclical Strength is in a bearish posture.

TECHNICAL ANALYSIS

From a technical analysis perspective on the Monthly level, important resistance stands at 78724, 81987, 83630, 77388, and 78990, for the closing of January. We are trading 4.98% below our first resistance level, which stands at 78724.

MONTHLY TECHNICAL ANALYSIS

01/01/2019...	59740	64385	69435
02/01/2019...	59350	64282	69107
03/01/2019...	58960	64179	68779
04/01/2019...	58570	64076	68451
05/01/2019...	58180	63973	68123
06/01/2019...	57790	63870	67796
07/01/2019...	57400	63768	67468

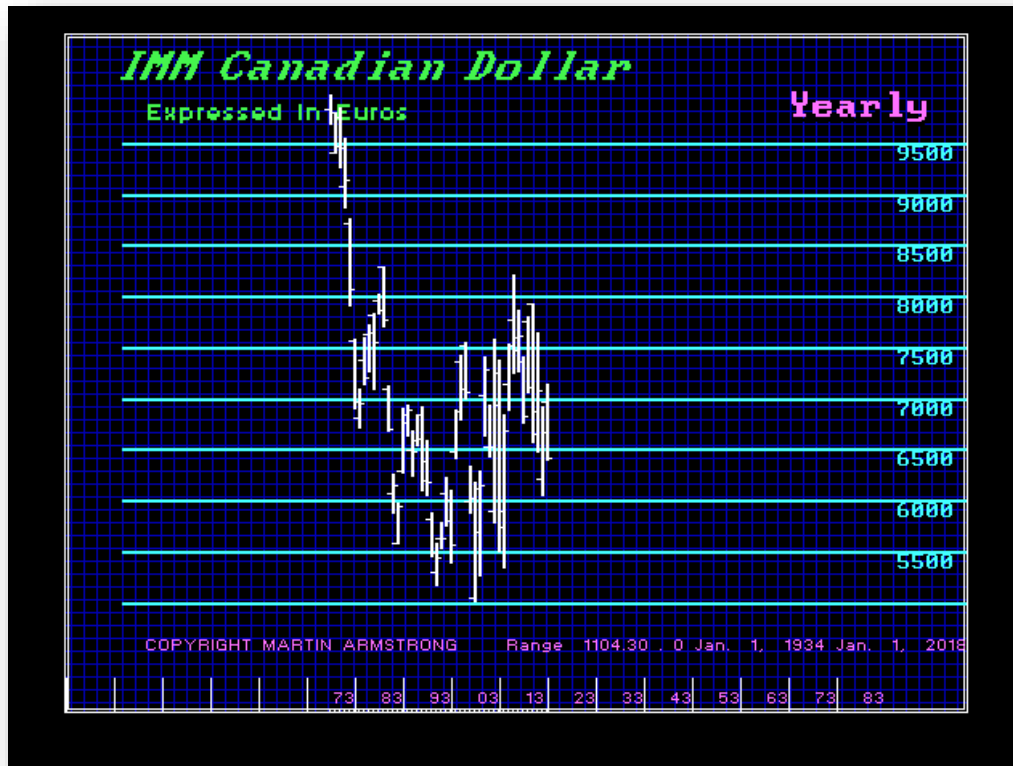
CONCLUSION

A closing below 71350 in the C\$ at the end of 2019 will imply that we should see lower lows during 2020. The key targets for support in 2020 will be 61900, and 56820. The 2002 low was 61700. Therefore, the C\$ can still hold finding support between 61700 and 61900 creating a double bottom. That pattern tends not to reflect a major conclusion to a trend. In other words, the market thereafter might be able to bounce during a commodity rally back to the 94500 zone by 2022.

Breaking the 2002 low of 61700 will signal that we should hold at worse the general area of 56820. That type of new low would then imply a stronger rally thereafter. A Quarterly closing below 63200 would warn that we can see a break of the 2002 low.

Just keep in mind that this decline in the C\$ will most likely come to an end by 2020 perhaps during the 2nd quarter. We have 2021 as a Panic Cycle implying this is the period where we can see a severe monetary crisis should the Euro crack. That appears also to be intense during the 3rd quarter 2021 with a Directional Change the following quarter.

Canadian \$ v Euro



Against the Euro, the C\$ fell drastically and established a major low in 2003. We have elected 3 out of the 4 Yearly Buy signals for the C\$ against the Euro. While the C\$ peaks with commodities in 2011 against the Euro, it has nonetheless held all support and has **NOT** elected any sell signals on our computer models.

The posture of the C\$ against the Euro is very critical. While we have a lot of political turmoil in Canada from the environmentalists and socialists who are trying to shut down the Canadian energy production transforming the nation into a net importer of energy, still the computer model warns that regardless of the trend in Canada, it is far worse in Europe.

Support lies at 65900 followed by 65010, 64765, 63300, and 57770. The resistance stands at 69085, 69225, 70645, 76155, 77925, 79155, and 95450. A yearly closing above 79155 will signal a breakout to the upside against the Euro and an annual close above 95450 will warn that Europe is collapsing.

Canadian Equity Markets



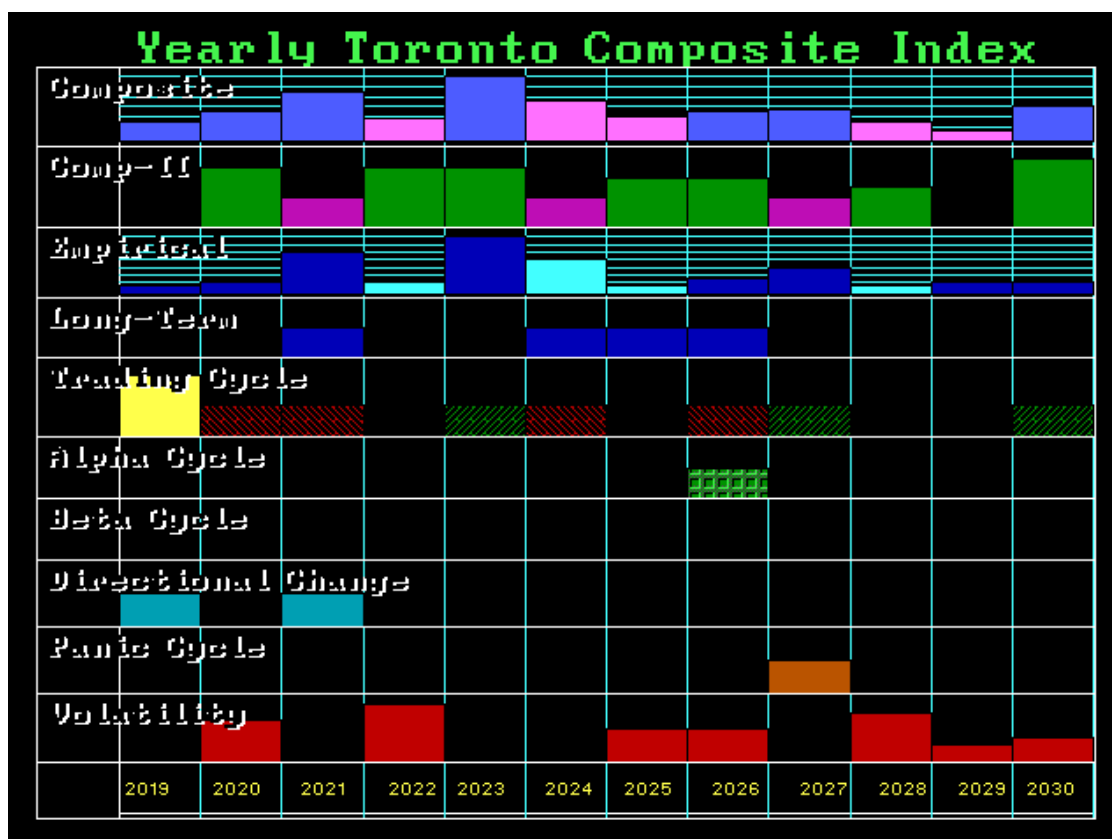
The Toronto Composite Index Cash has been trading down some 7-8% below the 2018 closing of 162091. Historically, the Canadian share market also peaked in 1929 and fell into a Depression low in 1932 following the United States. It then rallied into 1937 and fell back into a low during 1942 just prior to World War II. It took 22 years until 1951 for the Canadian market to exceed the 1929 high.

The Canadian market began to depart from the United States after the 1966 Crash. Where the US market kept rallying to test the 1000 level from 1966, it took 20 years to finally breakout in 1986. In the case of Canada, the 1980 high came in at 24022 more than double the 1966 high of 9177. By comparison, the Dow Jones Industrials peaked in 1966 at 1001 and by 1980 the high was only 1009. The Canadian market significantly outperformed the US market based entirely on the commodity outlook as the world abandoned Bretton Woods and moved to the Floating Exchange Rate system in 1971.



This index continued to make new historical highs over the course of the rally from 1984 moving into 2018, we ended up making an outside reversal to the downside closing below the 2017 low. This technical pattern by itself indicates a correction and our timing models have shown that the next commodity rally will be on the horizon from 2020 into 2024. This suggests that the correction process is likely to extend into 2020.

Technically, support begins at the 132600-level followed by 119600-level. Therefore, as political chaos appears on the horizon in Europe and Canada, we see that a new Emperor comes to the throne in Japan and there too we see significant political elections in 2019. Then we have the 2020 Presidential elections in the USA and the press is in an all-out war to defeat Donald Trump at all costs. The problem with that attitude is that the people voted him in BECAUSE he was not a career politician. There is absolutely nobody on the horizon in either party who would fill that slot. The wildcard remains the possibility of an independent candidate emerging such as Howard Schultz who is the former CEO of Starbucks.



During 2018, the TSX exceeded the 2017 year's high making a new historical major high but it then crashed and closed to the downside under the 2017 low. This is clearly suggesting caution is necessary. The last 3 highs have been progressively making higher highs implying we have had a bullish market in motion for the past 17 years. The last high year-end close remains that of 2017. Only a yearly closing below 126100 would signal a bear market ahead.

Our Yearly Energy Models are rising on all three dimensions suggesting we are still bullish for now reflecting that the long-term trend has not been broken. Even the basic Oscillators are all in a bullish position on the yearly level.

Exploring the longer-term yearly level, we see turning points where highs or lows on an intraday or closing basis should form will be, 2021, 2023, 2027 and 2030. Centering on the patterns unfolding, we do see a prospect of a decline moving into 2021 but with a Directional Change in 2019, that could provide an early low with the opposite trend thereafter into 2021 which could extend into 2023 if we see the Monetary Crisis Cycle kick-in come 2021. This is a realistic potential since 2018 closed below the 1017 low of 149158.

Nevertheless, the most critical model, the Directional Change Model targets are 2019 and 2021. This model often picks the high or low but can also imply a breakout to a new higher trading zone or a breakdown to a new lower trading level. Investigating the volatility models suggest we should see a rise in price movement during January 2028. We look to the turning points to ascertain the direction.

Volatility targets reflect only greater price movement. Nonetheless, our Panic Cycle target, for the next period to watch is during 2027 which is beyond the next peak in the Economic Confidence Model due in 2024. Keep in mind that a Panic Cycle differs from just volatility. This can be either an outside reversal or a sharp move in only one direction. Panic Cycles can be either up or down. Watch the oscillators and the reversals to determine the best indication of the potential direction.

The current overall tone on the Yearly level is very Bullish long-term.

The first key Yearly Bearish Reversal rests at 126170. A bull market remains in play as long as that Reversal holds on an annual closing basis. To confirm a long-term change in trend to the downside, all four Yearly Bearish Reversals in this market would need to be elected meaning a yearly close beneath 31400 is required. That just does not appear to be even possible.

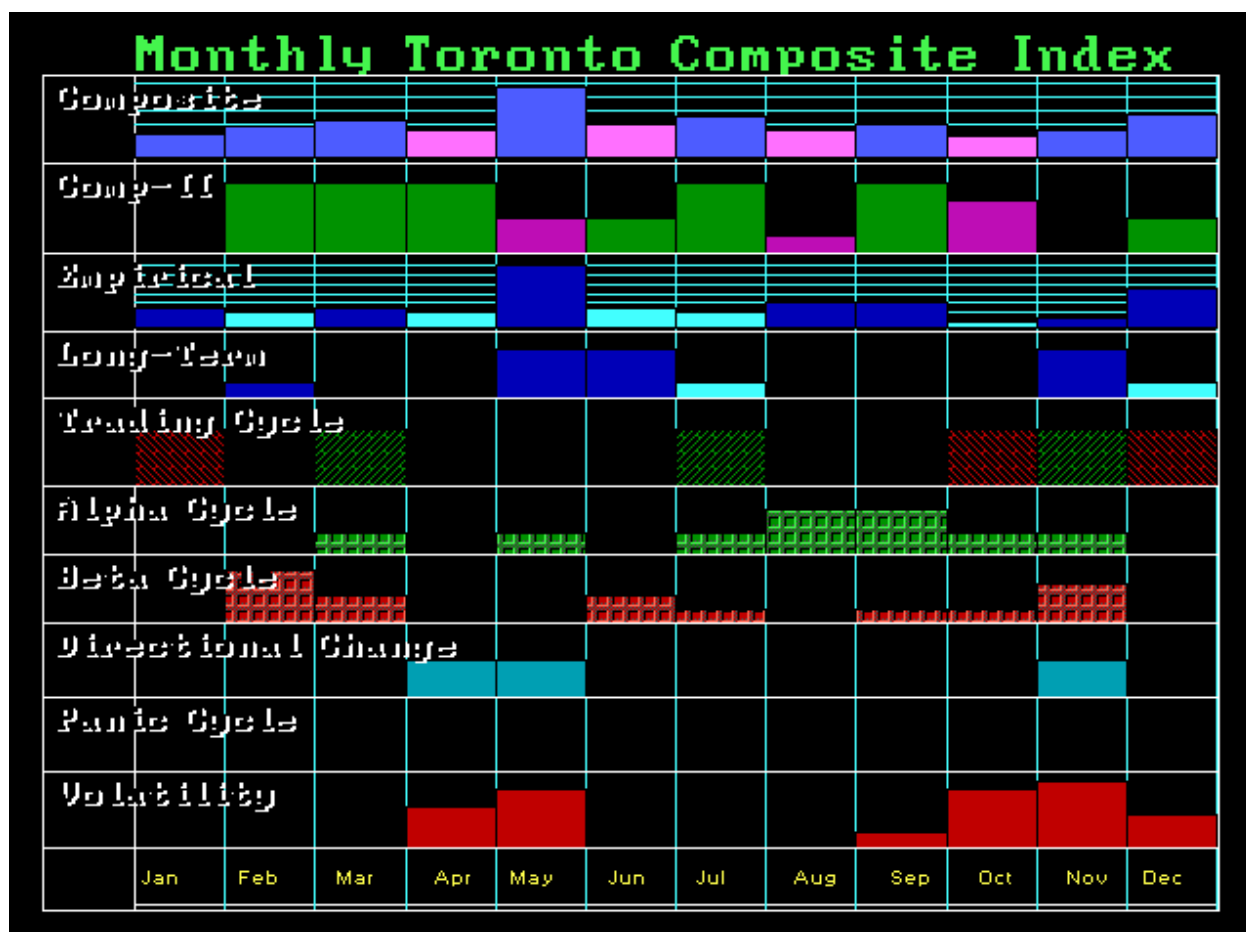
Our projected Bullish Reversal in this market are above beginning at 155250. The Toronto Composite Index Cash is still in long-term bullish position on the quarterly and yearly levels reflecting the trend has not been reversed

INDICATING RANGES

Yearly Level

Indicator Description... Trend

Immediate Trend	BULLISH
Short-Term Momentum	BULLISH
Short-Term Trend	BULLISH
Intermediate Momentum	BULLISH
Intermediate Trend	BULLISH
Long-Term Trend	BULLISH
Cyclical Strength.....	BULLISH



The strongest target in the Monthly array is May for a turning point during 2019, at least on a closing basis. Additionally, we have a near-term target in March with a Directional Change due in April back to back with May. We can see higher volatility will be projected for the election period on October 2019.

Keep in mind that given the sharp decline of 16.9% from the last high established on July 2018, we have elected 3 of the 4 Monthly Bearish Reversals from the last high so far to date. This leave the critical support at 135350 on a monthly closing basis which would signal a broader decline would be more sustainable.

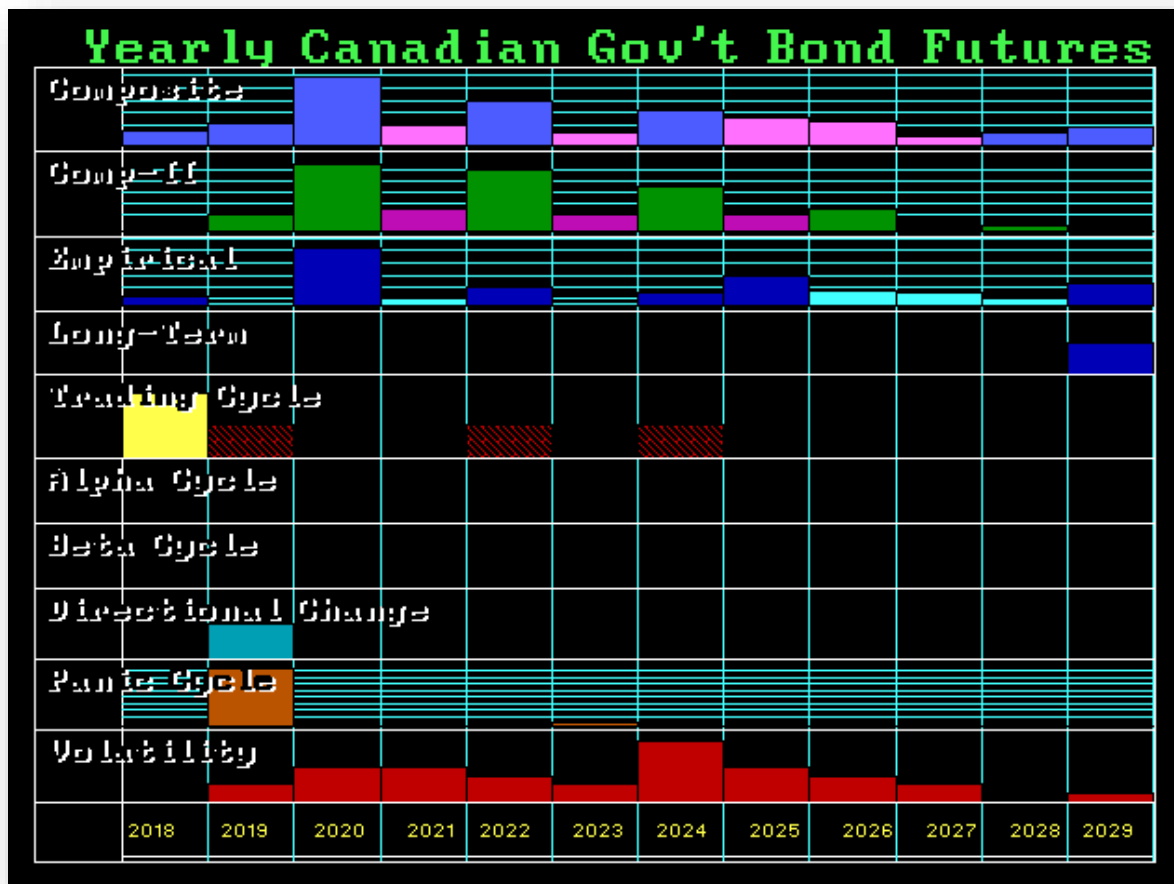
There are 3 Monthly Directional Change targets starting from April and May warning of a potential choppy swing period is likely with the third target showing up in November just after the elections. With this much focus on the election period, there appears to be clearly a political disruption on the horizon.

Canadian Interest Rates



The outlook for Canadian Interest Rates remains in a rising trend. Canadian Government Bonds are generally trading marginally below last year's closing of 13677. The historical perspective in the Canadian Government Bonds included a rally from 1990 moving into a major high for 2016, from which the market has been in a bearish trend since then moving into the low in 2018 forming a reactionary trend of 2 years bottoming at 12918. The market did bounce as the share market came down offering the traditional flight to quality.

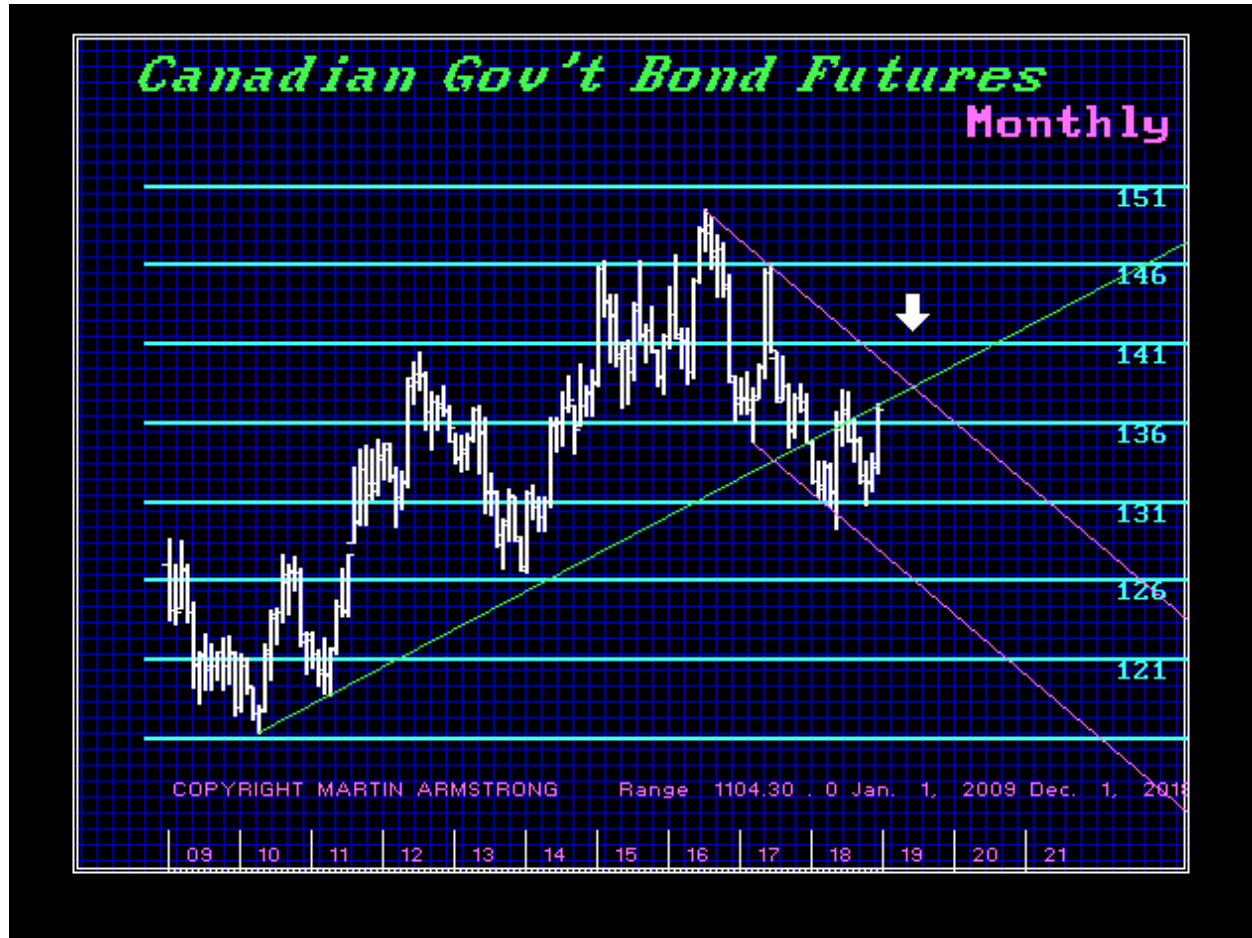
Nonetheless, we have not elected any Yearly Bearish Reversal to date from the 2016 high, so the bear market is yet to be confirmed on the long-term level. On the upside, we would need a yearly closing above 14045 to signal that we will challenge the 2016 high of 14949.



This market remains in a positive position on the weekly to yearly levels of our indicating models. Up to now, this market has been declining for 2 years going into 2018 reflecting that this has been only still a bearish reactionary trend.

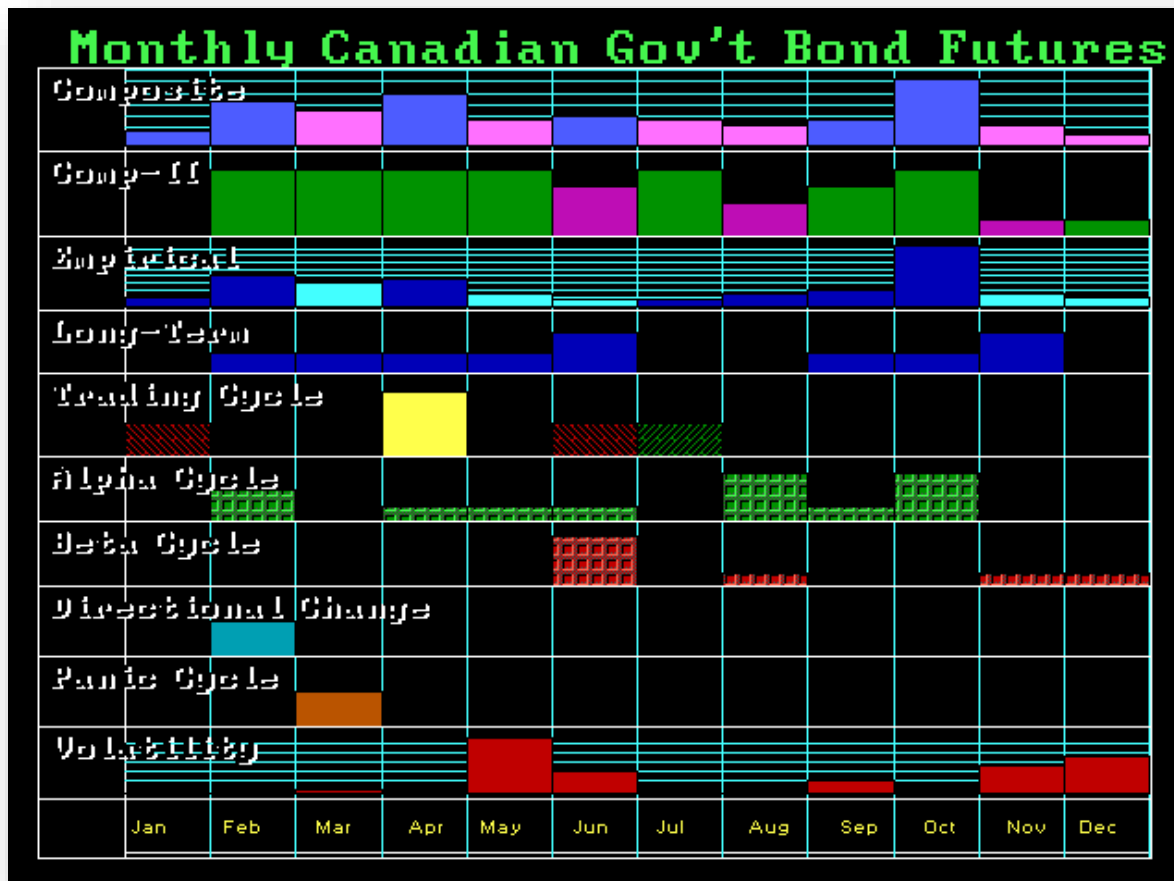
A change in trend appears possible as we enter 2020 in Canadian Government Bonds. We see 2019 as high volatility with a Panic Cycle and Directional Change. This opens the door to a flight-to-quality move if the share market moves further down. A high in 2020 points to decline thereafter going into 2024, which appears to be also an inflationary trend.

It clearly appears that the Canadian interest rates will rise with the change in the Economic Confidence Model due in 2018. Therefore, we should reasonable expect rising interest rates between 2020 and 2024.



Immediately, the market is neutral on our indicating range models for the monthly time frame. However, the quarterly level is also neutral for now. We also have a Minor Monthly Bearish which is a bit further from the market right now. This resides at 12901 and therefore, a month-end closing below this Reversal will signal a sharp decline to retest of support is likely. Still, we do see underlying.

The bonds fell into a low during 2018 in the month of May. We did elect one Minor Monthly Bullish Reversals signaling that a bounce would be likely. However, overhead resistance stands at the 13670 and 13840 levels. Only a monthly closing **ABOVE** 13968 will signal a sustainable rally is possible with an initial flight to quality.



A change in trend appears possible as we enter February in Canadian Government Bonds given this is a minor turning point and a Directional Change with a Panic Cycle coming the next month in March. The last cyclical event was a low established back during October 2018 so ideally this implies a rally into this target.

We can see that we have the next turning point showing up in April/May and this appears to be focused on external factors. The strongest target is lining up with October which is when the Federal elections will take place.

Canada & Energy



The Crude Oil market has been under a major assault by the Green Environmentalists who have been using the Global Warming propaganda in a major effort to end the oil industry once and for all. Until the removal of restrictions on exporting U.S. crude oil in December 2015, virtually all U.S. crude oil exports went to Canada. Since the United States began exporting more crude oil to other countries, Canada's share of U.S. crude oil exports has fallen, although Canada still remains the largest destination for U.S. crude oil exports.

In 2017, for the first time, the United States exported more crude oil, in total, to other countries (794,000 b/d) than it imported. The US exports to Canada (324,000 b/d) U.S. crude oil are typically light sweet grades that are shipped to the eastern part of the country.

A decade ago, Canada's oil sector was growing so fast it was predicted to become a global energy superpower. Such forecasts always fail because they are based upon an immature way of forecasting – whatever trend is in motion will remain in motion. Through a series of political missteps and formidable environmental activism, Canada's energy industry has been collapsed into a dysfunctional system requiring OPEC-style government intervention to move its oil even to market.

Canada total production amount to 4.9 million barrels per day (bpd), making it the fourth largest producer behind the United States, Saudi Arabia and Russia. Nevertheless, Canada, the world's fourth largest producer, has had to nationalize a pipeline and the province of Alberta is exploring buying trains to handle a glut of oil sitting in storage and the environmentalists have brought the Canadian energy industry to its knees.

Canada's crisis coincides with big producers taking market share away from OPEC members. Global oil demand was expected to surpass 100 million bpd in 2019, but there is a softening in demand due to an economic recession being rather hard outside the United States. The exports of the USA have reached record highs on growing demand from China, India and other developing countries.

However, Ottawa has failed under two governments to date to effectively counter the strategy of environmental activists to attack the oil sector's heart by shutting down its pipelines. Roughly 35 million barrels, twice the normal amount, of Western Canadian crude used to produce diesel, gasoline and jet fuel, has been stuck in storage driving the price down dramatically relative to free market prices.



Environmental Activists

The energy sector accounts for nearly 11% of Canada's GDP (Gross Domestic Product). However, Canadian oil trades at a fraction of global prices, costing the economy C\$80 million per day. They are fueling the discontent in Alberta, raising unemployment, and have no impact whatsoever globally in reducing the use of energy. Their greatest accomplishment has been simply hurt Canada's economy and raise the cost of living of the average person.

Alberta took the unusual step of temporarily curtailing 325,000 bpd starting in January 2019 – in the aftermath of a retreat from the oil sands by global companies including ConocoPhillips (COP.N) and Statoil ASA (STL.OL). What the environmentalists have done is destroyed the market access to Canadian energy.

Prime Minister Justin Trudeau faces an election next year and he is caught between a rock and a very hard place. He offered C\$1.6 billion in aid to the devastated oil sector. In May, Ottawa agreed to buy the Trans Mountain pipeline in hopes of pushing through an expansion to nearly triple capacity as other proposed lines languished.



The environmentalists have successfully hurt the Canadian economy dramatically, which is reflected in the collapse of the C\$. The former Prime Minister Stephen Harper boasted that Canada would soon become an “energy superpower.” Those dreams have been stopped dead in their tracks. Both Harper and Trudeau have failed to take steps to complete pipelines allowing the environmentalists to grow in number and power. Two projects were outright killed, while the courts have delivered legal setbacks blocking the development of TransCanada Corp’s (TRP.TO) Keystone XL and the government-owned Trans Mountain expansion efforts.

Trudeau proposed to impose taxes for Global Warming on each home to placate the environmentalists and in return approving pipeline expansions. The strategy merely made both sides angry. When a court overturned Ottawa’s approval of the expansion of Trans Mountain in August, the deal was off and

Alberta Premier Rachel Notley yanked support for Trudeau's carbon plan just hours later.

Alberta has turned to buying rail cars in a desperate effort to reduce the glut of oil. Alberta ordered producers to cut output after its oil fell to a discount of \$52 per barrel from U.S. oil in October.

Alberta's oil sands, which is a mixture of sand, water, clay and thick, heavy oil, became a favored target for environmentalists as production expanded dramatically in the early 2000s. They argued that the mining process removed all trees and vegetation across huge tracts of land.



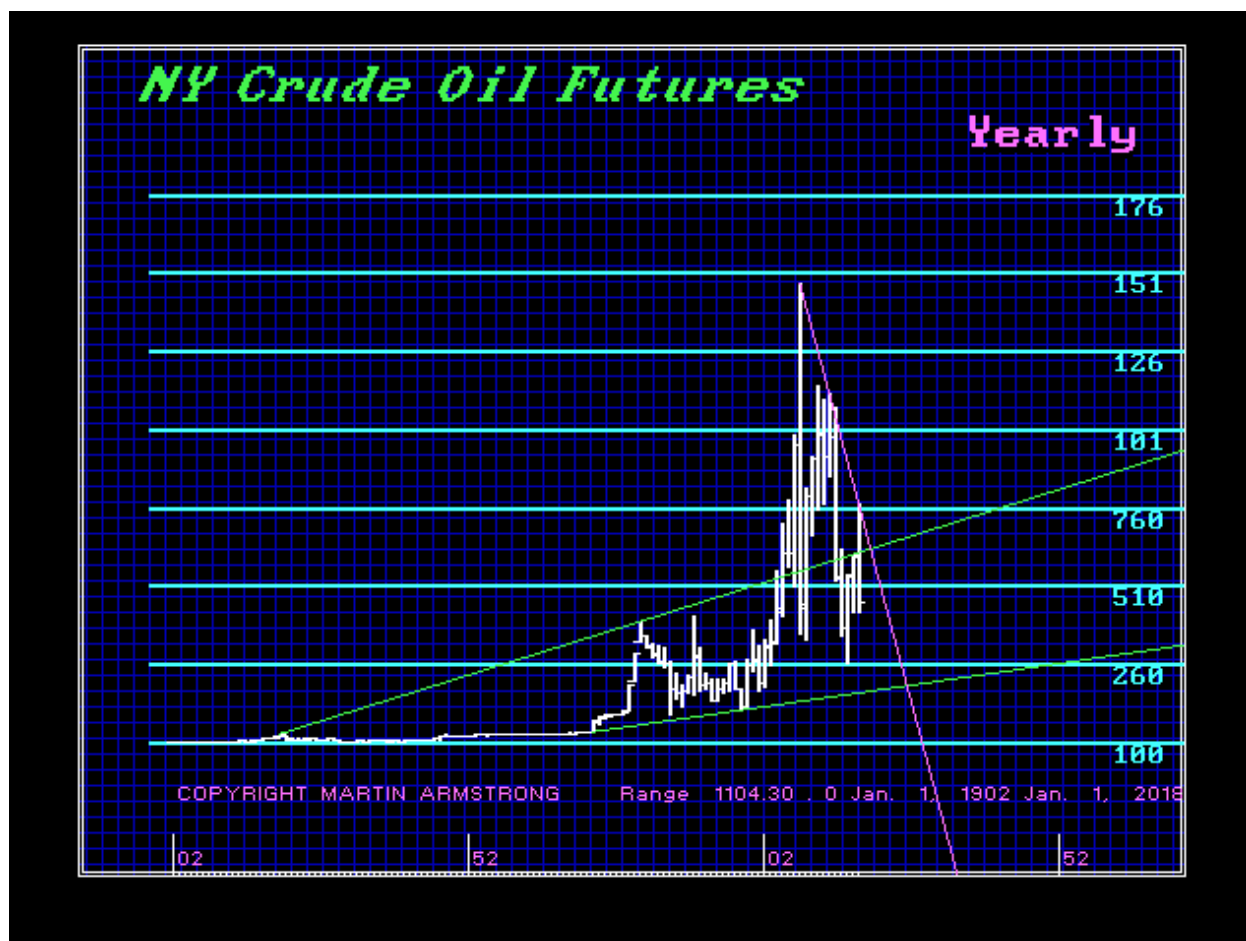
The environmentalists then turned to the pipelines rather than fighting the Alberta Energy Regulator and therefore bypassing that authority all together. They solicited help from getting universities to preach global warming to increase their ranks among young adults who are easily influenced. They also solicited Hollywood and staged protests at the White House in the USA to stop a pipeline to the USA. They won the attention of Obama to kill the TransCanada's Keystone XL pipeline back in 2015.



In Canada, they solicited the Indigenous people to join their fight. They the environmental/Indigenous opposition merged to block any pipeline to the West Coast after defeating the one to the United States directly. This formidable group managed to bring Canada to its knees and forced Trudeau to push for tighter regulations on future pipelines. As a result, Trudeau has already shelved Enbridge's Northern Gateway proposal, which would have run through northern Alberta to the Pacific coast. Then the National Energy Board in 2017 toughened its review of TransCanada's Energy East pipeline while it was underway killing that project in midstream costing millions of dollars that cannot be recovered.

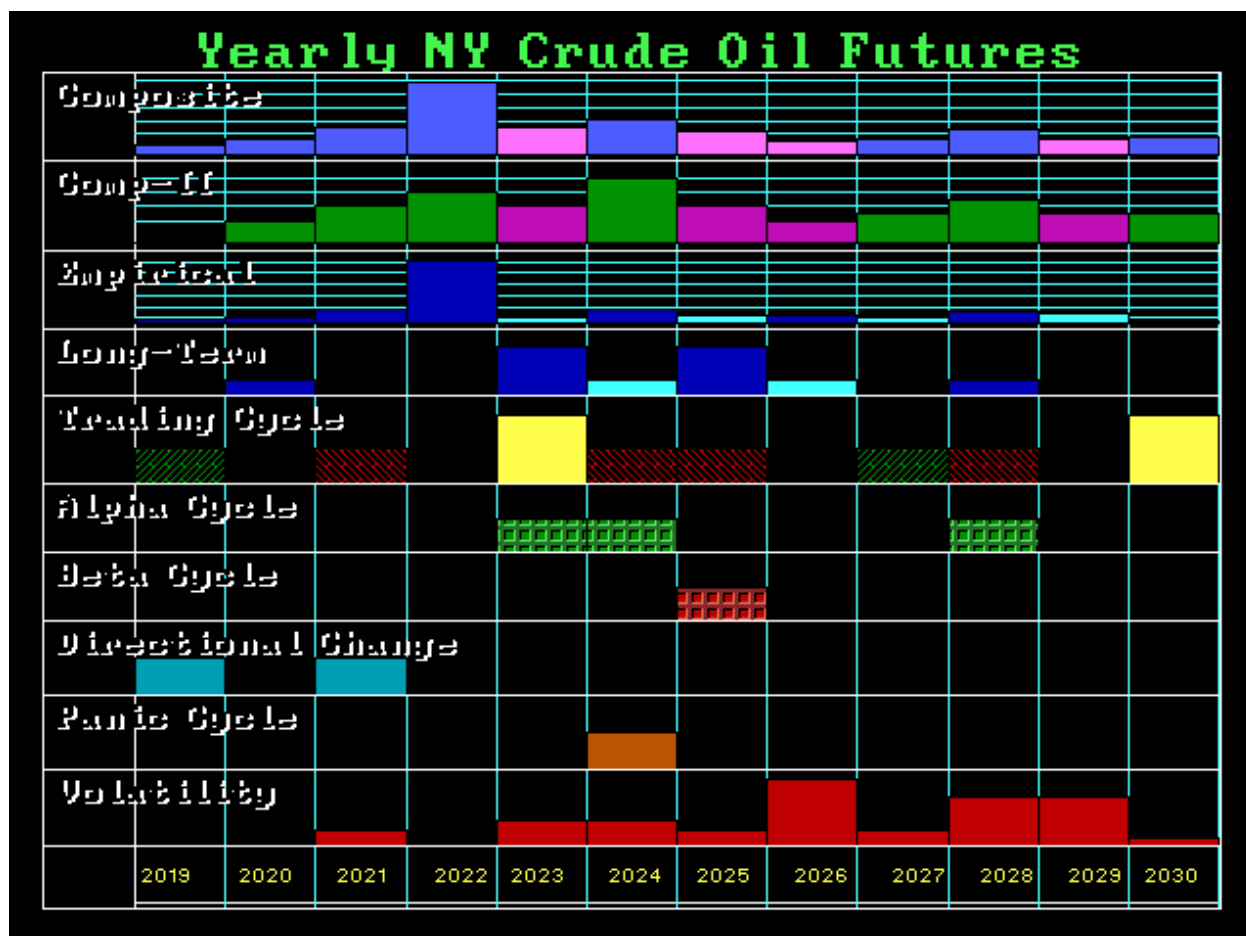
U.S. President Donald Trump resurrected Keystone XL in 2017. But both KXL and Trans Mountain remain in regulatory limbo after courts ruled in recent months that the U.S. and Canadian governments failed to consider environmental concerns. The net result has been a reversal in trend as far as looking to invest any money in Canada for energy development.

The bottom line has been to increase the cost of living, lower living standards for Canada in the longer-term, and it has failed to contribute to a change in the environment. Nevertheless, as pensions begin to go broke and people get upset with what the environmentalists are doing to their standard of living, then the need for cash by government to stay alive will win in the end. Of course, by the time this unfolds politically, it will most likely line up with the next high in oil.



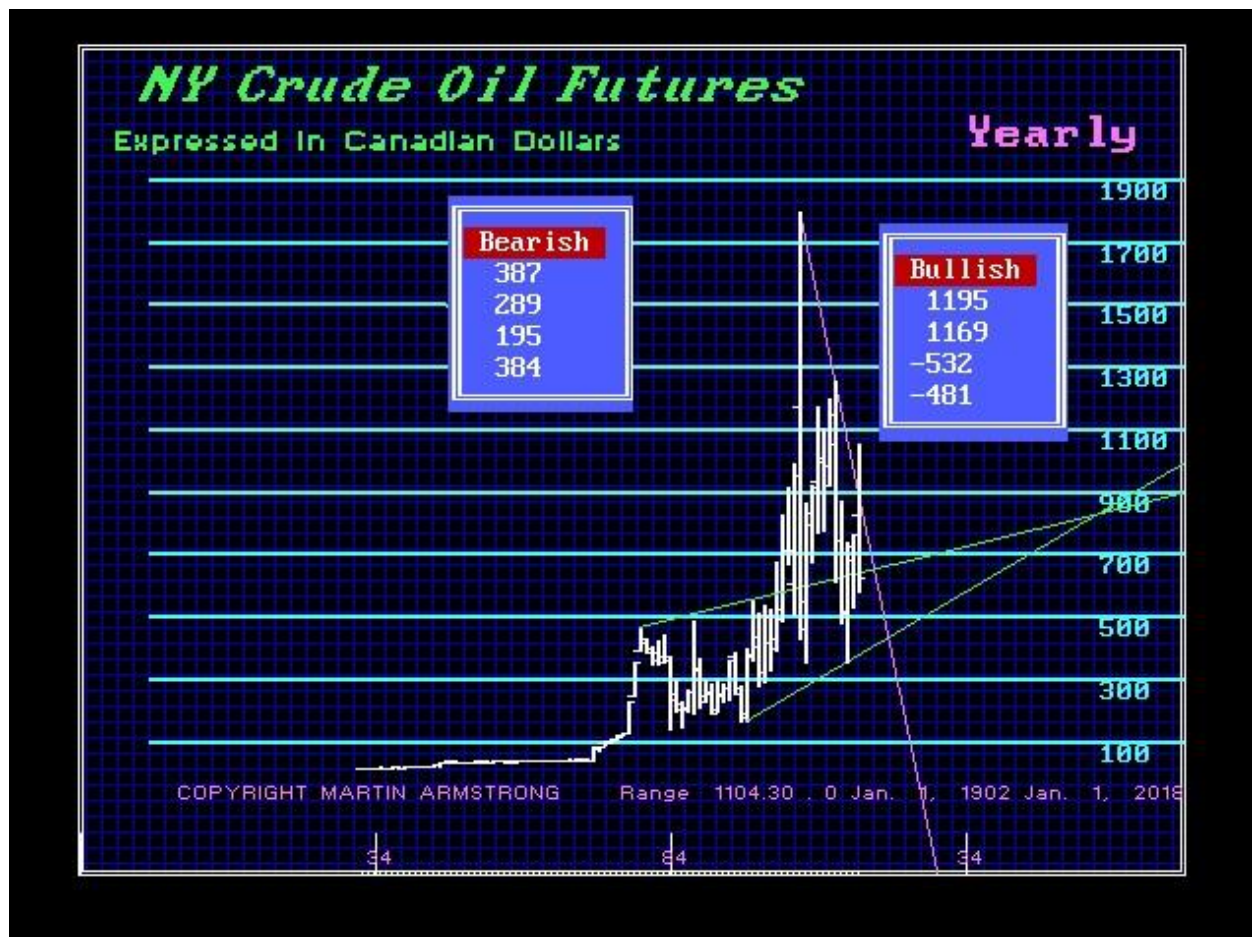
The historical perspective in the NY Crude Oil Futures included a rally from 1986 moving into a major high for 2008, from which the market has been in a bearish trend since then moving into the low in 2016 forming a declining trend of 8 years bottoming at 2605. Nonetheless, we have **NOT** elected any Yearly Bearish Reversal to date from the 2008 high, which tends to warn that the 2008 high could still be challenged until we elect a Yearly Bearish Reversal. The first one lies at 32.20.

We have a reactionary rally in play since the 2016 low, which tends to imply the market would at least hold temporarily only above that low. We have elected two Yearly Bullish Reversals from this reactionary low implying that this low should hold at least provisionally for now.



The strongest target in the Yearly array is 2019 for a turning point ahead, at least on a closing basis. This is also a Directional Change. Thereafter, we see a Directional Change is due in 2021 and the strongest turning point thereafter will be 2022. Keep in mind that given the dramatic decline from the high of the year during 2018 that if we continue to move in the same direction into 2019. We have Yearly Directional Change targets due during 2019 and 2021.

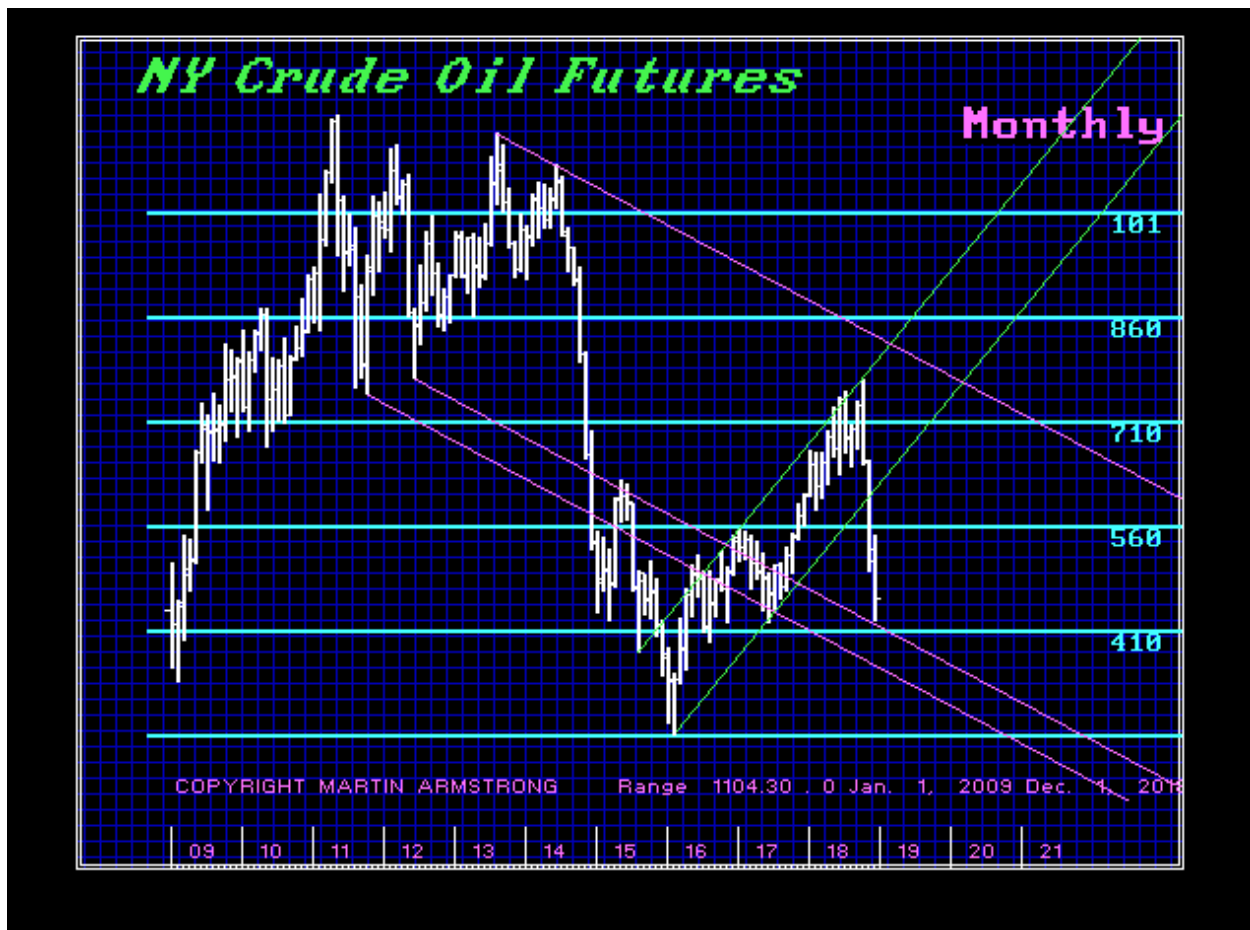
Since the market did elect two long-term Yearly Bullish Reversals from the 2016 low, this certainly confirmed that it should hold at least provisionally. We did elect a Minor Yearly Bearish Reversal on the close of 2018 so this implies we can see lower lows during 2019 to retest the 3450 to 3200 zone beneath the current market levels.



When we look at Crude Oil in terms of Canadian dollars, we obtain generally a very similar pattern to that of US dollars. However, the numbers will differ in each currency we analyze any market. Nevertheless, the time remains the same.

There is no risk of electing a major Yearly Bearish Reversal. We did elect two Yearly Bullish Reversals from the 2016 reaction low. That tends to imply that the 2016 low should hold indeed at least provisionally.

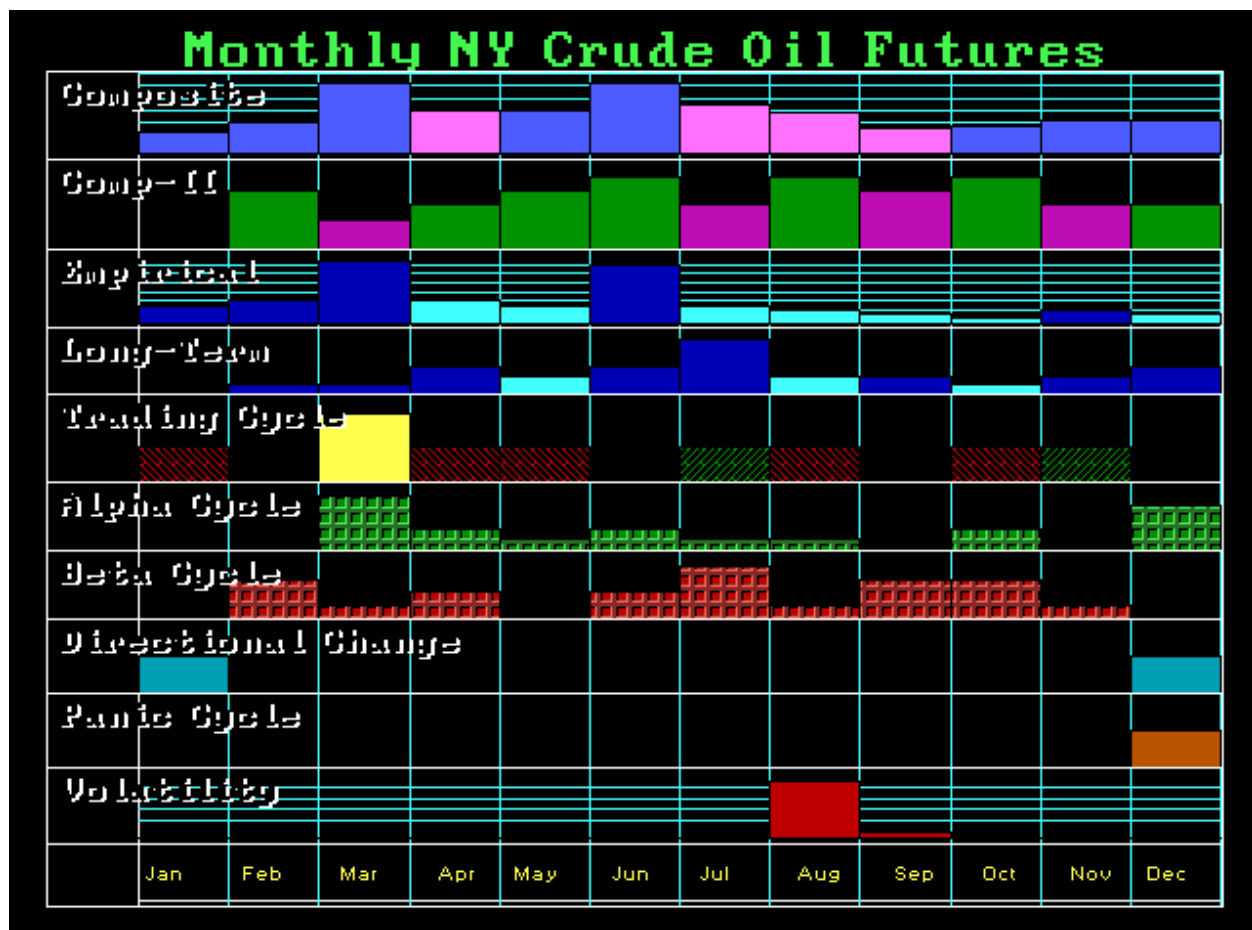
That said, it still appears with a commodity cycle on the horizon, it is not likely that Crude Oil will make a new low in Canadian dollars. This does not speak to Canadian oil itself as the crisis there is simply that it is not marketable at this time without some arrangement be it trains or a pipeline.



This market on the monthly level has been making successive new highs into mid-2018. The last high was made during October 2018 and from there, the market crashed following the Dow Jones Industrial Index.

We have elected three Month Bearish Reversals from the recent October 2018 high. This leaves us watching the fourth number at 3918. A monthly close below that number will signal a drop to retest the 2016 low. We do have a Minor Monthly Bearish Reversal at 4220 but the Major Bearish Reversal lies at 2755.

Meanwhile, our technical resistance stands at 8343 and it will require a closing above this level to signal a breakout of the upside is unfolding. Our first Minor Monthly Bullish Reversal stands at 5223. A close above that on a monthly basis will signal a rally back to the 5900–6000 level.



From a timing perspective, a turning point is due come March in NY Crude Oil Futures so be on guard as this unfolds. The last cyclical event was a high established back during October 2018. Normally, this implies that the next turning point should be a low. However, the market has been neutral for right now, so caution is advisable. Watch the short-term trading levels for a hint of the next directional move into that target time frame. Last month produced a low at 4236 but closed on the weak side and so far, we are trading neutral within last month's trading range of 5455 to 4236. We need to breakout of this range to confirm the direction. Therefore, a close above will be bullish and a close below will warn of a possible decline.

Canadian Real Estate



The government of British Columbia claimed there was an **affordability crisis** in the Greater Vancouver real estate market. However, the surge in real estate prices was capital seeking to get off the grid in addition to the mad rush into property that could be rented in hopes of obtaining some yield in the area of 5% to compensate for the virtual zero interest rate policies of central banks. Real estate markets around the world were all following the same trend such as Sydney and Melbourne in Australia, New York, Miami, and Los Angeles in the United States, as well as Hong Kong and London. All these markets saw prices rise as housing came to be seen more as an investment than a place to live. This was also reflected in the rise of the Canadian dollar.

The response of government to raise taxes to fight whatever short-term crisis are never reversed when the crisis changes. B.C. former Premier Christy Clark said she was pleased by the dramatic impact her tax on foreign buyers is having on Metro Vancouver's residential real estate market property values crash. This tax will then deter foreign investment in the future as well. Causing the entire real estate market to decline is recessionary for people spend less whenever their homes decline in value. It was the 2007–2009 Crash which devastated the world economy because it took place in real estate which impacts everyone unlike stocks or bonds.

People are not stupid. The numbers reveal that there was a huge spike in real estate sales on the final business day before the tax was implemented in Vancouver. On July 29th, 2016, more than \$850 million in residential property transactions involving foreign nationals in Vancouver took place according to the registrations at the Land Title Office. That was equal to more than 50% of all transactions registered in Vancouver on that day and almost 40% of the total foreign investment in Vancouver residential real estate for the entire period after data collection began.

Subsequently, sales to foreigners have plunged in a nose-dive. The politicians succeeded in creating a bear market in real estate. What the politicians failed to realize is that the foreigners also spent money in town and now retail sales are also declining. When the foreigners were entering Canada, they brought money with them. This is not the same thing as pretend Syrian refugees. These people contributed to the local economy.

The new rules applied to home purchases in Vancouver, excluding the treaty lands of the Tsawwassen First Nation. A class-action lawsuit was been filed in B.C. Supreme Court on behalf of virtually all non-Canadians who have been forced to pay the tax. They are claiming discrimination.

A month after the introduction of the tax, the Greater Vancouver Real Estate Board revealed the number of homes being sold had dropped significantly and prices had stalled since it came into effect. Real Estate is NOT a movable asset. Yet it is no different than selling manufactured goods for export. It brings in foreign capital as in trade yet it ties the buyer to the nation even more as a repeat customer. The idea that politicians have tried to lower housing prices to help millennials is stupid. It is indistinguishable from saying the stock market is too high so let's lower the value so others can afford to buy shares.



In truth, the data is clear. Foreigners had only accounted for about 10% of home sales. Granted, the foreigners were also buying the high-end properties not the average home. The same was true in Miami, New York, and Los Angeles. The Vancouver property market has declined sharply and there is now no reversing the trend by even eliminating the tax. They took the fluff out of the market. However, there has also been a shift from homes to more condo sales. It appears that the politicians never get anything right. They blamed the foreigners without justification.



In Toronto, the new political party was also focused on limiting immigration, creating cheaper housing for millennials, and increasing taxes for the "rich." The new government even put an asset tax on houses greater than \$3mm.

In Calgary, located in the middle of an oil patch, the collapse in Canadian oil prices have been hammered because of the lack of ability of the Federal Government to get pipelines approved and get the commodity to market. Here, the millennials could not afford housing for the destruction of their primary economic sector by the environmentalists.

1. Increased Property Transfer Tax (PPT) on homes above \$3 million:

Summary

- The PPT applies to all property transactions (commercial, residential and land)
- Increased by 2% on homes above \$3 million; instead of 3% it's now 5%.
 - 1% on the first \$200k
 - 2% between \$200k and \$2 million
 - 3% between \$2 million and \$3 million
 - 5% on \$3 million and above

Implications

The implications of this Canadian approach to making housing more affordable for millennials instead of reducing their taxes to increase their disposable income, has been to reduce the number of sales which has undermines the real estate market that many have considered to be their savings for retirement. Increasing the Property Transfer Tax (PTT) has reduced buyer's demand and resulted in the decrease the homeowner's willingness to sell waiting for prices to recover. This inspires a recession for whenever home values decline, people spend less for their fear they have lost asset values that at least mentally was a large part of their savings.

The implications are quite severe, as home sales have already declined significantly. Detached home sales in Vancouver were down nearly 40% during 2018 compared to 2017. In West Vancouver, sales collapsed by as much as 60% compared to 2017.

The side-effect has been to actually increase prices of the lower valued homes that millennials would buy – not the \$3 million+ category. Buyers have turned to the lower-end in housing under the \$3 million threshold while houses that were over \$3 million have been dropping in price sharply to find a buyer. The PPT appears to be designed really to just find an excuse to grab more tax revenue. The millennials were never looking at the \$3 million+ market to begin with. It appears to be just a clever excuse that the press failed to question.

As prices have declined, developers and financiers have been hit with a sharp negative impact. The number of new developments declined as developers saw a bear market staring them in the face. As the Loan to Value (LTV) ratio of their loans increase due to decreased prices, financiers have been more conservative

in lending where the value of development can decline in the face of the loan value. As real estate prices begin to pull back on individuals with mortgages with little equity in their homes, then banks are no longer comfortable with the LTV ratio which puts pressure on the finances of individuals and raises the risk of forced sales worsening the market conditions.

2. Increased School Tax (ST) on homes above \$3 million:

Summary

- Beginning in 2019, an additional school tax will have been applied to homes with an assessed value above \$3 million not because they have more children, but because it is just an excuse for a tax grab.
 - 0.2% on assessed value between \$3 million and \$4 million
 - 0.4% on assessed value over \$4 million
- Therefore, a home valued at \$5 million+ will need to pay an about \$8,000/year in property tax, on top of their regular annual tax for schools.
- The School Tax is estimated to affect 7,000+ West Vancouver homes and raise an additional \$200M annually.
- Those above age 55 have the ability to defer the payments



Implications

Politicians always attach labels to hide their real motive for taxation. Here the classification of "**School Tax**" is really a deliberate fraud since the tax will flow into general revenues and will be used for whatever the politicians need the money for at any given moment. In reality, this is just a clever tax on wealth. Politicians will ALWAYS use children to pretend whatever they are doing is for children when it is always for some other motive. In this case, it is just a wealth

tax to enrich themselves and there is nothing that earmarks this money for schools or children. This is a process tax on property and nothing more.

Impact on retirees who live on fixed incomes are suddenly finding themselves not just forced to sell their homes in order to afford the tax but move often out of the country to survive. They do not have to pay income taxes to Canada while living outside the country.

The politicians have made a very serious mistake with the greed for taxes. Over 20% of BC's GDP is derived from real estate. As I explain, real estate is no different from selling manufactured goods except the asset remain within Canada. The government relies on real estate as a source of taxation. By attacking real estate in such an aggressive manner, they are seriously impacting the future economy of BC. It becomes the old saying, you never know what you had until you lose it.

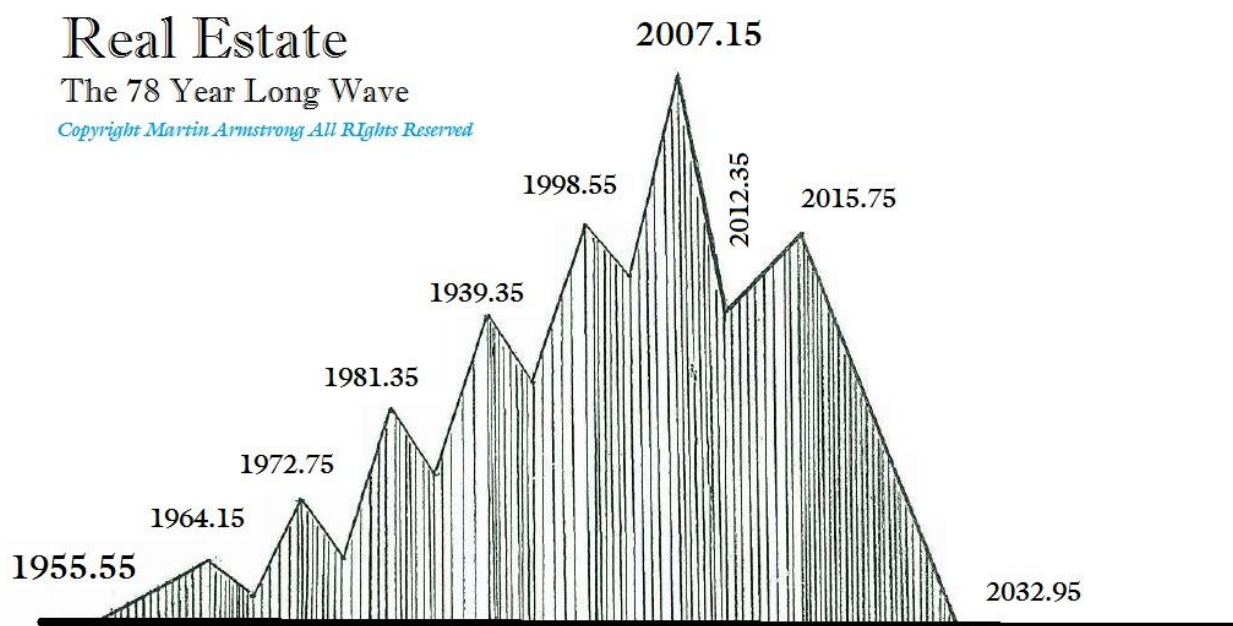
3. New Speculation Tax on people who don't pay income tax in BC:

Summary

- The government then created a new annual tax on residential real estate targeting homeowners who do not pay income tax in BC but own property. The government has sought to exploit this group of investors:
 - Domestic homeowners with 2 homes, are finding there will be a non-refundable income \$2,000 tax credit, to help offset the tax but that will cover only a house valued at \$400,000.
 - Canadians who have a vacation home in Vancouver are being targeted since they do not pay income taxes to BC as are those with worldwide income not taxed in BC.
- The tax will apply to Vancouver, as well as Kelowna, West Kelowna, Nanaimo-Lantzville, Abbotsford, Chilliwack and Mission. Nanaimo, Kelowna and West Kelowna have already sought to be exempt from the tax.
- The government expect projected tax revenue to be **\$200 million+**
- The tax rate:
 - The tax in 2018 will total 0.5% for all three segments before rising for non-BC residents and foreign owners.
 - Foreign Buyers - 2.0% of assessed value in 2019
 - Non BC Residents - 1.0% of assessed value in 2019
 - BC Residents – 0.5% of assessed value in 2019

Implications

Once again this is designed to be the classic wealth tax. Total taxation they expect to raise is **\$200 million** in 2019–20. Vancouver already imposes a “vacancy tax” on property. The NDP government claims that a vacancy tax is not speculation. The tax credit is non-refundable so many retired or moderate-income earners may not even be able to use the tax credit at all.



The tax implication on real estate is quite profound. Because real estate is not a movable asset, it can be held hostage to politicians whenever they need money. The peak in the broad real estate market was clearly 2007. The rally into 2015 we warned was high-end only. This was driven by:

1. capital trying to get off the grid, and
2. exceptionally low interest rates thanks to quantitative easing by central banks. That does not mean that people ran out and purchased real estate because mortgages were cheap. The high-end market was very often cash deals. It was being driven by the fact that one could no longer earn money from savings that made it attractive to hold cash.



What the politicians have done is very similar to how they created the Savings & Loan (S&L) Crisis in the 1980s in the United States in search of taxes. The S&L Crisis was caused by a change in tax code whereby the US Congress wanted to tax the rich when the Democrats gained control, so they changed the tax credits in real estate. They took a bull market and turned it into a one-way sellers' market with no bid.

The government had ordered that the S&Ls should lend into the local real estate market. So, when the real estate market collapsed, they then blamed the S&L



and went to even criminally prosecute directors. I provided the warning to members of Congress what would happen if they changed the tax code that they would create a **one-way market** – sellers only! Of course, they ignored the warning and the crisis unfolded as any person with common sense would have expected.

Charles Humphrey Keating, Jr. (1923–2014) operated the Lincoln Savings and Loan Association in Irvine California. When Lincoln Savings & Loan failed in 1989, it cost the federal government over \$3 billion and about 23,000 customers were left with worthless bonds. The government, which caused the failure, then criminally charged Keating and of course they convicted him.

The argument was that Keating **KNEW** he would fail 7 years in advance so the bonds he sold he **KNEW** he would default thereby making it an intentional crime. He served four and a half years in prison before those convictions were overturned in 1996.



Herbert Hoover
(1874 - 1964)
(President 1929 - 1933)

But when representative government becomes angered, it will burn down the barn to get a rat out of it.

memoirs p-130-131

The theory of that case was absurd. I have never encountered or head of any company where the director **KNEW** the company would fail 7 years in advance. The government made Keating the scapegoat for whole S&L Crisis Congress created. As Herbert Hoover apologized for the security witch hunts of the Great Depression in search of anyone to blame, he wrote: “... ***when representative government becomes angered, it will burn down the barn to get a rat out of it.***”

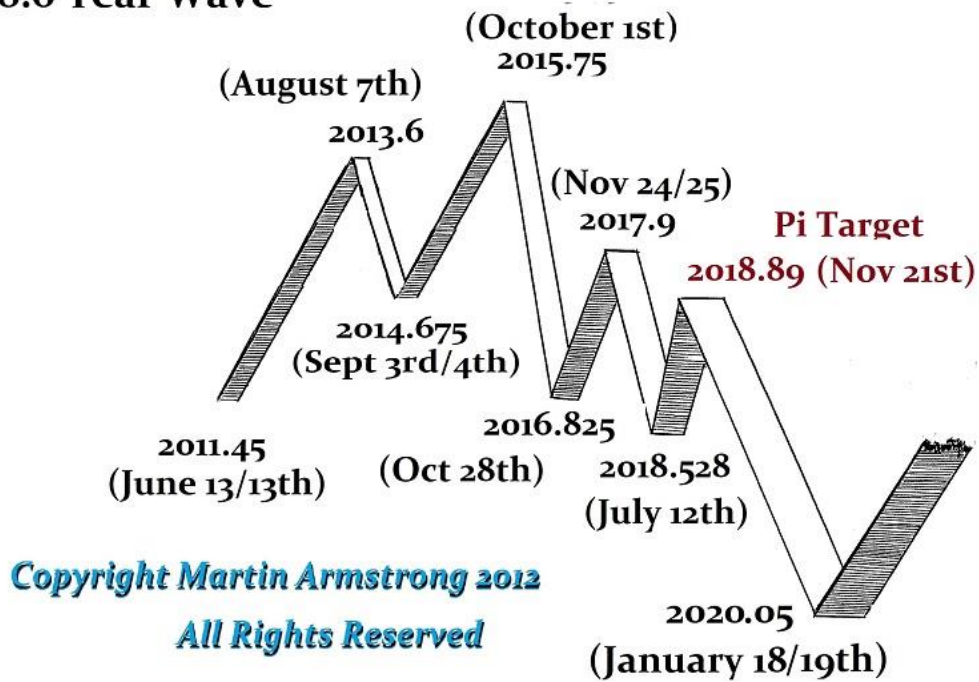
Meanwhile, adding to the decline in Vancouver real estate has been the trend in China trying to stop the outflow of cash that has been pouring out of the country. The bulk of Bitcoin was really money-laundering transactions as Chinese were using it to transfer money out of the country. The outflow of yuan was giving a bid to the dollar and resulting in trade friction between the United States and China.

It's not hard to understand how international trends impact local markets ensuring politicians are blind to the reasons. As long as you keep a global view, understanding how governments are often the instigator of economic declines allows one to grasp the risks in any market. Politicians are absolutely clueless. The regulation changes in the property market has set off a major decline in real estate in Canada, Britain, Australia, and New Zealand all on the pretense of making property more affordable for millennials.

Conclusion

Economic Confidence Model™

8.6 Year Wave



The peak of this current 8.6-year business cycle wave we call the Economic Confidence Model was very profound. It marked the exact day when Russia sent troops into Syria. That set-in motion the Syrian Refugee Crisis. However, it also marked the shift in real estate bring an end to the rally in the high-end segment of the market.

We are in the throes of a correction as we have a complete shift in politics unfolding on a global basis. This correction is not devastating, it is more of capital trading water as it attempts to read the tea-leaves for the future. We are approaching January 2020 when the business cycle will shift. We face a collapse in public confidence in government as a whole and in the process, we will see private assets rise and that will be both in equities as well as commodities. This is not per se from demand in an economic boom, but more of a shift in assets from public (bonds) to private assets as we move from 2020 into 2024.