

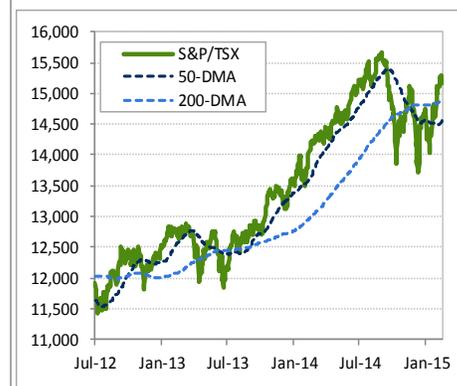
A Look At The Charts

- This week we shift gears and look at the equity markets from a technical perspective. While we all have opinions on the markets, at the end of the day “price is truth”, which is why we put a lot of emphasis on technicals in our strategy work.
- With the recent strength in the S&P/TSX Composite Index (S&P/TSX), the index has broken back above its 50- and 200-day moving averages (MAs). However, with the recent push higher, the S&P/TSX is currently overbought with a Relative Strength Index (RSI) reading of 70. Additionally, the index is quickly approaching stiff technical resistance at the 15,550 to 15,650 range. Given these technical factors we believe the S&P/TSX is poised to pullback in the short-term. Key support levels for the S&P/TSX include: 1) 14,870 (200-day MA); 2) 14,657 (50-day MA); and 3) 13,650 (Q4/14 lows).
- Despite the potential for a modest near-term pullback, the S&P/TSX technical profile remains bullish and therefore we view any weakness as a “buy on the dip” opportunity. Our view of additional upside in H1/15 is in part based on the strong seasonal trends for the S&P/TSX, with October through May being the strongest seasonal period for the S&P/TSX.
- Looking at the US markets, the technicals look even more constructive, which is one factor behind our preference for US stocks over Canadian stocks. The technical positives include: 1) the S&P 500 Index (S&P 500) remains in a long-term uptrend; 2) market breadth remains positive; and 3) continued Dow Theory “buy signals” with the Dow Industrials and Transports making new highs.



Canadian Sector	Curr. Wt	Recommendation
Consumer Discretionary	6.4	Overweight
Consumer Staples	3.6	Market weight
Energy	21.6	Market weight
Financials	34.3	Overweight
Health Care	4.3	Underweight
Industrials	8.7	Overweight
Information Technology	2.5	Overweight
Materials	11.5	Underweight
Telecom	4.9	Market weight
Utilities	2.2	Underweight

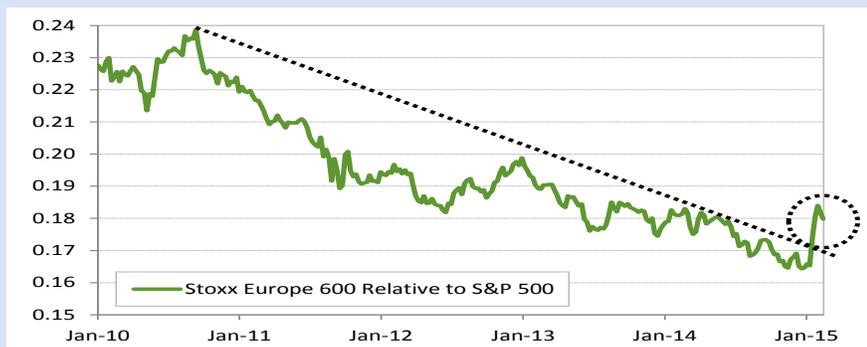
Technical Considerations	Level	Reading
S&P/TSX Composite	15,193.6	
50-DMA	14,567.6	Uptrend
200-DMA	14,870.8	Uptrend
RSI (14-day)	63.6	Neutral



Source: Bloomberg, Raymond James Ltd.

Chart of the Week

European Stocks Are Beginning To Outperform US Stocks



Source: Bloomberg, Raymond James Ltd.

Please read domestic and foreign disclosure/risk information beginning on page 5

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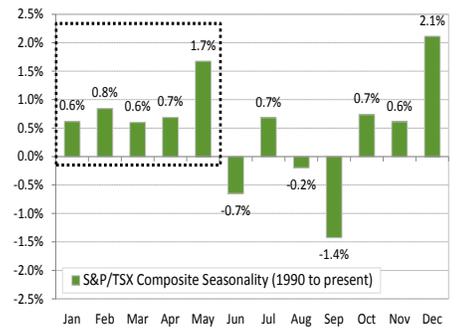
A Look At The Charts

This week we shift gears and look at the equity markets from a technical perspective. While we all have opinions on the markets, at the end of the day “price is truth”, which is why we put a lot of emphasis on technicals in our strategy work.

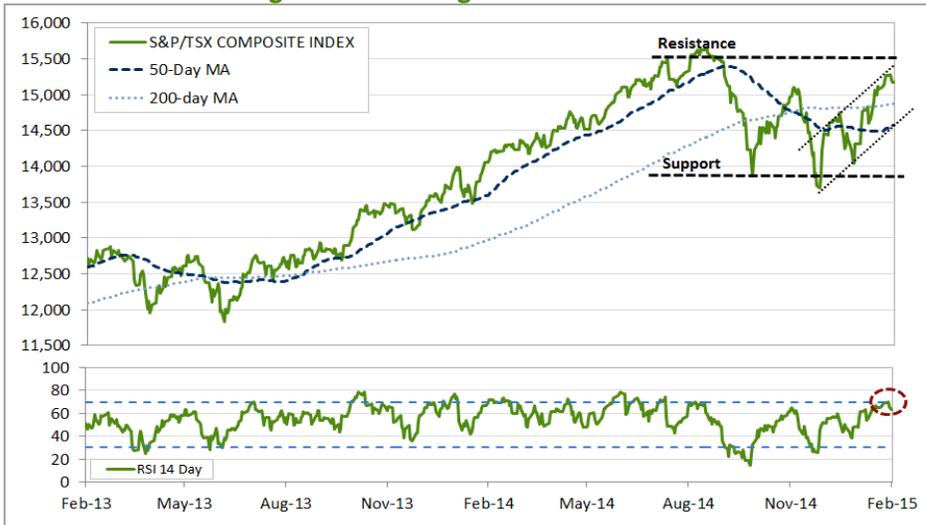
Starting with the S&P/TSX, since the index broke its intermediate uptrend in September 2014, the S&P/TSX has been trapped in a trading range of roughly 13,650 to 15,600. With the recent strength in the S&P/TSX (up 8% since its January low), the index has broken back above its 50- and 200-day MAs (technical positives). However, with the recent push higher, the S&P/TSX is currently overbought with an RSI reading of 70. Additionally, the index is quickly approaching stiff technical resistance at the 15,550 to 15,650 range. Given these technical factors we believe the S&P/TSX is poised to pullback in the short-term. Key support levels that the S&P/TSX could pull back to include: 1) 14,870 (200-day MA); 2) 14,657 (50-day MA and lower channel line); and 3) 13,650 (Q4/14 lows). While we believe a revisit to the Q4/14 lows of 13,650 is unlikely, we would not rule out a pullback to the 14,650 to 14,870 range in the short-term. Despite the potential for a modest near-term pullback, the S&P/TSX technical profile remains bullish and therefore we view any weakness as a “buy on the dip” opportunity. Key technical positives for the Canadian market include:

- From a long-term perspective the S&P/TSX remains in an uptrend and above its 40-week MA. From a short-term perspective the S&P/TSX recently broke above its November high of 15,184, resulting in a “higher high”.
- While we see the potential for a modest pullback, we believe the S&P/TSX could retest the September 2014 high (15,685), and possibly make a new high, sometime in H1/15. Our view of additional upside in H1/15 is in part based on the strong seasonal trends for the S&P/TSX, with October through May being the strongest seasonal period for the S&P/TSX (sidebar).
- Finally, from a sector perspective, cyclical sectors has started to turn up (on a relative basis to the S&P/TSX) while the defensive sectors have started to show weaker relative strength. For example, utilities and teleco’s, which were very strong in Q4/14, have recently begun to underperform. This signals increasing risk appetite and is bullish for the overall market.

Strong Seasonal Period For The S&P/TSX



S&P/TSX Is Overbought And Trading Near Resistance



Source: Bloomberg, Raymond James Ltd.

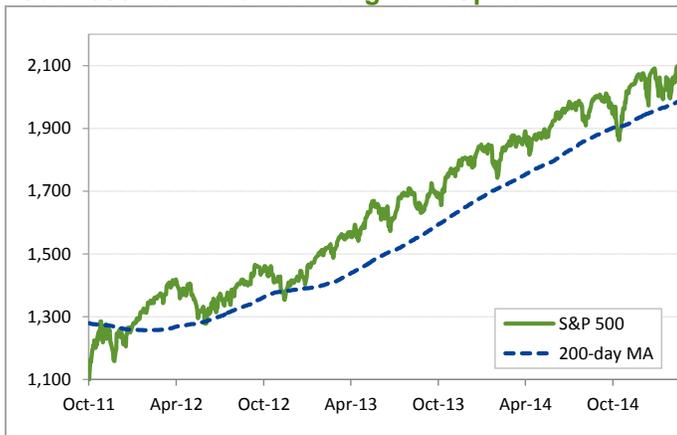
US Technical Outlook

Turning to the US markets, the technicals look even more constructive, which is one factor behind our preference for US stocks over Canadian stocks. The technical positives for the US equity markets include:

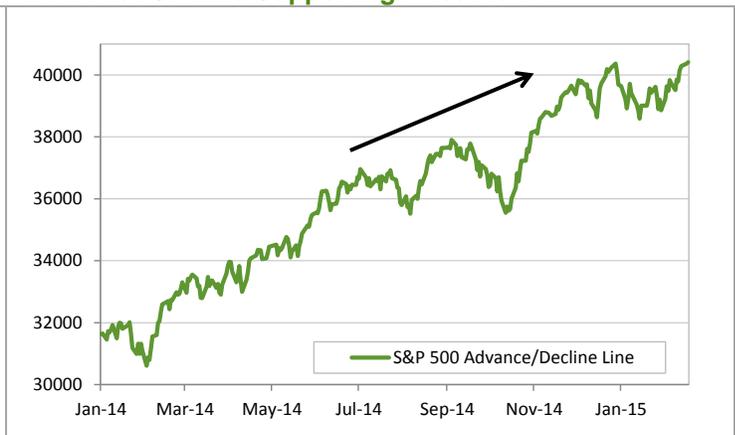
- The S&P 500 remains in a short-, intermediate- and long-term uptrend. We put much more focus on long-term trends, and with the S&P 500 trading above its rising 200-day MA, it remains in a long-term uptrend. The S&P 500 made yet another new all-time high this week, which continues the trend of higher highs.
- The tech-heavy Nasdaq Composite continues to trade well, and is outperforming the S&P 500. It is quickly approaching its all-time high of 5,132 hit in 2000. An upside break above this key resistance level would be very bullish.
- Market breadth remains positive with the S&P 500 Advance/Decline (A/D) line trending higher, thus confirming the new price high for the S&P 500. Strong market breadth signals a “healthy” stock market, where gains are broad-based, rather than a select number of stocks or sectors driving the overall market higher.
- From a Dow Theory perspective, both the Dow Industrials and Dow Transports continue to make new highs which is another positive read-through for the US equity markets.
- From an intermarket perspective, the US 10-year bond yield has recently surged 30 bps to 2.05%, and is trading back above its 50-day MA. An upside break above the downtrend at 2.15% would be bullish for the US equity markets as it would signal increasing risk appetite.

Overall, the technicals for the North American equity markets remain bullish with both the S&P 500 and S&P/TSX in long-term uptrends, and above their 200-day MAs. The bullish technicals currently validate our fundamental call for further gains in 2015. With seasonality positive through to May, we see the potential for further upside, once the short-term overbought condition is resolved.

S&P 500 Remains In A Long-term Uptrend



With The A/D Line Supporting Price Action



Source: Bloomberg, Raymond James Ltd.

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