



# Creative Global Investments

## Weekly market commentary & charts

Monday, January 9<sup>th</sup>, 2017

### Global Macro Commentary

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Objectivity

Integrity

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**In Asia**, China is confident to have reached an economic growth of +6.7% in 2016, within a targeted range set earlier in the year, Vice Finance Minister Zhu Guangyao said this weekend. China's economy expanded at a steady +6.7% in the first 9-months last year, and Zhu said he was confident the growth rate would have reached the same level or more in Q4 of 2016. China, which had been aiming for a +6.5% - +7% economic growth for 2016, boosted government spending, saw a housing rally and record high levels of bank lending last year, which, however, also led to an explosive increase in debt.

Nevertheless, **we maintain our +6.5% GDP estimates for 2017 for China**

Financial markets had been increasingly worried about risks of decline of China's foreign currency reserves. The size of the drop in China's foreign exchange reserves in December to \$3.011 TRN (Consensus \$3.010 TRN), a decline of -\$41BN since the end of November, and \$319BN since the end of 2015, however was still exceeding what the \$1,8 TRN the IMF estimates as an adequate amount of reserves for China as the minimum buffer that China needs to enable an economy to deal with balance of payments strains. The PBoC seems to have identified the reserve threshold to be the \$3 TRN limit as it has been engaged in an aggressive campaign to shift sentiment about the renminbi over the past few days; a flurry of headlines about declining reserves wouldn't have been welcome. The People's Bank has a variety of ways to hide its interventions in the short term, such as foreign assets that are not counted in the official reserves that it could sell instead, besides actively using forwards contracts so that intervention doesn't show up in the reserves immediately. And there is huge leeway in how it adjusts the value of reserves to account for exchange rate and asset price moves. Based on the published value of reserves, initial estimates point to net capital outflows of \$66 BN in December, down from \$76 BN in November.

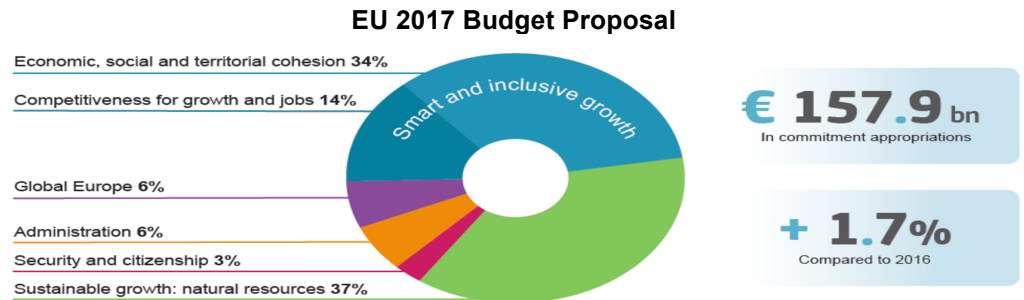
Although Net outflows have picked up since the middle of the year, they remain far lower than a year ago. The PBOC ended 2016 with 90% of the reserves it had at the start of the year. The renminbi weakened by -6% in 2016 by trade-weighted terms and -7% against the US\$.



**We see most of the renminbi's downside risks a thing of the past, and are advising investors to re-allocate more of their assets into Chinese equities and bonds from now onwards.**

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**In Europe**, the EU's budget for 2017 is being discussed by 3 parliamentary committees (Budgets, Budgetary Control and Legal Affairs) and will quiz Commissioner Günther Oettinger (President Jean-Claude Juncker has asked him to take over from former Commissioner Kristalina Georgieva) about his new Budget and Human Resources.



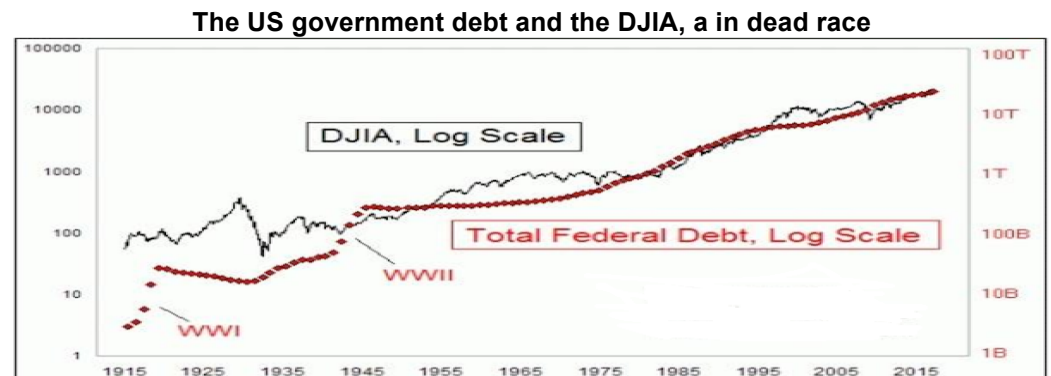
**In the US**, the 2016 budget deficit was \$587 BN, which sounds terrible. But that was just 3.3% of gross domestic product. The US debt reached \$19.9 TRN in 2016, which also sounds terrible, which is the total amount accumulated since 1790, and relative to the 2016 annual GDP of almost \$18 TRN. That does not sound horrible, and particularly not when considering the whole “financial position” of the US, including assets of at least \$269.6 TRN and debts of \$145.8 TRN, then one can conclude that the current net worth of the US in 2014 was an estimated \$123.8 TRN. In that context, neither the deficit nor the debt seem like terrible threats.

However, if the interest rate is above the growth rate, we get a rising debt ratio. If we carry this through eternity, that ratio gets big. Really big. OK, that sounds bad. And it is. Remember, that is a big part of the reason that the global financial crisis (GFC) hit: an over-indebted private sector whose income did not grow fast enough to keep up with interest payments.

Federal Reserve Governor Jerome Powell said on Saturday that low rates can lead to excessive leverage and broadly unsustainable asset prices - things that we watch carefully for and do not observe at this point.

**Valuations in commercial real estate are high in some markets. And in the nonfinancial corporate sector, gross leverage is high by historical standards.**

**This sounds alarmingly very similar to what Mr. Greenspan was in denial of in 2005 and 2006.**



The US labor market is in heavy dispute by US politicians, Mr. Obama seeing it in good shape, and Mr. Trump seeing it in horrible shape. The related re-print below of an article from the Economist, depicts the US labor picture pretty well.

THE news that average wages grew by 2.9% in December, the final full month of the Obama presidency, provides more evidence that America's labor market is heating up. For some time, America has been creating plentiful jobs—2016 was the fifth consecutive year with more than 2m job gains. But wage growth has been weak enough to cast doubt on the labor market's strength. A commonly cited reason for paltry pay rises was the number of 25- to 54-year-olds—dubbed “prime age” workers—who had stopped looking for work after the recession, and hence were no longer counted as unemployed. Wages, the argument went, would not pick up until they were encouraged back to work.



Economist.com

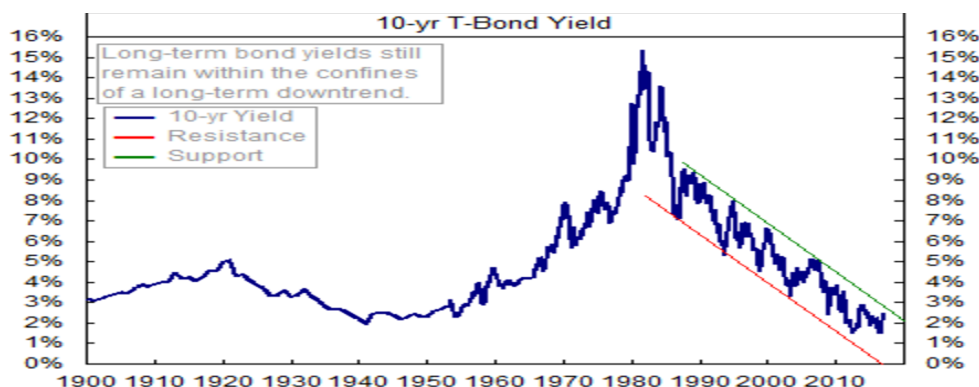
With the average pay-check now growing faster than at any time since 2009—when layoffs of low-paid workers were artificially boosting average wages—that argument is getting harder to make. In fact, 2.9% wage growth may be close to the limit of what the economy can produce without sparking inflation. Prime-age labor-market participation surged in the past year or so, and has now recovered about a third of its fall after the recession. Some of the remaining shortfall is almost certainly structural, rather than something stimulus, such as lower interest rates, can fix. After all, the participation of prime-age men has been falling since the 1960s, suggesting supply-side factors, such as the declining value of the skills of uneducated workers, are at work. And as the returns to schooling rise, you would naturally expect more people to choose to study rather than work.

Productivity growth, meanwhile, has been slow for a decade. That limits the potential for wage gains that do not spark inflation. Demographic forces are a further brake on how fast average wages can rise sustainably. The onset of the recession coincided with the first retirements of the baby-boom generation. As high-earners at the end of their careers have left the workforce, they have been replaced by low-earning younger folk. According to researchers at the San Francisco Fed, that has helped keep average pay rates down. That, too, suggests a lower speed limit for wage growth than before the financial crisis, and hence that December's wage growth indicates a labor market at close to full health.

That recovery is to be cheered. But the timing is frustrating for the outgoing president. If paychecks swell in 2017, Donald Trump will claim the credit, despite the fact that wage growth first began picking up in 2015 (see chart). During the campaign, Mr. Trump cast doubt on official labor-market statistics, saying that they painted a rosy picture of the economy. Next year he will probably champion them.

## Fixed Income Commentary: The “Big rotation 2017”?

The 117-year trend of the 10-year Treasury bond yield (thick blue line) is intact, and the yield on the 10-year Treasury bond has been declining since the early 1980s, and although the 10-year yield has spiked to our 2016 year end target of 2.4% and is now approaching support of its 20-year downtrend channel. The last two times the 10-year yield hit (early 2000 and 2007) support (green line), the stock market soon followed with a major decline. We think it will be similar in 2017.



Although the long-term trend for bond yields is still intact, as the chart before shows, the stock-bond correlation however is since November at a critical level, and as we had

been writing over the past 2 months, unless the yields drop back towards the 2.10% levels, we see inherently rising risks of an US equity market correction of the magnitude of -10% to -15%, similarly to 2016.

A turning point in the late 1990s multi-asset investors given that it determines the degree of portfolio diversification, and ultimately risk, achieved by allocating to the two main asset classes. 80% 80% But unfortunately, history shows us that over time the relationship between stock and bond returns is highly unstable. The 1-year correlation of returns between 10-year US treasury bonds and those of the S&P 500 was consistently positive in the 1990s, and in fact most of the time since WWII. However since the late 1990s, this relationship has been consistently negative, and very much so in the years following the global financial crisis as the net chart shows. The past two decades have therefore strengthened the pattern of 'risk-on risk-off', whereby investors could confidently expect diversification benefits from a balanced allocation between 'safe haven' and risky assets.

The question moving forward is whether a sustained rebound in interest rates could alter the relationship and bring the period of negative correlation to an end. The literature suggests essentially three key determinants for the stock-bond correlation:

**The stock-bond correlation is theoretically undetermined as it depends on the nature of the market shock (growth, inflation, uncertainty).** A growth shock can for example have a stronger positive impact on stocks than on interest rates, while the opposite is true for inflation shocks. The stock-bond correlation is markedly more negative during times of low inflation expectations and when bonds are mainly considered as deflation hedges (downside uncertainty).

**The stock-bond correlation also tends to become more negative during periods of high equity market uncertainty, when the equity risk premium rises and the bond term premium falls**

**Going forward, we expect these determinants to lead to a weaker, if not outright positive correlation, for a number of reasons.**

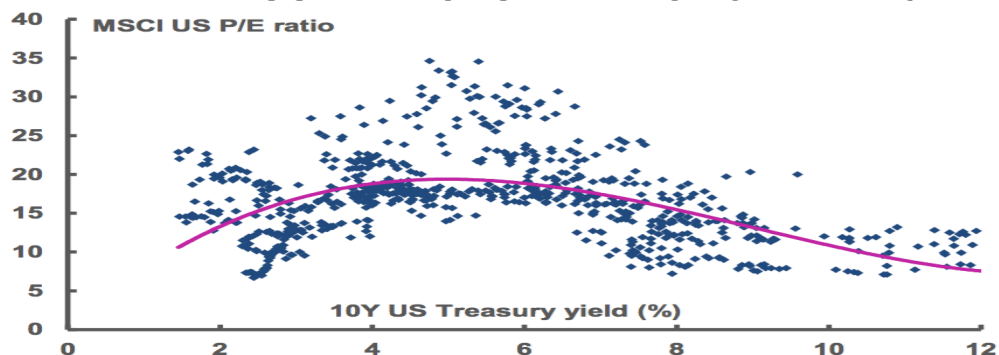
**1. Inflation expectations, for both the medium and long term have fallen to excessively low levels and started to normalize.** A pro-cyclical fiscal policy in the US and a tight labor market should lead to higher realized inflation. Additionally, the threat of protectionist policies in the US may also reduce deflation concerns and resuscitate upward uncertainty on longer-term inflation – option markets are starting to reflect this.

**2. We see the divergence between the equity risk premium and the bond term premium as likely to ease in the coming years.** We anticipate that the gradual unwind of unconventional monetary policy will put upward pressure on bond premia while tail risk concerns should fade and prevent further increases in the equity risk premium.

**3. The 2000's was characterized by a structural rise in foreign holdings of US treasuries, which in turn made them the de facto global safe haven asset.** This trend has started to reverse, with the share of foreign ownership of US treasuries having peaked around 2013.

Looking at the stock-bond correlation over a shorter period of time offers only very tentative signs of a change. A decomposition according to bond returns suggests that, up to now, episodes of negative bond returns have had about zero correlation to equity returns. However episodes of positive returns are more weakly associated with -20% equity declines, as the jump over the past months sows. It is too early to conclude that the correlation has ended, nevertheless reversed. **Another question is what is the correlation of interest rates and equity price-to-earnings (P/E) multiples. A commonly-made argument is that P/E ratios can rise in line with interest rates as long as rates remain low. This point is based on a historical chart pointing to a bell-shaped relationship with an inflexion point around 4-5%.**

US 10Y Treasury yield &amp; equity P/E multiple (1950-2016)



The story goes as follows - in the early phase of the cycle, stronger earnings expectations driven by better economic prospects dominate the negative impact of initial interest rates increases. But as the cycle matures, earnings expectations level off while interest rates keep going higher and eventually hurt equity valuations.

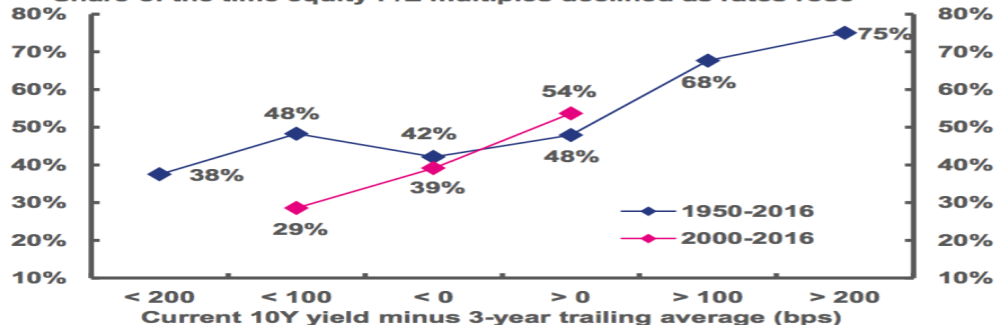
We think this chart is misleading and overstates the likelihood of P/E multiples weathering rises in interest rates. The above rationale would hold if interest rates had been broadly stationary over the period considered, which has not been the case. Instead, long-term interest rates have been on an upward path from 1950 to 1984 and a downward path thereafter. This implies that we have hardly ever seen a cycle where interest rates started at 2% and finished at 6%. The scatterplot is simply reflecting the historical fact that equity multiples have been on average higher when interest rates have been around 4-5%, maybe corresponding to a sort of Goldilocks environment of moderate growth and inflation. But it does not say much about the behavioral relationship between changes in interest rates and alterations in equity multiples.

A more rigorous way to address this question is to look at the correlation of changes in interest rates and P/E multiples, controlling for the level of interest rates. The next chart shows the share of the time P/E multiples declined as rates rose, depending on the relative level of interest rates. It reads as follows - when 10-year treasury yields were more than 200 basis points (bps) below their three-year trailing average, a rise in yields was associated with lower P/E only 38% of the time. But when 10-year treasury yields were more than 200bps above their three-year average, a rise in rates led to lower P/E multiples, 75% of the time.

The higher interest rates are relative to their recent history, the more likely a rise in rates will lead to declining P/E ratios, irrespective of the absolute level of rates. Presently 10-year treasury yields are 30bps above their three-year average, implying that according to history, chances of rising rates leading to P/E declines are about 50:50, certainly a different take-away compared to what the above chart would suggest.

US 10Y Treasury yield &amp; equity P/E multiples

Share of the time equity P/E multiples declined as rates rose



However, in today's times and rate environment, we believe that a rapid rise of 10-year treasuries to 3% would be very likely to hurt equity valuations, well before any '4-5% threshold'.

## Weekly Investment Conclusion

The US\$, (and all US\$ priced and related asset classes like US equities and US treasuries, commodities) are simply overbought, overheld, overvalued and overdue for a correction. We see better value in foreign equity markets, particularly as Japanese, Chinese and European equities are in the strongest period of seasonal strength until end of April.

### Best performing Global Equity markets for 2017 y-t-d:

| 1 week      |        | YTD         |        |
|-------------|--------|-------------|--------|
| Index       | Change | Index       | Change |
| Argentina   | 8.08%  | Argentina   | 8.08%  |
| Philippines | 5.96%  | Philippines | 5.96%  |
| UAE Dubai   | 2.75%  | UAE Dubai   | 2.75%  |
| Austria     | 2.68%  | Austria     | 2.68%  |
| Greece      | 2.59%  | Greece      | 2.59%  |
| NASDAQ      | 2.56%  | NASDAQ      | 2.56%  |
| Hungary     | 2.42%  | Hungary     | 2.42%  |
| Malaysia    | 2.41%  | Malaysia    | 2.41%  |
| Brazil      | 2.39%  | Brazil      | 2.39%  |
| Vietnam     | 2.35%  | Vietnam     | 2.35%  |

### Worst performing Global Equity markets for 2017 y-t-d:

| 1 week    |        | YTD         |        |
|-----------|--------|-------------|--------|
| Index     | Change | Index       | Change |
| Mongolia  | -2.36% | Argentina   | 8.08%  |
| Nigeria   | -2.32% | Philippines | 5.96%  |
| Turkey    | -1.46% | UAE Dubai   | 2.75%  |
| London    | 0.00%  | Austria     | 2.68%  |
| Abu Dhabi | 0.00%  | Greece      | 2.59%  |
| Egypt     | 0.00%  | NASDAQ      | 2.56%  |
| Jordan    | 0.05%  | Hungary     | 2.42%  |
| Chinext   | 0.15%  | Malaysia    | 2.41%  |
| Sweden    | 0.32%  | Brazil      | 2.39%  |
| Israel    | 0.41%  | Vietnam     | 2.35%  |

Economic news this week focuses on December Producer Prices and Retail Sales. Both are scheduled to record hefty gains.

With the Dow Jones Industrial Average, S&P 500 Index, NASDAQ Composite Index and TSX 60 Index virtually at all-time highs, North American equity markets are intermediate overbought with limited upside potential and significant downside risk between now and early April. History shows that US equity markets struggle in Post-Election years between Inauguration Day and early April when a new President is elected. US equity Indices are tracking closely to the historic trend this year.



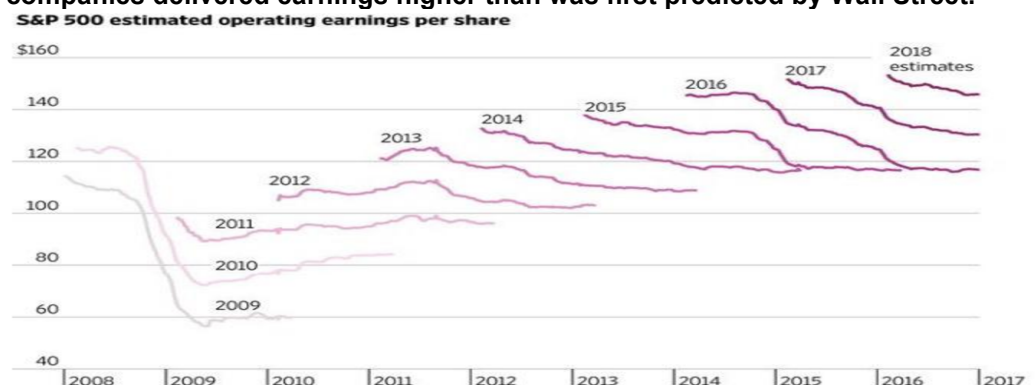


**We are recommending for investors to hold seasonally attractive equity positions that remain in an intermediate uptrend and continue to outperform the S&P 500 Index (e.g. precious metals, technology, selected Canadian energy, DIS, UNH, AAPL, etc.). Profit taking in other positions is appropriate. As highlighted in our Fixed Income commentary, year-end portfolio adjustments continue, most notably the switch to fixed income securities from equities.**

Technical action by individual S&P 500 stocks was bullish last week: 63 stocks broke above intermediate resistance levels and 15 stocks broke below intermediate support. Number of stocks in an intermediate uptrend increased last week to 334 from 312, number of stocks in a neutral trend slipped to 65 from 73 and the number of stocks in a downtrend dropped to 101 from 115. Short term technical indicators (short term momentum indicators, trades above 20-day moving average) for US and Canadian equity markets and economic sectors currently are overbought, but have yet to show signs of rolling over. The move by the S&P 500 Index, Dow Jones Industrial Average and NASDAQ Composite Index on Friday to all-time closing highs is attracting short-term money flows. Intermediate technical indicators (Bullish Percent Index, Percent of stocks trading above their 50 day moving average) for US and Canadian equity markets and economic sensitive sectors turned higher last week. However, they remain intermediate overbought and continue to show early signs of rolling over.

Earnings focus this week is on five financial service companies reporting Q4 results on Friday. Eight S&P 500 companies and one Dow Industrial company (Wells Fargo) are scheduled to report this week. Consensus for S&P 500 companies calls for y-o-y earnings growth of +3.0% (down from 3.2% last week) and revenue growth of +4.8% (down from 5.2% last week). Seventy-seven S&P 500 companies have lowered Q4 guidance and 34 companies have raised guidance. Beyond Q4, prospects remain too bullish in our views. Analysts consensus estimates call for an +11.0% increase in earnings and a +7.9% increase in revenues for Q1 2017, a +10.5% increase in earnings and a +6.0% increase in revenues for Q2 and an +11.5% increase in earnings and a +5.9% increase in revenues in 2017. Q4 earnings prospects for Dow Jones Industrial Average companies are less positive than prospects for S&P 500 companies. Consensus calls for a y-o-y median gain of only +1.1%.

**In 30 years of EPS forecasts collected by IBES, only twice have S&P 500 companies delivered earnings higher than was first predicted by Wall Street.**



As our research has shown in the past, for every -1% gain of the US\$ Index, analysts have to adjust S&P500 EPS downwards by at least -1%, and the past 2-months' +6% gain of the US\$ Index has not been taken into account by analysts and strategists.

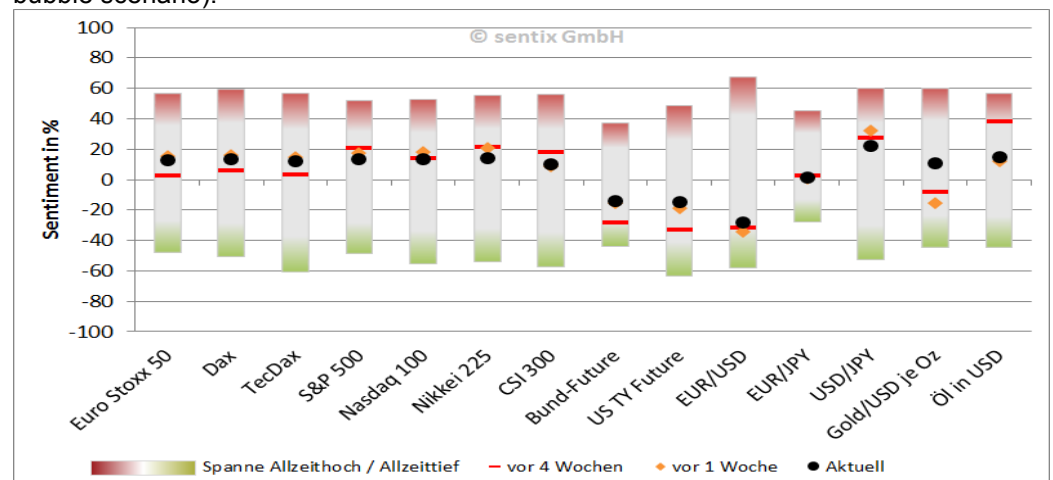
Q4 earnings prospects for TSX 60 companies are much more positive. Consensus calls for an average y-o-y gain of +8.3% led by energy, gold and base metal companies. We see a similar outlook for European companies earnings outlook, as the weaker EUR/US\$ is clearly a tailwind for 2016 and 2017 for both transactional and translational positive impacts, and hence another reason why we are recommending to overweight EU equities at this point.

Inversely across developed countries the strong US\$ related macro impacts are generally but temporarily looking better, until we are going to see a massive shift in risk perception (possibly towards the end of Q1, but surely over the summer), when we see risks for a massive US\$ circumstantiated reversal, and a global equity market correction of a magnitude of -15% to -20%. As we have shown in past research publications, a one-percentage point rise in the annual US\$ Index is having an inverse negative impact on S&P 500 earnings to the tune of minus one EPS point. The table below shows the latest EPS consensus estimates for the current and the next 2 years.

|        | 2016   | 2017   | 2018   | Frwd   |
|--------|--------|--------|--------|--------|
| Dec 15 | 118.18 | 132.76 | 148.29 | 132.20 |
| Dec 22 | 118.05 | 132.67 | 148.30 | 132.39 |

So, the weighted average of the US\$ by comparison of 2016/2015 has risen by about 6% from a 2015 USD average of 92.5 to 98.5, which will lead to a negative EPS adjustment for the \$SPX of -12 EPS, so for consensus EPS for the SPX for 2016 of 118, one would have to shave off -12 EPS towards EPS of 106, which puts the SPX now priced at 2,246 at a current P/E ratio of 21.2x, and for 2017 with estimated consensus EPS of 132, but once revised downwards for currency towards EPS of 124 at a projected P/E of 18.1x.

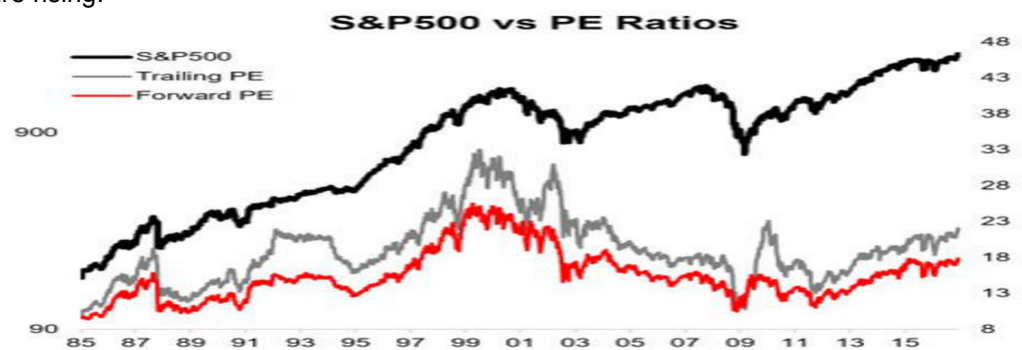
In the US, the "Trumpfactor" resulted so far in way too much Optimism and Euphoria, and the most unexpected investment element was so far sentiment. In years past, we've been less concerned about sentiment because it's been largely negative or neutral. But, if policy changes and rising stock prices beget a mad rush of new investments and renewed excitement about risk assets, that could drive prices further out into overpriced territory. The key is to watch just how willing investors are to pay for incremental rates of return. If investors become increasingly comfortable buying overpriced, risky assets because it feels like a good time to invest (and because everyone else is investing), then that is a big warning sign. It means too much optimism and euphoria could fuel the markets, and that's a bull-killer. (Remember 2000 tech bubble scenario).



Below are 3 reasons why we think that the recent rally, partially related to "Trumponomics", but mostly due to wind in the sails of the Obama administration will discontinue in January, and why we are expecting for a January stock performance repeat in 2017 of the magnitude of -10% to -13%.

- The recent "Trump-rally" is not supported by fundamentals and risks are high that at these excessive valuation levels will run out of steam, and investors are starting to realize that Trump won't get everything passed and the market is ahead of itself
- Higher interest rates and the recent strength in the US are bad for stocks (our research has shown that for every +1% rise of the US\$ earnings will decline by at least -1% for the SPX)
- Tax selling usually happens in December, but this year is delayed until January because of expectations that taxes will be lower in 2017 than 2016

P/E ratios based on trailing 12 months earnings, and forward 12 months earnings are both tracking towards the top end of the range of the past couple of decades. So one interpretation is that this is still reflecting the earnings recession and thus is a distorted signal, or that investors are simply paying up for a better earnings outlook. Of course, the other interpretation is that the market is overvalued and the odds of a big correction are rising.



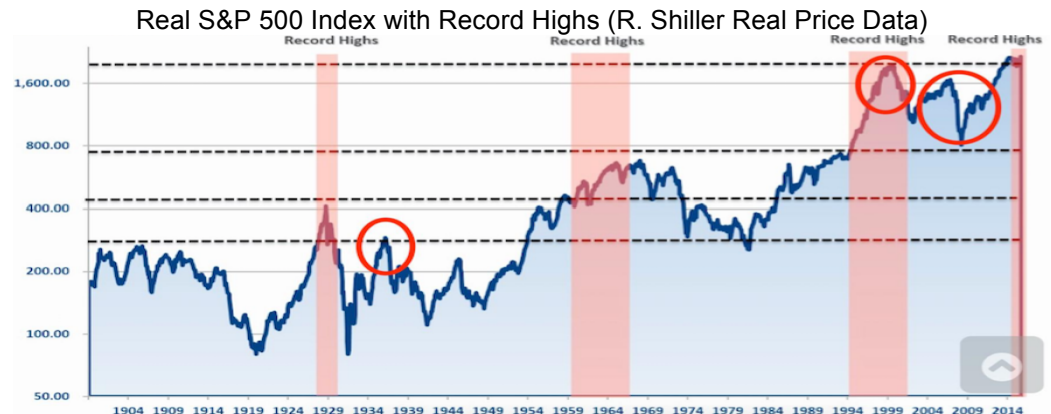
Although there has been some convergence between sectors as the following chart shows, the average forward P/E for "cheap" sectors (i.e. sectors that have typically traded at lower valuations), and "expensive" sectors (sectors that have historically traded on higher valuations).

There's a clear shift leading into the financial crisis - after the crisis valuations converged (QE effects? or the product of a macro-driven risk-on/risk-off environment maybe). Anyway, one interesting development is that the expensive sectors are becoming slightly cheaper, and the cheaper sectors are starting to get expensive...



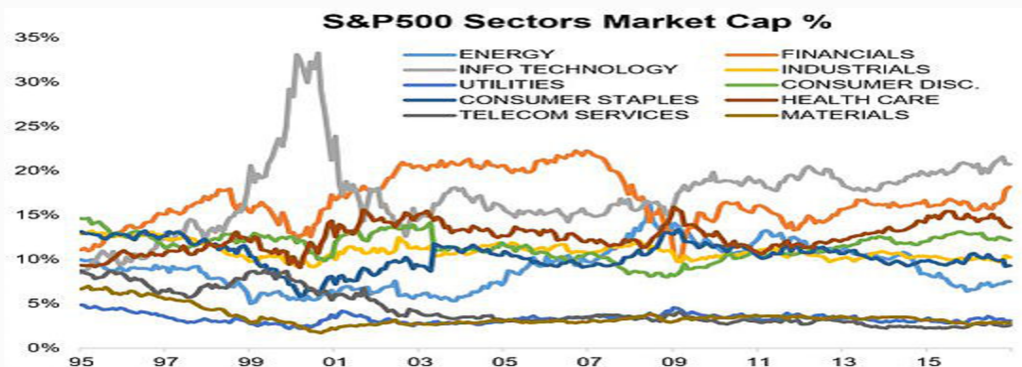
The last time S&P had 5 consecutive years of P/E expansion was 1994-1999 - P/E - 15 to 30. Currently, the expansion lasted 5 consecutive years, but P/E "only" expanded from 13 to 21. This time P/E expansion has accounted for 70% of the rise in the S&P vs. 1994-1999 period accounted for 40%. FED, two reserve hikes in 1936/1937, later

reversed course after -50% fall in S&P BOJ; two rate hikes in 2006/2007; later reversed course; default of Lehman Brothers; Housing Crisis ECB; two rate hikes in 2011 to 1.5% later reversed course; European Sovereign Crisis.



The next chart focuses on latest trends in sector representation by market cap percentage. The most notable development has been the surge in financials (and fall in healthcare/biotech). More broadly it's interesting to note that there hasn't really been any standout bubble sectors so far (except maybe healthcare) - but certainly none like tech in 2000, or financials pre-financial crisis, or even energy at the peak.

The other thing: longer term it's interesting to note how the market has change from a more even split across sectors in 1995 to more variation now e.g. materials/Telco's/utilities at the bottom end and IT/financials/healthcare at the top end.



**In conclusion, short-term investors can't ignore seasonality, but the risk of a short-term correction is rising.** The beginning of a New Year marks a good opportunity for investors to rebalance portfolios and position your assets for the year ahead. We continue to favor stocks for growth-oriented investors, though our allocation recommendations have changed from the previous year. **We are advising to stick with the seasonal trend in equity prices for the next two weeks, but are warning investors to prepare to lock in significant profits before Inauguration Day on January 20th.**

**Exceptions are European and Japanese and China related equities where seasonal tendencies (Europe's majority of companies are starting annual dividend pay-out period late January into early May, and hence why equities are in their period of seasonal strength until May {"Sell in May & go away"} or {"Buy when it snows & sell when it goes"})**

**And for Asian equity indices the "fiscal year-end" tendencies until end of March are in full swing.**

## US equity markets weekly charts

The VIX Index lost 2.64 points (18.80%) last week.

Intermediate trend remains Negative. The Index remained below its 20-day moving average. Price will most likely test the lower trendline once again.



The S&P 500 Index gained 38.41 points (1.72%) last week.

Intermediate trend remains Positive. The Index closed above its 20-day moving average. \$SPX broke the 2260 resistance.

Short-term momentum indicators are Neutral.



Percent of S&P 500 stocks trading above their 50-day moving average rose last week to 81.00 from 75.20.

The index remained above the 200-day moving average.



Percent of S&P 500 stocks trading above their 200-day moving average rose last week to 70.40 from 66.80.

The index is sitting at the 200-day moving average.



**Bullish Percent Index for S&P 500 stocks rose last week to 72.20 from 70.20 and remained above its 50-day moving average.**

The Index looks to be regaining the bullish momentum.



**The Dow Jones Industrial Average gained 204.55 (1.04%) last week.**

**\$INDU** looks to break the important level of 20 000. Strength related to the S&P 500 Index remained Positive.

The Average remained above its 20-day moving average. Short-term momentum indicators are mixed.



**Bullish Percent Index for Dow Jones Industrial Average stocks rose last week to 70.00 from 66.67 and moved below its 20-day moving average.**

The Index broke up and above the 20-day moving average.



**The Dow Jones Transportation Average added 60.00 points (0.66%) last week.**

**Dow Jones Transportation Index** is highly compressed. A breakout can occur at any moment. Strength relative to the S&P 500 Index is Neutral. The **\$TRAN** closed below its 20-day moving average.

Short-term momentum indicators are Mixed.



**Bullish Percent Index rose last week to 66.29 from 65.29 and remained above its 20-day moving average.**

The Index is showing the signs of the bullish momentum and is above the 20-day moving average.

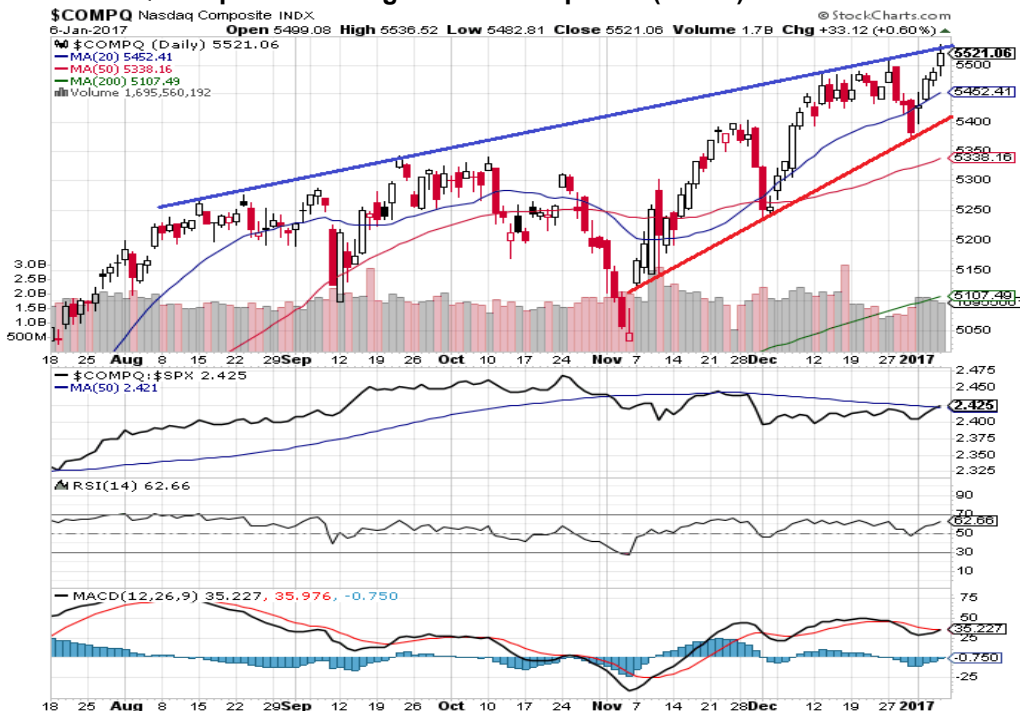


**The NASDAQ Composite Index gained 137.96 points (2.56%) last week.**

**\$COMPQ** got stopped by the upper trend line once again. Compression is increasing. Strength relative to the S&P 500 Index remains Negative.

The Index remained above its 20-day moving average.

Short-term momentum indicators are Positive.



**The Russell 2000 Index added 9.69 points (0.71%) last week.**

**\$RUT** remains ranging above the 1300 support. Strength relative to the S&P 500 Index changed to Neutral.

The Index is at the 20-day moving average. Short-term momentum indicators are Negative.



### The S&P Energy Index gained 3.07 points (0.55%) last week.

Intermediate trend remains up. \$SPEN is ranging above the 555 support but the bearish pressure is starting to manifest. Strength relative to the S&P 500 Index is Neutral.

The Index moved below the 20-day moving average. Short-term momentum indicators are Negative.



### The Philadelphia Oil Services Index added 8.82 points (4.80%) last week.

\$OSX rebounded from the 185 support.

The Index remains above its 20-day moving average. Short-term momentum indicators are rolling over.



### The AMEX Gold Bug Index added 14.20 points (7.79%) last week.

\$HUI broke through the upper channel. Strength relative to the S&P 500 Index changed to Neutral.

The Index moved above its 20-day moving average. Short-term momentum indicators are Positive.



## Latam equity markets weekly charts

The BOVESPA gained 1438.08 points last week.

**\$BVSP** broke through the upper trend line.

Short-term momentum indicators are Positive.



The Mexican Bolsa added 428 points last week.

Intermediate trend flipped to Positive. \$MXX is looking to challenge the old support trendline. MXX closed above the 50-day moving average.

Short-term momentum indicators are Positive.



## Canadian equity markets weekly charts

Bullish Percent Index for TSX Composite stocks rose to 76.73 from 74.69 and moved above its 20-day moving average.

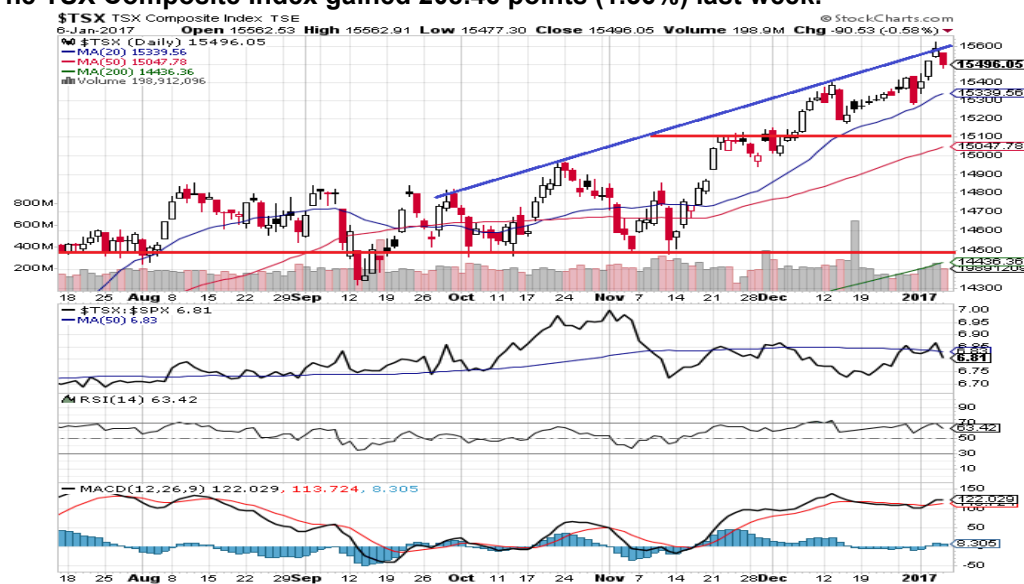
The Index remained above the 200-day moving average.



The TSX Composite Index gained 208.46 points (1.36%) last week.

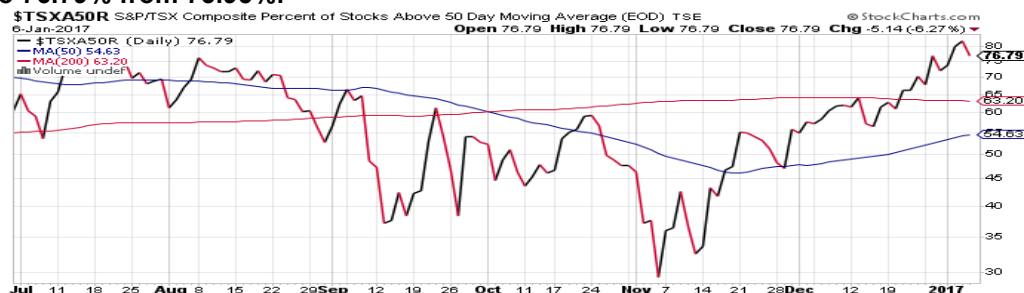
Intermediate trend remains Positive. The Index is using the 20-day moving average as ascending support.

The Index remained above the 20-day moving average. Short-term momentum indicators are Mixed.



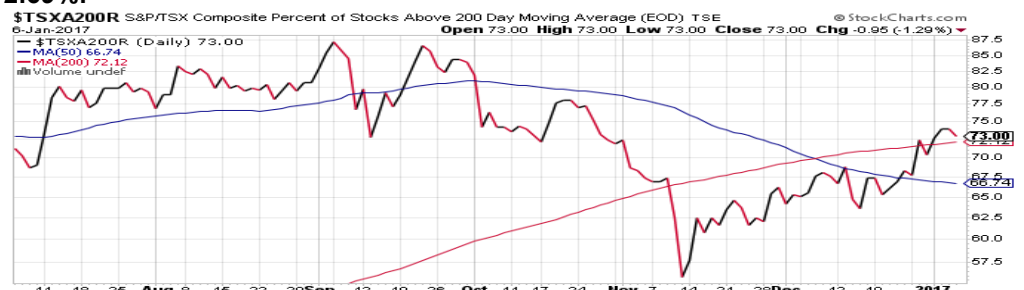
Percent of TSX stocks trading above their 50-day moving average rose last week to 76.79% from 73.95%.

The index remains trending up and above the 50-day moving average.



Percent of TSX stocks trading above their 200 day rose last week to 73.00% from 72.69%.

The index moved above the 200-day moving average.



## Asian equity markets weekly charts

The SENSEX added 132.77 points (0.50%) last week.

\$BSE closed above the 28750 resistance and above the 20-day moving average.

Short-term momentum indicators are Positive.



The Nikkei Average added 339.96 points (1.78%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index remains Positive.

The \$NIKK remained above its 20-day moving average. Short-term momentum indicators are rolling over.



The Shanghai Composite Index gained 50.68 points (1.63%) last week.

Intermediate trend changed from Neutral to Positive. The Index rebounded from the 3100 support.

The \$SSEC moved above the 20-day moving average. Short-term momentum indicators are rolling over.



### Emerging Markets iShares dropped \$0.91 (2.60%) last week.

Intermediate trend is Neutral. Strength relative to the S&P 500 Index changed from Negative to Neutral.

Units have moved above the 20-day moving average. Short-term momentum indicators are Positive.



### The Australia All Ordinaries Index gained 89.90 points (1.57%) last week.

Intermediate trend remains Positive. Strength relative to the S&P 500 Index changed from Neutral to Positive.

The \$AORD remained above the 20-day moving average. Short-term momentum indicators remain Positive.



### European equity markets weekly charts

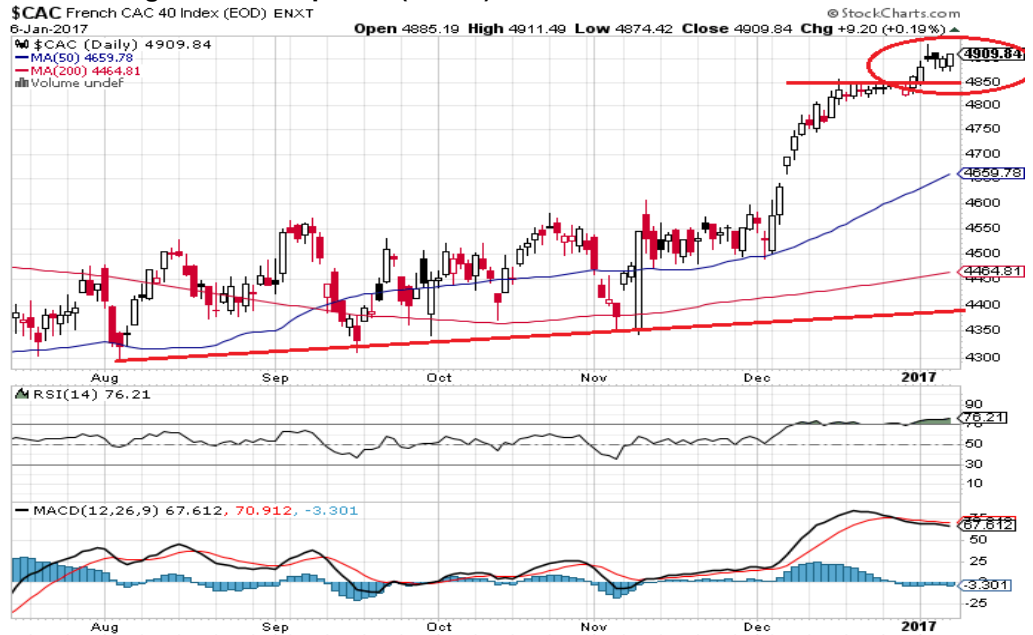
#### The DAX 30 added 117.95 points (1.03%) last week.

Intermediate trend remains Positive. \$DAX broke the 11500 resistance.

Short-term momentum indicators are still overbought but starting to roll over.



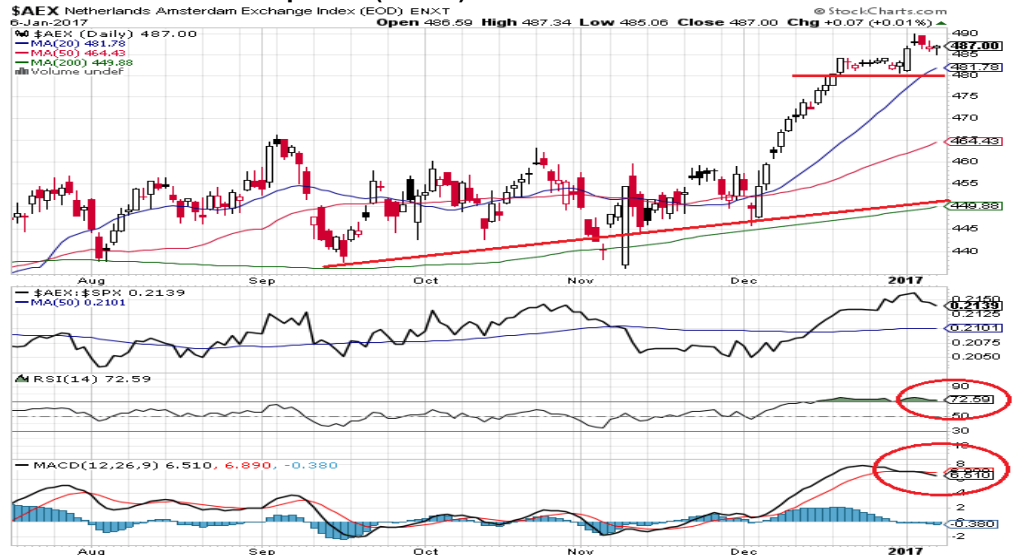
### The CAC 40 gained 47.53 points (0.98%) last week.



Intermediate trend is Positive. The Average remains above the 50-day moving average.

Short-term momentum indicators are Mixed.

### The AEX 25 added 3.83 points (0.79%) last week.



Intermediate trend remains Positive. Index made yet another high.

Short-term momentum indicators are rolling over.

### The IBEX 35 gained 163.80 points (1.75%) last week.



\$IBEX made a new high breaking the 9500. Strength relative to the S&P 500 Index changed from Neutral to Positive.

The Index remained above the 20-day moving average.

Short-term momentum indicators are Flat.

### The FTSE added 64.19 points (0.90%) last week.

Index broke the 7100 resistance. \$FTSE remained above the 20-day moving average.

Short-term momentum indicators remain Positive.



### Europe iShares gained \$0.94 (1.98%) last week.

Intermediate trend remains Positive. Strength relative to the S&P 500 changed back to Neutral. \$IEV rallied towards a new high at 48.5

Units closed above the 20-day moving average. Short-term momentum indicators are Neutral.



### Fixed Income markets weekly charts

#### International Bonds

As per our 2017 Q1 Global Investment Strategy Outlook for 10-Year government bonds, European 10-Year government bonds have not fully reached our 2017 Q1 price targets yet.

#### Ten year government bond spreads

| Country     | Latest yield | Spread vs bund | Spread vs T-notes |
|-------------|--------------|----------------|-------------------|
| Australia   | 2.76%        | +2.46          | +0.35             |
| Austria     | 0.56%        | +0.26          | -1.85             |
| Belgium     | 0.70%        | +0.40          | -1.71             |
| Canada      | --           | --             | --                |
| Denmark     | 0.44%        | +0.14          | -1.97             |
| Finland     | 0.48%        | +0.18          | -1.93             |
| France      | 0.83%        | +0.53          | -1.58             |
| Germany     | 0.30%        | --             | -2.11             |
| Greece      | 6.84%        | +6.54          | +4.42             |
| Ireland     | 0.94%        | +0.64          | -1.47             |
| Italy       | 1.93%        | +1.63          | -0.48             |
| Japan       | 0.06%        | -0.24          | -2.35             |
| Netherlands | 0.47%        | +0.17          | -1.95             |
| New Zealand | 3.27%        | +2.96          | +0.85             |
| Portugal    | 4.02%        | +3.72          | +1.61             |
| Spain       | 1.52%        | +1.22          | -0.89             |
| Sweden      | 0.63%        | +0.33          | -1.78             |
| Switzerland | -0.19%       | -0.49          | -2.60             |
| UK          | 1.36%        | +1.06          | -1.05             |
| US          | 2.41%        | +2.11          | --                |

Data delayed at least 15 minutes, as of Jan 09 2017 10:40 GMT.

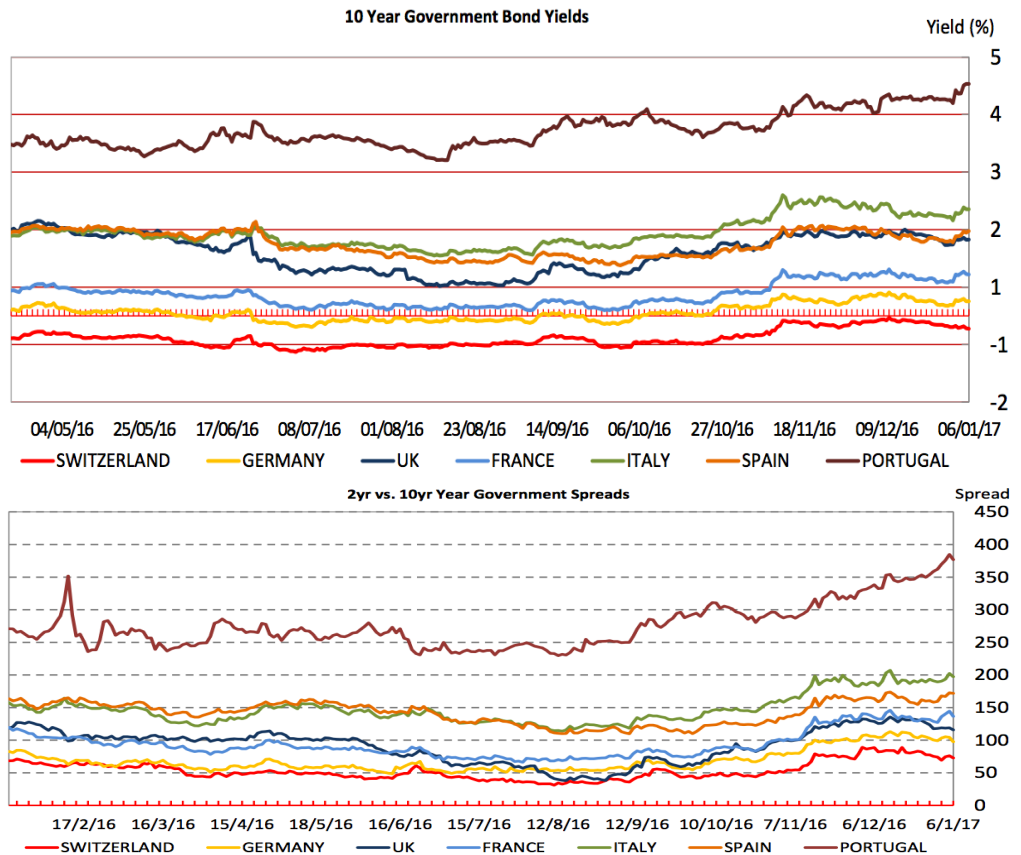
We are recommending continuing to invest in French, Spanish, Italian 10-Year government bonds currently. However, we are recommending taking profits in German and Swiss 10-Y Bonds.

We can see yields in Portugal, Spain, and Italy & Greece decline by -30bps to -50bps over the coming 2 months.

## US Bonds

\$TNX broke the lower trend line. Price moved below its 20-day moving average.

Short-term momentum indicators have rolled over.



**Yield on 10 year Treasuries dropped 0.28 basis points (1.14%) last week.**



**The long term Treasury ETF gained 1.73 points (1.45%) last week.**



TLT has bottomed and rebounded towards the 50-day moving average.

Short-term momentum indicators are Positive.

## Currencies weekly charts

The Euro added 0.10 points (0.1%) last week.

Intermediate trend remains Negative. \$XEU is showing early signs of recovery.

The \$XEU moved above the 20-day moving average.

Short-term momentum indicators are rising.



The US\$ dropped 0.12 points (0.11%) last week.

Intermediate trend changed to Neutral. \$USD is at an important divergence of trendline and resistance turned support. The US\$ moved below its 20-day moving average.

Short-term momentum indicators have rolled over.



The Japanese Yen lost 0.02 points (0.03%) last week.

Intermediate trend remains Negative. \$XJY is showing the traits of bottoming.

Short-term momentum indicators are rising.



### The Canadian Dollar gained 1.19 points (1.60%) last week.

Intermediate trend changed back to Neutral. \$CDW rebounded above the old trendline.

Short-term momentum indicators flipped to Positive.



### Commodities markets weekly charts

#### The CRB Index added 1.03 points (0.53%) last week.

Intermediate trend remains Positive. Strength relative to the S&P 500 Index remains Neutral. \$CRB is pressuring the upper trendline once again.

The \$CRB moved above its 20-day moving average.

Short-term momentum indicators are Mixed.



#### Copper gained \$0.04 per lb. (1.62%) last week.

Intermediate trend remains Neutral. Strength relative to the S&P 500 Index changed to Neutral. Copper looks to be forming a descending triangle.

Copper closed below the 20-day moving average.

Short-term momentum indicators are Mixed.



**Lumber gained \$11.60 (3.66%) last week.**

Intermediate trend is Positive. Strength relative to the S&P 500 Index flipped to Positive.

Lumber moved above the 20-day MA. Short-term momentum indicators are Positive.

**The Grain ETN added \$0.47 (1.67%) last week.**

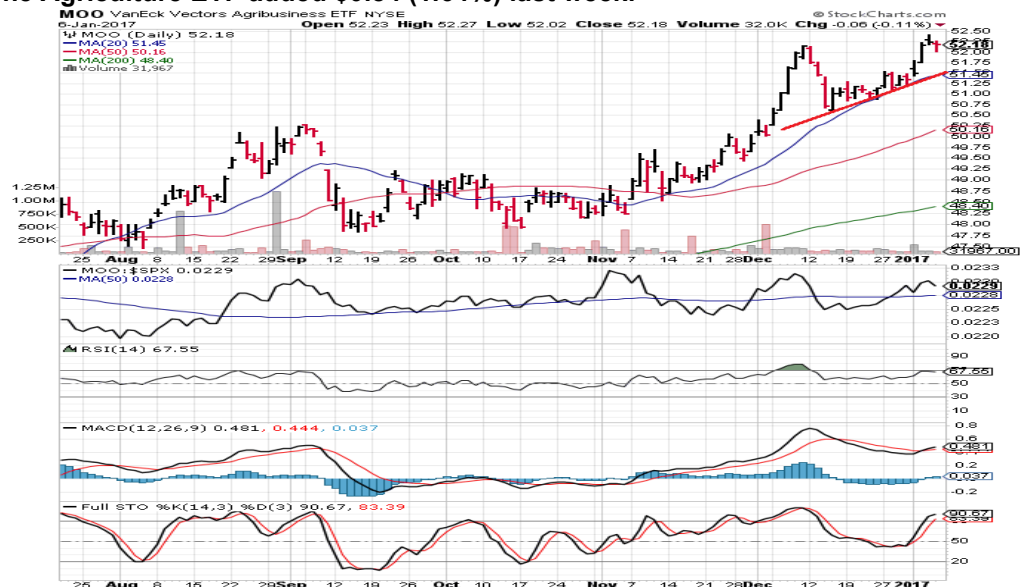
Intermediate trend remains Positive. Units resurged back to the upper trendline. Price remained below their 20-day MA. Short-term momentum indicators are Neutral.

**The Agriculture ETF added \$0.84 (1.64%) last week.**

Intermediate trend remained Positive. Strength relative to the S&P 500 Index changed to Positive.

Units closed above the 20-day moving average.

Short-term momentum indicators have rolled over



## Gold &amp; precious metals weekly charts

Gold gained \$21.70 (1.88%) last week.

Gold started a positive momentum towards the 1200 resistance.

Gold remains moved above its 20-day moving average.

Short-term momentum indicators are Flat, showing some signs of bottoming.



Silver added \$0.53 per ounce (3.31%) last week.

Silver rallied but rebounded from the upper trendline yet once again.

Silver remained below its 20-day moving average. Short-term momentum indicators are Oversold.



Platinum gained \$64.90 per ounce (7.17%) last week.

Intermediate trend changed to Neutral. Strength relative to the S&P 500 Index changed back to Neutral. \$PLAT broke through the upper channel.

\$PLAT trades above its 20-day Moving Average. Momentum indicators are Negative.



**Palladium added \$75.10 per ounce (10.99%) last week.**

Intermediate trend is Positive. Strength relative to the S&P 500 Index is Positive.

\$PALL rebounded towards the previous high.

Short-term momentum indicators are Positive.

**Oil, gas & energy weekly charts****Crude oil gained \$0.27 per barrel (0.50%) last week.**

Intermediate trend remained Positive. Strength relative to the S&P 500 Index is Positive. \$WTIC continues the bullish momentum.

Short-term momentum indicators are Mixed.

**Gasoline lost \$0.04 per gallon (2.21%) last week.**

Intermediate trend remained Positive. Strength relative to the S&P 500 Index changed from Positive to Neutral. \$GASO found the new resistance at 1.70

\$GASO is above the 20-day moving average. Short-term momentum indicators are rolling over.



**Natural Gas dropped \$0.44 (11.79%) per MBtu last week.**

Intermediate trend is Neutral. Strength relative to the S&P 500 Index is Negative. \$NATGAS broke the 3.3 support.

\$NATGAS is above the 20-day moving average. Short-term momentum indicators are Negative.



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