Creative Global Investments

Morning market commentary & weekly charts

Monday, January 12th, 2015

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Objectivity

Integrity

Creativity

With consensus 2015 GDP growth for the US of +2.9%, steady earnings growth, and below average inflation expectations (+1.6%) we continue to see equities maintaining relative attractiveness to bonds. A further possible upside scenario as we see it, is for the S&P 500 to experience P/E expansion due to interest rates remaining lower for longer than investors are anticipating. With the earnings yield of the S&P 500 (essentially the inverted P/E multiple) significantly higher than the ten-year treasury yield, the conclusion is that stocks will remain attractive relative to bonds, and that the expectation of the market going up in 2015 is reasonable.

Investors should be aware that historically in any given year the market has roughly a 67% chance of rising and a 33% chance of falling.

2015 will likely feature more volatility than we've seen in the recent past. Investors have been spoiled somewhat by the low degree of price volatility we have witnessed over the last few years. As valuations push higher and bull markets mature, investors tend to get more skittish and gyrations could occur more frequently.

There is one major allocation theme, where we differ substantially from consensus US strategists view points, namely how unlike most strategists which are believing that US equities are "the only game in town" and that foreign investors are underweight US equities, our research findings show it just differently.

US equities are very overheld globally, and have been for the past 2 decades.

No matter which way institutional investors look at "what the adequate percentage allocation should be for US equities in global investors portfolios", the result is that by most relevant metrics, such as

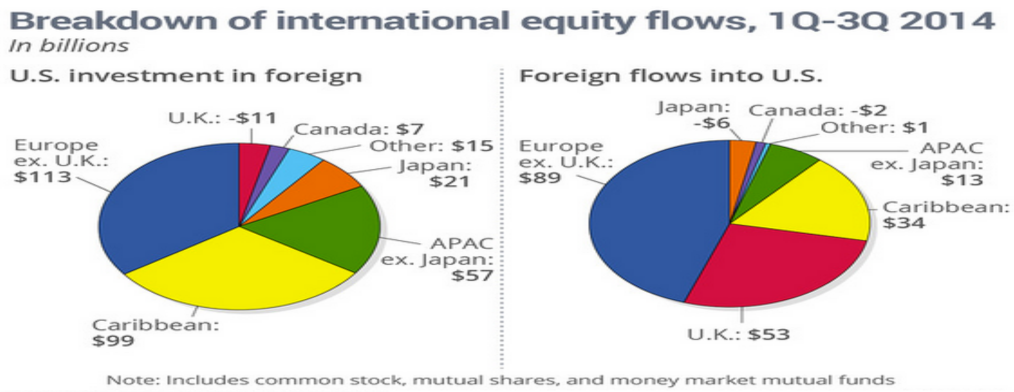
- **Valuation comparisons** (revenue growth; earnings outlook; dividend yield; DDM; market cap to GDP)
- **Macro outlook** (domestic and trade adjusted globally)
- **Trade weighted**
- **GDP weighted**

US equities are extremely expensive compared to its global peers, and have been overweighed & overheld for a very long time by foreign investors.

The fact that foreign ownership of US stocks is at an all-time high, totaling 16% in 2014, the highest in 69 years since such records have been kept, is of additional concerns.

For 2015 we are advising for US investors to increase their foreign holdings, and reduce US equities exposure, mainly due to:

- the +10% additional purchasing power the recent strength of the US$
- very stretched valuations (CAPE; P/E; P/B) for US equities versus the ROW
- foreign equity markets offer almost double the dividend yields than the US
- macro lag affect in favor of a recovery catch up of foreign equities markets
- currency related benefits to foreign companies revenues and earnings outlook



Source: U.S. Bureau of Economic Analysis

In 2015, net foreign inflow of funds into US equity is expected to hit $125bn, up from net $103bn in 2014. That compares to total net equity inflow of $220bn projected for 2015 versus $178bn last year. US investors are also likely to step up investment in foreign stocks to the tune of $280bn this year versus $231bn in 2014. American investors favored European (excluding the UK) and EM securities in 2014.

Among domestic equities investors, corporations will likely continue to dominate the market with anticipated net purchases of $450b. Inflow from equity-linked exchange-traded fund will likely total $170bn and mutual funds look like might be investing an additional $140bn into equities.

Weekly Investment Conclusion

Global macro-economic news this week is expected to confirm slow, but steady growth in the US, and still weak data coming from Europe and Japan. International uncertainties are expected to continue. Equity markets around the world are sensitive to terrorist activities. Also, the Greek election on January 25th is a focus. The European Central Bank's policy decision on 22 January looms with pressure on President Mario Draghi to introduce full-blown quantitative easing to address deflation. The euro-area likely will experience deflation during most of 1H 2015 but it will mainly be due to the low oil price, which boosts private consumption.

In the US, the yield on the benchmark 10-year Treasury bond ended the week under 2% at 1.96%. We are expecting for the 10Y Treasury yield to continue to test the 1.6% by the middle of the quarter. We believe that on the longer term (9 months) the 10-Y Treasuries could well retest its lows at around 1.38% hit in 2012, if current weakening global macro trends and low commodities price trends stay in place. **Despite the fact that the Fed ended its quantitative easing program in October 2014, we do see the long end of the Treasury curve likely to move lower in 2015 on the back of weak global growth, and the fact that "the Fed is boxed in" consequently, and eventually will become more accommodative one more time.**

US equity markets seem to have started a mild correction phase, that could last until after the release of fourth quarter results (say by mid-February), has started on December 29th. Economic sensitive sectors are the most vulnerable.

Canadian equity markets are a better choice during the next 6-8 weeks. Thereafter, North American equity markets will offer a new upside opportunity that likely will last until July. Meanwhile, selected sectors are expected to continue to perform well including precious and base metals and small caps.

Short and intermediate technical indicators show that US equity indices reached an intermediate peak on December 29th.

Fourth quarter earnings reports become a focus this week. Highlights are reports by Financial Services companies. Revenue and earnings estimates slowly have been trending down. Three months ago, consensus year-over-year estimates for the fourth quarter called for a 9% gain. Now, consensus is for a 1.2% gain. **Normally, investors anticipate good news when fourth quarter and annual results are released. However, strength in the US$ Index has dampened expectations. Look for international companies based in the US$ to lower first quarter guidance when they release fourth quarter results. Net result: US equity markets likely will remain in a short-term corrective phase during the earnings report period between this week and the end of the month.**

In 2015, one of the biggest risks to most investment portfolios is the continued weight of a strong US$ holding back key asset classes. Some of the threats posed by a potentially continued strength of the US$. are:

Strong US$ hurts large US companies' revenues and earnings. Many of the largest US companies are actually reporting smaller sales numbers because of a strong US$. That's because they do a high volume of business overseas, and since those sales are recorded in currencies that are comparatively weaker, it's like these multinationals are actually selling their goods at a discount.

A strong US$ will inversely affect dollar-denominated commodities, from steel to crude oil to soybeans.

A strong US$ hurts emerging markets, like Argentina, which defaulted on its sovereign debt in 2014, in part, because of a strong US$. Markets affected by a strong US$ and weak commodity prices are Russia, Ukraine, Brazil, Argentina had pegged its currency to the US$ and saw its peso abnormally strong in recent years as a result.

We do see the biggest opportunity for institutional equities' investors to be in Europe. A persistently strong US$ and a weaker Euro may actually help stabilize prices. And inversely for European companies while a strong currency hurts exports and multinationals in America, the opposite is true in Europe: And since June 2014 so far the -15% weaker currency will help European exporters to gain market share and bolster profits in America in 2015 and beyond.

The US$ is presently pressuring its way through resistance presented by the 2005 at 92.33, perhaps the last hurdle to overcome as it charts a new long-term uptrend. The index recently broke above a 7-year basing pattern, which held the currency index around the lowest levels since the benchmark was created in 1973.

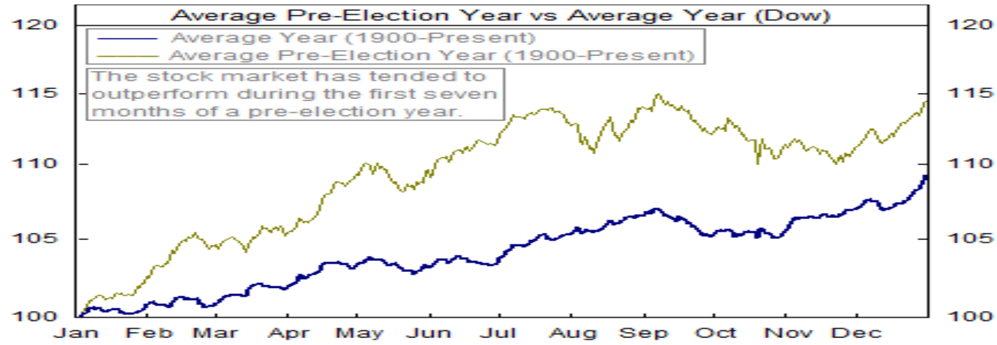
As mentioned in previous reports, it is the commodities priced in the domestic currency and material stocks that tend to be negatively impacted by the strength in the US$, a trend that has certainly been apparent when looking at the CRB commodity index, which is down by around 27% since mid last year.

January is seasonally the strongest month of the year for the US$ Index, which benefits from companies repatriating currency from around the globe following the conclusion of the previous calendar year. Strength is typically maintained throughout the first quarter.

Conversely, consensus fourth quarter revenue and earnings comparisons by Canadian companies are positive partially because of weakness in the Canadian Dollar (other than energy and precious metals). Average (median) fourth quarter earnings per share gain on a year-over-year basis for TSX 60 companies is 6.9% Canadian equity positions are preferred over US equity positions until at least the beginning of March.

Beyond January, the outlook for world equity markets is positive. Historically, the best time during the four-year Presidential cycle to own equities is from the beginning of November in a mid-term election year to July in a pre-election year. Since 1900, the stock market (as the below chart of the Dow Jones shows) has tended to outperform during the first seven months of the average pre-election year. For the remainder of the year, pre-election performance has tended to be choppy and slightly subpar. In the end, however, the stock market has tended to outperform during the entirety of the pre-election year.

One theory to support this behavior is that the party in power will make difficult economic decisions in the early years of a presidential cycle and then do everything within its power to stimulate the economy during the latter years in order to increase the odds of re-election.



Some of our seasonal analysis has shown that inflationary pressures start to pick up at the end of January, running through to May, mostly due to the seasonal rise in energy commodities. Evidence of a bottoming pattern in the price of Oil and energy stocks continues to be sought ahead of the period of seasonal strength, which could get underway at any time now.

However, the embedded declining inflation expectations and the rising US$ may continue to threaten the commodity market over the near-term. Nevertheless, a couple of metal commodities are showing signs of a base building pattern within their period of seasonal strength. Both Silver and Platinum remain seasonally strong through to a least the end of February, benefitting from the uptick in industrial production ahead of the spring. Silver and Platinum have begun to stabilize, attempting to halt the downward trend in prices that saw significant losses since July of last year. A double-bottom with respect to the price of Silver may be becoming apparent. Looking at the Silver ETF (SLV), support at $14.64 has held for the past couple of months; a break above short-term resistance of $16.49 would imply a new intermediate uptrend.

A similar pattern is evident on the chart of the Platinum ETF (PPLT), which has held support around $114.

As investors become confident that a tradable low in commodity prices has been charted, the stocks of the producers start to outperform. The chart of the Silver Miners ETF (SIL) versus Silver (SLV) is showing a similar double-bottom pattern as the producers show strength relative to the commodity. The miners remain in a period of seasonal strength through February, similar to the commodities.

The chart of the Gold Miners ETF (GDX) versus the price of Gold (GLD) is showing the same, suggesting that miners of these precious metals, whether it is Gold, Silver, or Platinum, are setup for a move higher, with the expectation that the commodities will do the same.

US equity markets commentary & weekly charts

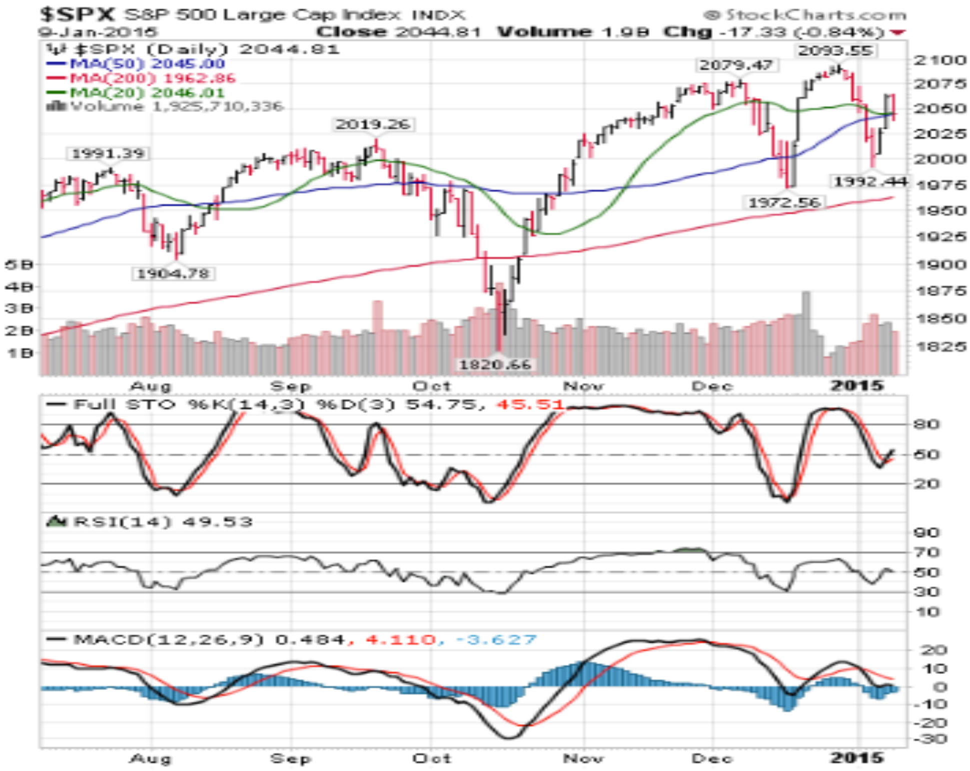
The VIX Index dropped 0.24 (1.35%) last week.

Intermediate trend remains up. The Index fell below its 20 day moving average.

S&P 500 Index dropped 13.39 points (0.65%) last week.

Intermediate trend remains up. The Index fell below its 20 day moving average on Friday.

Short-term momentum indicators are mixed.



Percent of S&P 500 stocks trading above their 50 day moving average dropped last week to 55.20% from 73.40%.

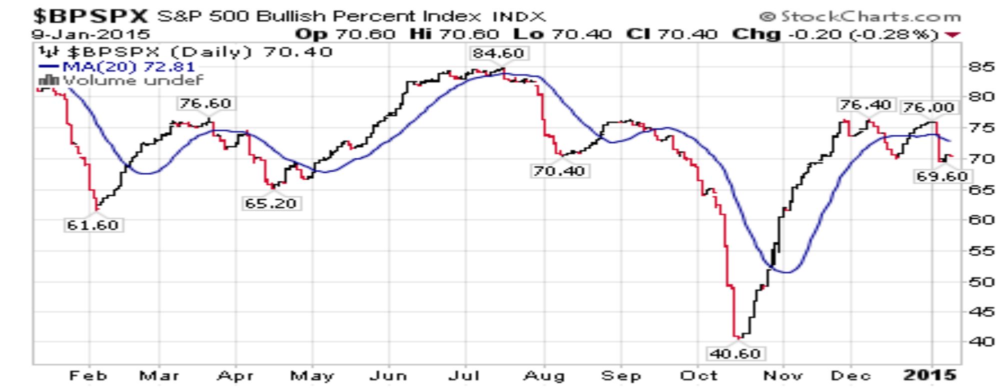
The index is intermediate overbought and trending down.

Percent of S&P 500 stocks trading above their 200 day moving average fell to 71.60% from 76.60%.

The index remains intermediate overbought and trending down.

Bullish Percent Index for S&P 500 stocks fell last week to 70.40% from 75.80% and fell below its 20 day moving average.

The Index is intermediate overbought and has rolled over.

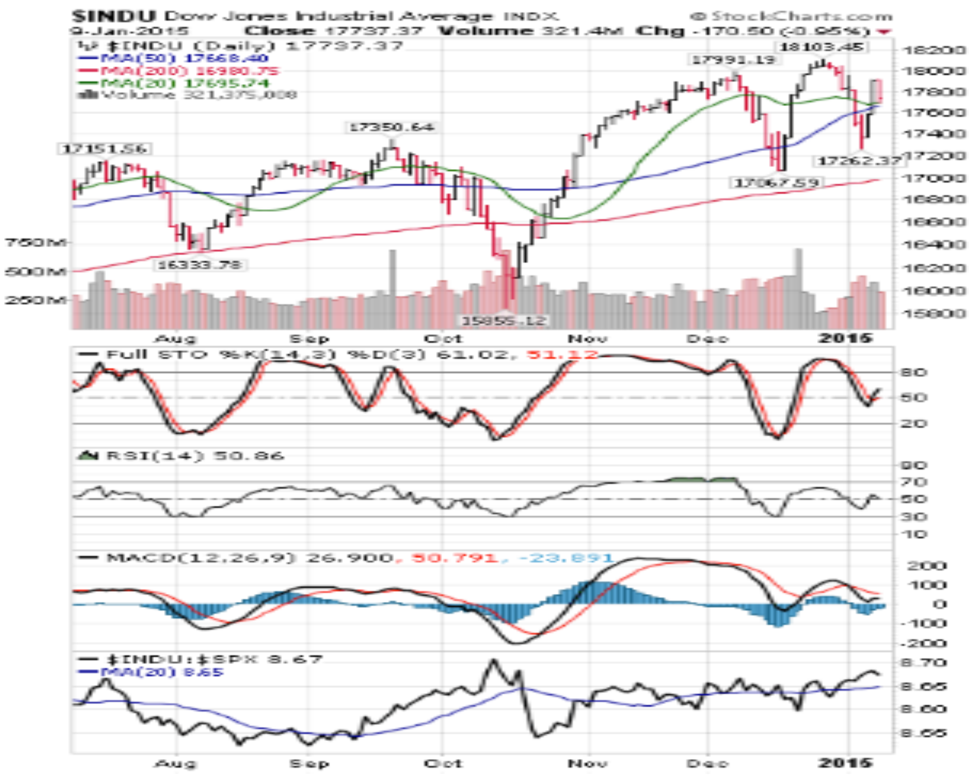


The Dow Jones Industrial Average fell 95.62 points (0.54%) last week.

Intermediate trend remains up. The Average remains above its 20 day moving average.

Strength relative to the S&P 500 Index remains positive.

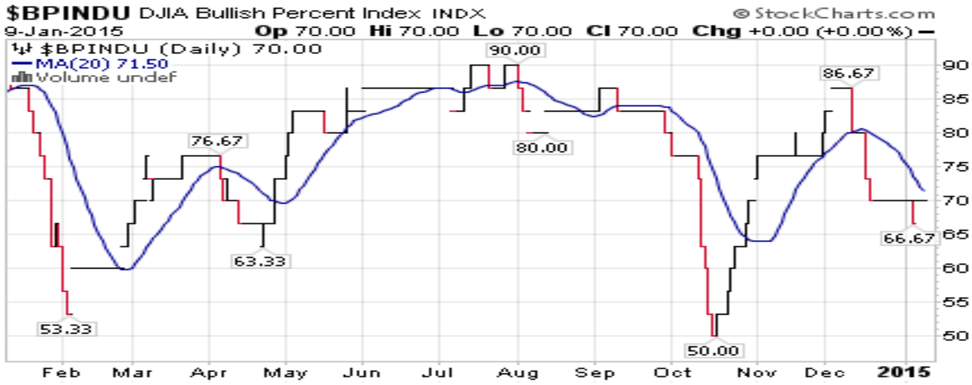
Short term momentum indicators are mixed



Bullish Percent Index for Dow Jones Industrial Average stocks was unchanged last week at 70%.

The Index remains below its 20 day moving average.

The Index remains intermediate overbought and trending down.



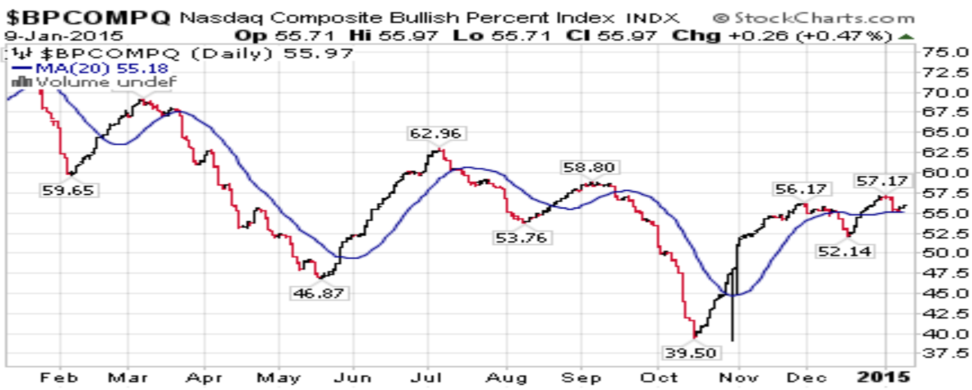
The Dow Jones Transportation Average lost 240.83 points (2.65%) last week.

Intermediate trend remains up. The Average fell below its 20 day moving average.

Strength relative to the S&P 500 Index changed to negative from positive.

Short-term momentum indicators continue to trend down.

Bullish Percent Index for NASDAQ Composite stocks slipped last week to 55.97% from 56.91%, but remains above its 20-day moving average.

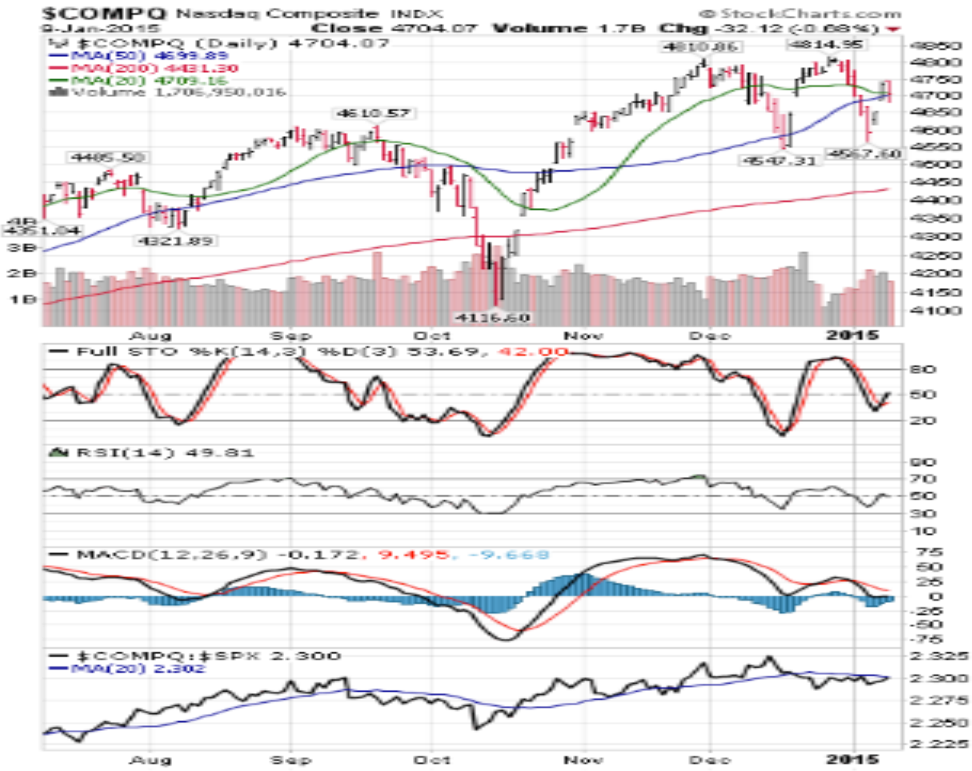


The NASDAQ Composite Index dropped 22.74 points (0.48%) last week.

Intermediate trend remains up. The Index fell below its 20 day moving average on Friday.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators remain down.



The Russell 2000 Index fell 13.12 points (1.09%) last week.

Intermediate trend remains up. The Index remains above its 20 day moving average.

Strength relative to the S&P 500 Index changed to neutral from positive.

Short-term momentum indicators are mixed.

The S&P Energy Index dropped 21.20 points (3.60%) last week.

Intermediate trend remains down. The Index moved below its 20 day moving average.

Strength relative to the S&P 500 Index remains neutral.

Short-term momentum indicators continue to trend down.

The Philadelphia Oil Services Index fell 12.19 points (5.79%) last week.

Intermediate trend remains down. The Index fell below its 20 day moving average.

Strength relative to the S&P 500 Index changed to negative from neutral.

Short-term momentum indicators are trending down.

The AMEX Gold Bug Index gained another 18.49 points (1.10%) last week.

Intermediate trend changed to up from down on a move above 181.33. The Index remains above its 20 day moving average.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending up.

Strength relative to Gold remains positive.

Latam equity markets commentary & weekly charts

The BOVESPA added points last week.
1,486

Intermediate trend remains down. The $BVSP remains below the 20- and 50- and 200-day moving averages.

Strength relative to the S&P 500 Index is neutral.

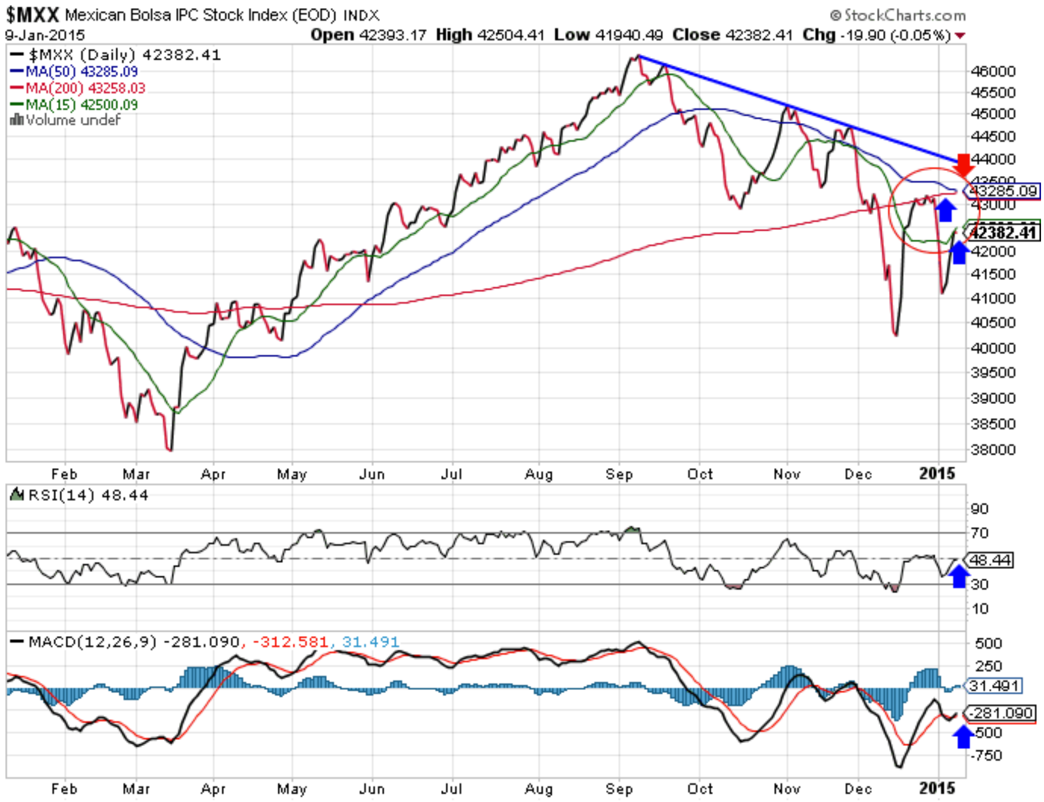
Short-term momentum indicators are trending up.

The Mexican Bolsa added points last week.

Intermediate trend remains down. The $MXX is facing a "bear cross" scenario.

Strength relative to the S&P 500 Index remains negative.

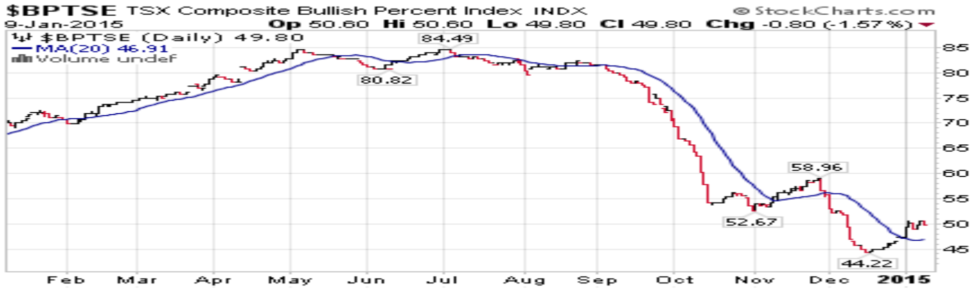
Short-term momentum indicators are trending up.



Canadian equity markets commentary & weekly charts

The Index continues to recover from an intermediate oversold level.

Bullish Percent Index for TSX Composite stocks increased last week to 49.80% from 49.40% and remained above its 20 day moving average.



Intermediate trend remains down. The Index remains above its 20 day moving average.

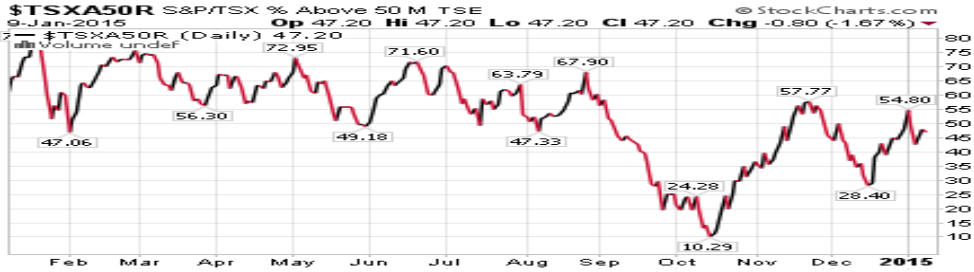
Strength relative to the S&P 500 Index changed to neutral from positive.

Short-term momentum indicators are mixed.

The TSX Composite Index fell 368.73 points (2.50%) last week.

The index remains in an intermediate uptrend.

Percent of TSX stocks trading above their 50 day moving average dropped last week to 47.30% from 54.80%.



The index continues to recover from an intermediate oversold level.

Percent of TSX stocks trading above their 200 day moving average increased last week to 42.40% from 41.20%.

Asian equity markets commentary & weekly charts

The SENSEX fell 12 points last week.

Intermediate trend remains up. The $BSE remains below the 14-day mva, but above the 50- and 200-day moving averages.

Strength relative to the S&P 500 Index remains positive.

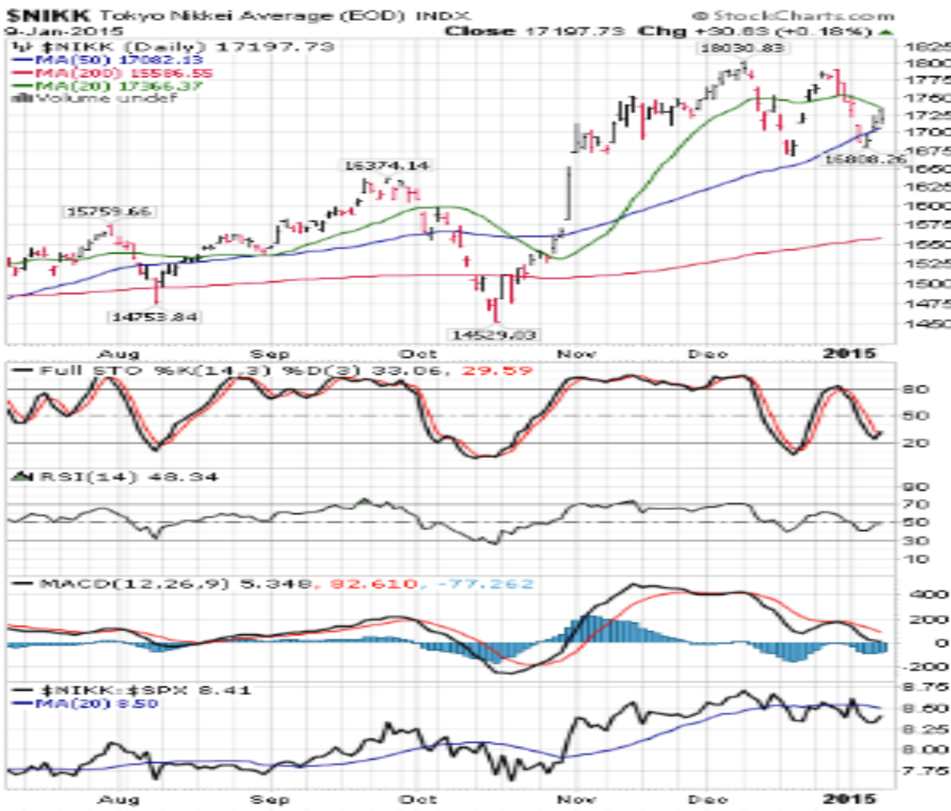
Short-term momentum indicators are trending up.

The Nikkei Average fell 252.34 points (1.45%) last week.

Intermediate trend remains up. The Average remains below its 20 day moving average.

Strength relative to the S&P 500 Index remains Neutral.

Short-term momentum indicators are trending down.



The Shanghai Composite Index slipped 29.27 points (0.88%) last week.

Intermediate trend remains up. The Index remains above its 20 day moving average.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending up, but are showing early signs of rolling over.

iShares Emerging Markets added $0.58 (1.29%) last week.

Intermediate trend remains down. Units moved above their 20-day moving average.

Strength relative to the S&P 500 Index changed to positive from negative.

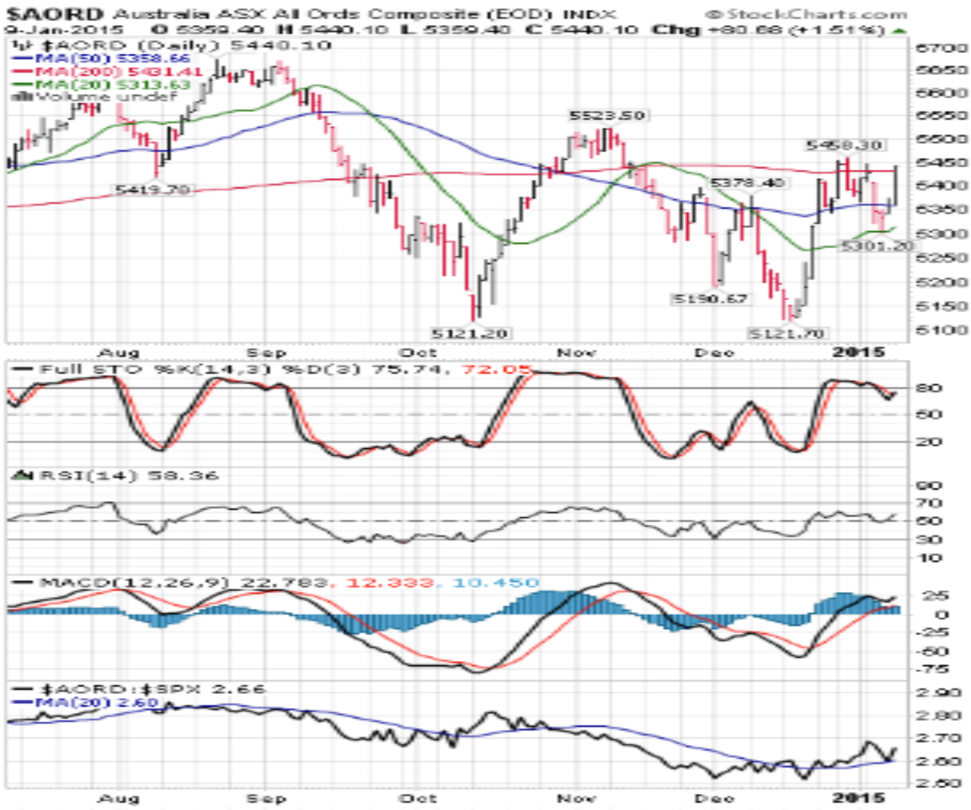
Short-term momentum indicators are mixed.

The Australia All Ordinaries Comp. Index added 25.10 points (0.46%) last week.

Intermediate trend remains down. The Index remains above its 20-day moving average.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are mixed.



European Equity markets commentary & weekly charts

The DAX 30 added 173 points last week.

Intermediate trend remains up. The $DAX is above the 20- and 50- and 200-day moving averages.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending up.

The CAC 40 added 103 points last week.

Intermediate trend remains down. The $CAC remains below the 20- and 50- and 200-day moving averages.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending up.

The AEX added 5.8 points last week.

Intermediate trend remains up. The $AEX remains above the 50-day moving average.

Strength relative to the S&P 500 Index remains positive.

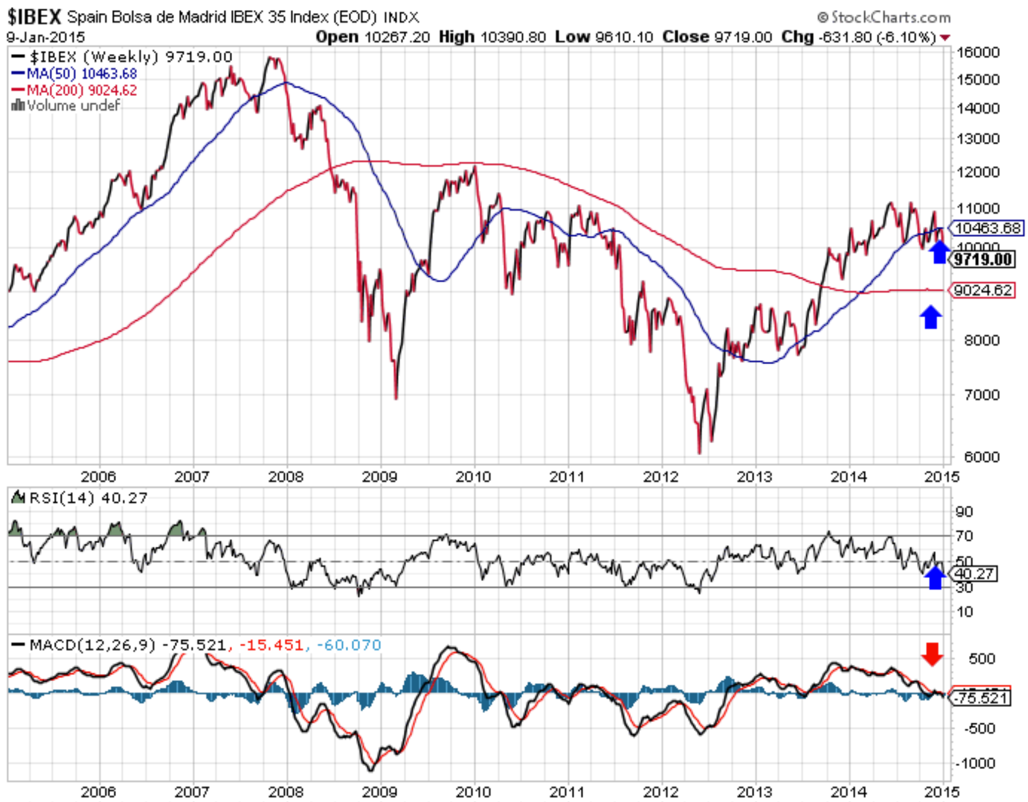
Short-term momentum indicators are trending up.

The IBEX 35 added points last week.

Intermediate trend remains up. The $IBEX remains above the 50-day moving average.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending down.



The FTSE 100 added 106 points last week.

Intermediate trend remains down. The $FTSE remains below the 20- and 50-day moving averages.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending up.

iShares Europe 350 units dropped $0.96 (2.27%) last week.

Intermediate trend remains down. Units remain below the 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

Fixed Income markets commentary & weekly charts

EURO Bonds

Germany (1% 15 Aug 2024)	0.50	-	0.52	-0.01
France (1.75% 25 Nov 2024)	0.79	+ 28	0.79	0.00
Belgium (2.6% 22 Jun 2024)	0.75	+ 24	0.75	0.00
Italy (2.5% 1 Dec 2024)	1.89	+ 138	1.89	0.00
Spain (2.75% 31 Oct 2024)	1.73	+ 122	1.74	-0.02
Denmark (1.75% 15 Nov 2025)	0.76	+ 26	0.78	-0.01
Finland (2% 15 Apr 2024)	0.58	+ 8	0.59	-0.01
Netherlands (2% 15 Jul 2024)	0.62	+ 11	0.62	-0.01
Austria (1.65% 21 Oct 2024)	0.65	+ 15	0.66	-0.01
Czech Republic (5.7% 25 May 2024)	0.38	- 13	0.38	0.00
Ireland (3.4% 18 Mar 2024)	1.25	+ 74	1.23	0.01
Slovenia (4.625% 09 Sep 2024)	2.05	+ 154	2.07	-0.02
Hungary (5.5% 24 Jun 2025)	3.56	+ 306	3.59	-0.03
Portugal (5.65% 15 Feb 2024)	2.66	+ 216	2.68	-0.02

Time snapshot: 12/01/2015 - 9:36 AM CET

US Bonds

The yield on the benchmark 10-year Treasury bond ended the week under 2% at 1.96%. We believe that the 10-Y Treasuries could well retest its lows at around 1.38% hit in 2012, if current weakening global macro trends and low commodities price trends stay in place. **Despite the fact that the Fed ended its quantitative easing program in October 2014, we do see the long end of the Treasury curve likely to move lower in 2015 on the back of weak global growth, and the fact that "the Fed is boxed in" consequently, and eventually will become more accommodative one more time.**

The yield on 10Y-Treasuries dropped 15.2 basis points (7.16%) last week.

Intermediate trend remains down. Yield remains below its 20-day moving average.

Short-term momentum indicators are trending down.

The long term Treasury ETF gained $3.75 (2.95%) last week.

Intermediate trend remains up. Units remain above their 20-day moving average.

Currencies commentary & weekly charts

The Euro fell another 1.62 (1.35%) last week.

Intermediate trend remains down. The Euro remains below its 20-day moving average.

Short-term momentum indicators are trending down.

The US$ Index gained another 0.73 (0.80%) last week.

Intermediate trend remains up. The Index remains above its 20 day moving average.

Short-term momentum indicators are trending up, but are overbought.

The Japanese Yen added 1.37 (1.65%) last week.

Intermediate trend remains down. The Yen moved above its 20-day moving average.

Short-term momentum indicators are trending up.

The Canadian Dollar dropped another US 0.83 cents (0.98%) last week.

Intermediate trend remains down. The C$ remains below its 20-day moving average.

Short-term momentum indicators are trending down.

Commodities commentary & weekly charts

The CRB Index dropped another 2.84 points (1.24%) last week.

Intermediate trend remains down. The Index remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

Copper dropped another $0.09 per lb. (3.17%) last week.

Intermediate trend remains down. Copper remains below its 20 day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

Lumber fell $13.00 (3.92%) last week.

Intermediate trend remains down. Lumber remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

The Grain ETN added $0.38 (1.00%) last week.

Intermediate trend remains up. Units remain below their 20-day moving average.

Relative strength remains neutral.

The Agriculture ETF added $0.23 (0.44%) last week.

Intermediate trend remains up. Units moved above their 20-day moving average.

Strength relative to the S&P 500 Index changed to positive from negative.

Short-term momentum indicators are mixed.

Gold & precious metals commentary & weekly charts

Gold gained $29.90 per ounce (2.52%) last week.

Intermediate trend remains down. Gold moved above its 20-day moving average.

Strength relative to the S&P 500 Index changed to neutral from negative.

Short-term momentum indicators are trending up.

Silver added $0.65 per ounce (4.12%) last week.

Intermediate trend remains up. Silver moved above its 20-day moving average.

Strength relative to the S&P 500 Index changed to neutral from negative.

Short-term momentum indicators are trending up.

Strength relative to Gold changed to neutral from negative.

Platinum gained $26.20 per ounce (2.18%) last week.

Trend remains down. $PLAT moved above its 20-day MA.

Relative strength turned positive.

Strength relative to Gold remains neutral

Palladium added $5.30 per ounce (0.67%) last week.

Trend remains up. $PALL remains below its 20-day MA.

Strength relative to the S&P 500 Index remains neutral.

Momentum indicators are trending down.

Strength relative to Gold remains negative

Oil, gas & energy commentary & weekly charts

Crude Oil lost another $4.33 per barrel (8.22%) last week.

Intermediate trend remains down. Crude remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are mixed.

Natural Gas lost $0.05 per MBtu (1.67%) last week.

Intermediate trend remains down. $NATGAS remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down, but are oversold and showing early signs of bottoming.

Gasoline dropped another $0.11 per gallon (7.69%) last week.

Intermediate trend remains down. Gas remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

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