Creative Global Investments

Basic Resources/Metals commentary & charts

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Objectivity

Integrity

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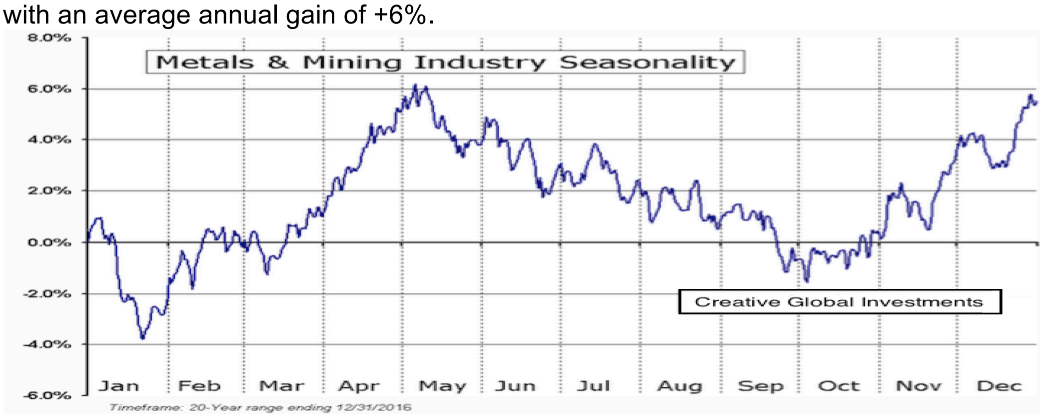
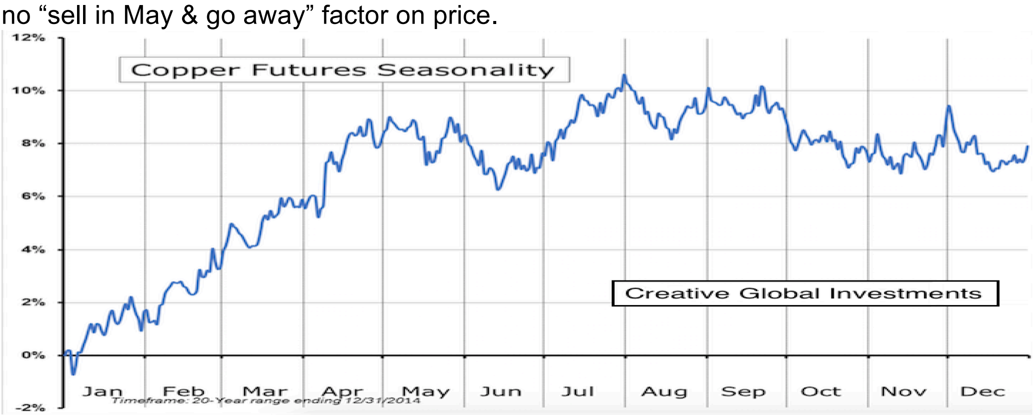
As one of our major investment themes since Q3 2016, we identified that basic resources and metals (particularly industrial metals) had been oversold for too long, and that investors' perception of supply and demand was way too negative.

After some significant consolidation in the industry over the past 2 years, (M&A, capacity adjustments, strategic alliances, etc.) we had forecasted that the 2H of 2016 would be a turning point for basic resources pricing and outlook. At this point, we would like to reiterate that we are expecting for basic resources and metal prices to advance by another +25% in 2017 from current levels.

Besides improving fundamentals for the commodities' side of basic resources and the Metals & Mining Industry, we also would like to point out the positive change in seasonality for the sector and its companies. Looking back to the averages for the past 20 years, the seasonal influence for Metals and Mining stocks turns positive historically in the third week of January, and lasts until the middle of May (partially due to most of the European peers paying out annual dividends in March, April & May, and hence why "Sell in May & go away" is impacting the sector profoundly in seasonal performance) with an average annual gain of +6%.



Not surprisingly the seasonal set up for Copper Futures coincides with the above mentioned set up for the Sector, whereas Copper futures are also entering their strongest seasonality period in January. Although for Copper, as the chart shows the average annual gain of more than +9% for the past 20-year period, there seems to be no "sell in May & go away" factor on price.



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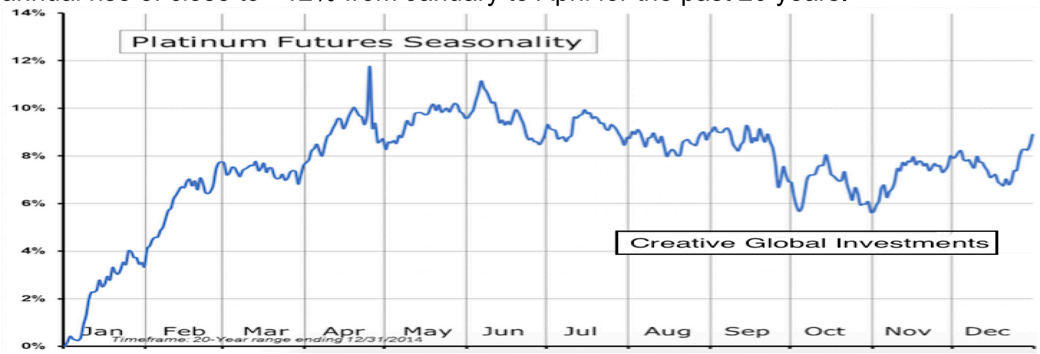
The price of copper moved another higher, advancing almost +3% during yesterday's session and bouncing from its rising 50-day moving average. Momentum "buy signals" with respect to MACD, stochastics, and RSI were triggered in recent days.

Freeport McMoRan (a CGI Global 50 Recommended Portfolio constituent) was bouncing from the neckline of a massive head-and-shoulders bottoming pattern as investors bet on a Copper rebound via the producers.

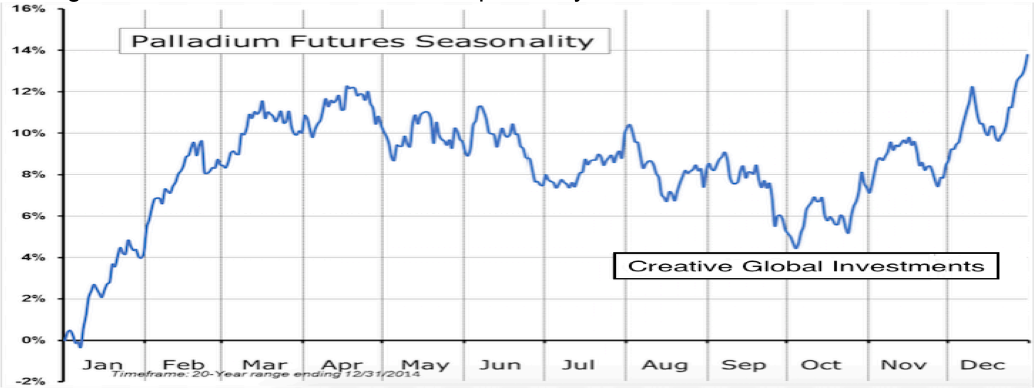
Base metal and base metal equity prices had a significant move higher yesterday, as their period of seasonal strength turns positive. The Base Metal ETN based on copper, zinc and aluminum futures gapped higher yesterday, and all short-term indicators are positive. The ETN likely will move towards $16.34 before hitting any resistance.

Seasonal factors are also turning positive this week for Platinum, with an average annual rise of close to +12% from January to April for the past 20 years.

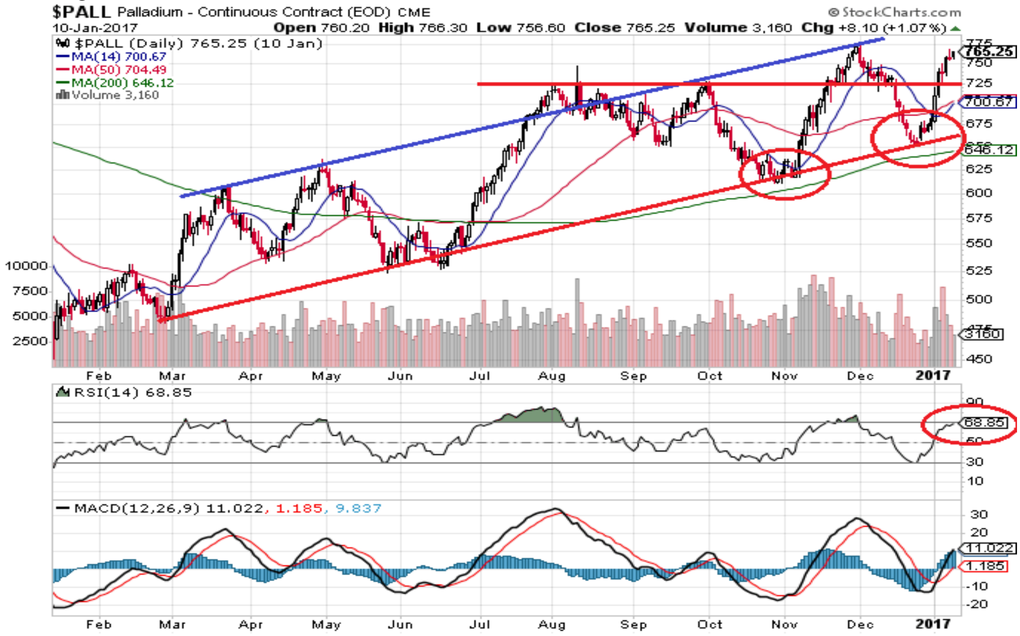


$PLAT is sitting on a trendline with an important resistance of 1000 just above. $PLAT is trading above the fast moving averages, indicating a short-term uptrend, supported by the short-term indicators. A likely breakout and a possible higher high would indicate a shift in the trend.

Palladium's period of seasonal strength from January to April brings investors an average annual return of +12% over the past 20 years.



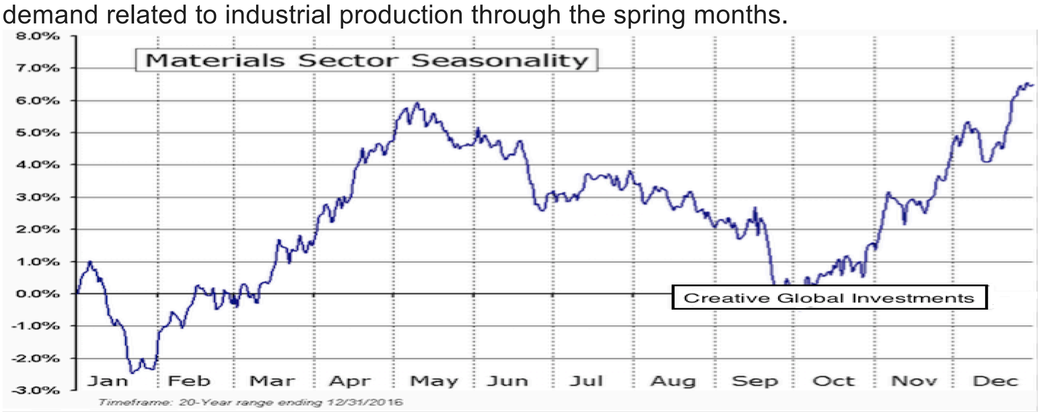
$PALL is in a clear uptrend given the fact that it created a higher high and a higher low in the last 3 months. It recently broke an important resistance level of 725. Palladium looks to be bound for a new high. Short-term indicators are positive and not far from overbought.



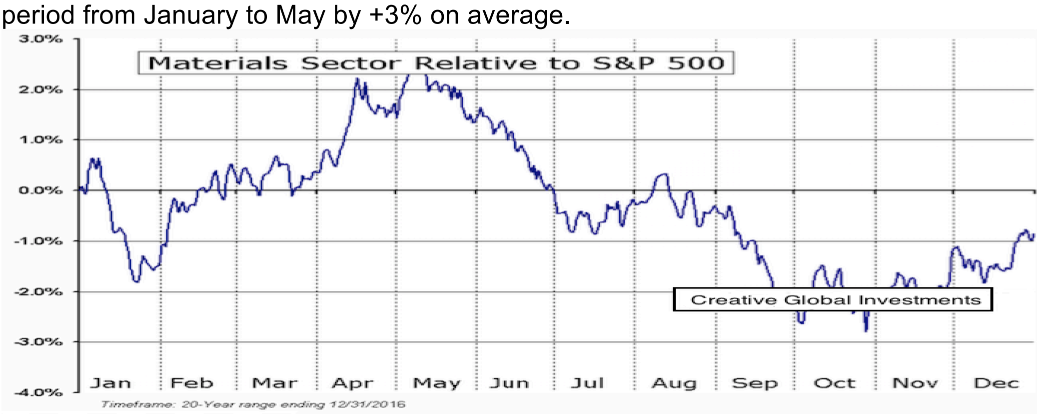
The strongest seasonal period has also started in January for Silver, which tends to rise by an average of +8% annually over the past 20 years.

$SILVER has been in the clear downtrend since the Brexit aftermath, creating lower highs and lows for months in a well-defined channel. The price seems to be obeying the 50-day moving average as a temporary resistance. Important levels are support 16, resistance- 17, 17.5 & 18. Short term indicators for $SILVER are rising.

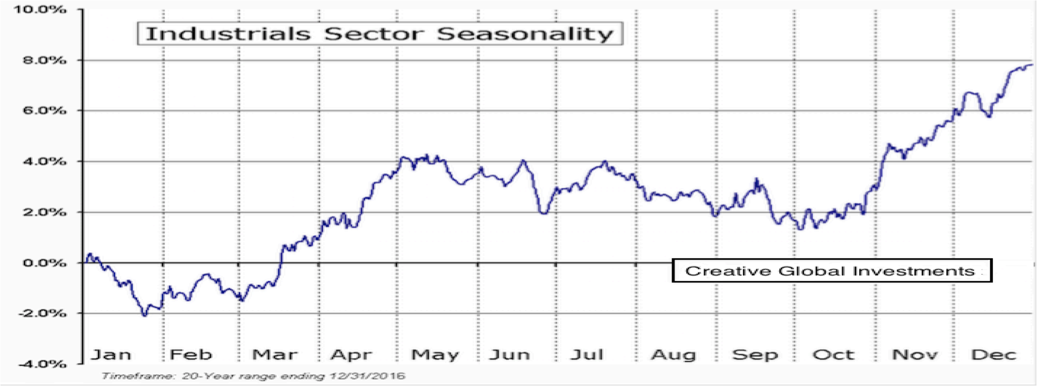
The period of seasonal strength for the Materials Sector ranges from November 20th through to May 5th. Seasonal strength in the sector corresponds with the increased demand related to industrial production through the spring months.



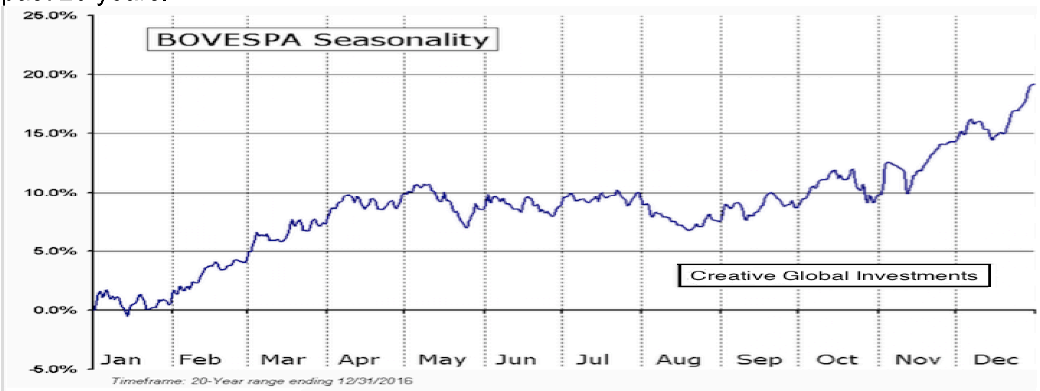
Over the past 20-years the Materials Sector has outperformed the SPX in its strongest period from January to May by +3% on average.



Similarly, the period of seasonal strength for the Industrials Sector ranges from October 29th to May 10th. The sector gains an average +5% in conjunction with strength in industrial production between January and June.



The most exposed, correlated and sensitive equity market to the price of commodities, and particularly to Energy & Metals & Mining prices, is the Brazilian BOVESPA. The BOVESPA has risen by +10% on average annually between January and May over the past 20 years.



$BVSP broke upwards out of the descending triangle indicating the potential retracement up to the previous high of approx. 64,200. Important levels are support at 58 000, resistance at 64,000. Short term indicators are Positive and trending higher.

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