



Creative Global Investments

Asian Equity markets commentary & charts

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Carlo R. Besenius
Chief Executive Officer
cbesenius@cg-inv.com
+(352) 2625 8640



Creative Global Investments LLC
115 East 57th Street
11th Floor
New York, NY 10022
Tel: 212 939 7256
Mob: 917 301 3734

Creative Global Investments/Europe
5, op der Heed
L-1709 Senningerberg
Tel: +(352) 2625 8640
Mob: +(352) 691 106 969

Objectivity

Integrity

Creativity

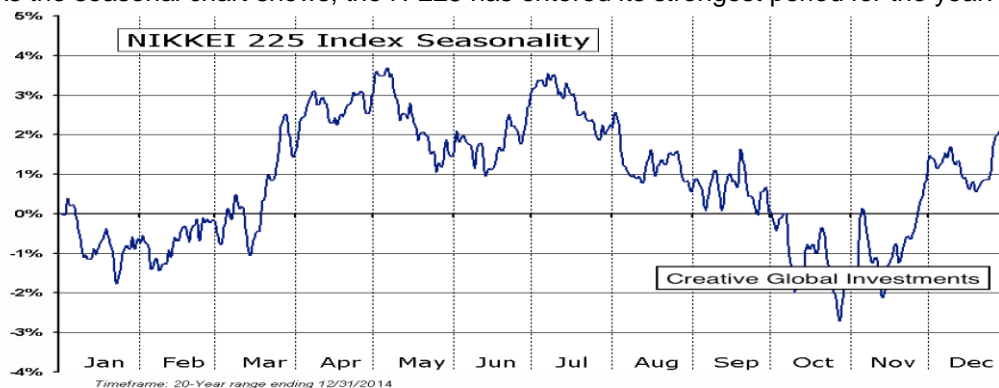
With the start of February, Asian equity markets have entered their period of seasonal strength, which starts in February and typically lasts into late April.

As Japanese equities have retraced significantly from their highs in 2015, the BoJ on Friday surprised financial markets with a monetary policy change towards negative rates. The BoJ's aim was to inflate assets, and to devalue the Yen further, and hence why we are seeing a good investment rational for investors to re-enter Japanese equities at current prices.

A closer technical look at the Nikkei-225 shows that is in process of a clear reversal. **Our 3- 6 months price target for the \$NIKK is 20,150.**



As the seasonal chart shows, the N-225 has entered its strongest period for the year.



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Summary: **STRONG BUY**

Moving Averages:	BUY	Buy (8)	Sell (4)
Technical Indicators:	STRONG BUY	Buy (6)	Sell (2)

Technical Indicators

Name	Value	Action
RSI(14)	61.343	Buy
STOCH(9,6)	98.524	Overbought
STOCHRSI(14)	1.165	Oversold
MACD(12,26)	149.950	Buy
ADX(14)	21.825	Buy
Williams %R	-1.957	Overbought
CCI(14)	-51.0064	Sell
ATR(14)	94.4746	Less Volatility
Highs/Lows(14)	-3.0226	Sell
Ultimate Oscillator	59.399	Buy
ROC	1.326	Buy
Bull/Bear Power(13)	80.0863	Buy
Buy: 6 Sell: 2 Neutral: 3		
Summary: STRONG BUY		

Moving Averages

Period	Simple	Exponential
MA5	17781.66 Sell	17773.08 Sell
MA10	17807.84 Sell	17749.47 Buy
MA20	17642.59 Buy	17638.77 Buy
MA50	17268.91 Buy	17369.60 Buy
MA100	17074.28 Buy	17380.14 Buy
MA200	17774.93 Sell	17742.48 Buy
Buy: 8 Sell: 4		
Summary: BUY		

Pivot points

Name	S3	S2	S1	Pivot Points	R1	R2	R3
Classic	17612.08	17655.21	17701.60	17744.73	17791.12	17834.25	17880.64
Fibonacci	17655.21	17689.41	17710.53	17744.73	17778.93	17800.05	17834.25
Camarilla	17723.36	17731.57	17739.77	17744.73	17756.19	17764.39	17772.60
Woodie's	17613.70	17656.02	17703.22	17745.54	17792.74	17835.06	17882.26
DeMark's	-	-	17723.16	17755.51	17812.68	-	-

One chart that we have been updating for a few years is showing a major reversal in investors' allocation process, whereas a 22-year long trend favoring US equities over Japanese equities has been broken, and now increasingly positive momentum is in favor of Japanese stocks.



The long-term chart technical outlook for the \$NIKK is positive, despite the fact that the index is trading below its 50-day moving average. The short-term technicals are mixed with the RSI close to oversold territory.



We believe that last Friday's unexpected move by the BoJ towards negative interest rates is partially aimed to weaken the Yen further, as Japan needs more export driven growth, as ABE's 3 arrows are showing to be insufficient for now. The chart for the US\$/Yen shows the US\$ at a pivotal point at US\$/Yen 120.96. We believe the actions of the BoJ will help weaken the Yen towards US\$/Yen 128 in the coming 6 months.



Over in China, the Shanghai Composite Index has suffered a similar tough 8 months, giving back almost all the gains it made over the past 14 months. **The \$SSEC is tremendously oversold, and we see the index recover towards 3,800 in the coming 3 – 6 months.**



Summary: **NEUTRAL**

Moving Averages:	SELL	Buy (5)	Sell (7)
Technical Indicators:	BUY	Buy (4)	Sell (2)

Technical indicators

Name	Value	Action
RSI(14)	50.840	Neutral
STOCH(9,6)	83.039	Overbought
STOCHRSI(14)	79.955	Overbought
MACD(12,26)	-28.970	Sell
ADX(14)	21.021	Neutral
Williams %R	-28.135	Buy
CCI(14)	47.5578	Neutral
ATR(14)	53.1616	Less Volatility
Highs/Lows(14)	14.3796	Buy
Ultimate Oscillator	67.100	Buy
ROC	-0.113	Sell
Bull/Bear Power(13)	71.2268	Buy
Buy: 4 Sell: 2 Neutral: 5		
Summary: BUY		

Since 2014 \$SSEC has performed exactly as we had anticipated. At first, staging a huge rally surpassing our initial 2015 price target of 4,900, in front of the IMF inclusion of the Yuan into the global currency reserve SDR basket.

As we then called for a complete Fibonacci reversal, the \$SSEC then hit our 2,850 target price pretty rapidly. Although under normal circumstances, we would rather see a prolonged and healthier base building at current levels, in order for the \$SSEC to resume its ascent again.

However, as we see the Chinese market authorities and the PBOC making significant attempts in order to support the equity markets at current levels, and a traditional base building may not prove to be essential this time for Chinese equity to rise again.



The \$SSEC like the \$NIKK has also entered its strongest seasonal period for the year.



Similarly to Japanese equities relative to US equities, investors have also changed their long-term investment allocation patterns in favor of Chinese equities versus US equities. We believe that this trend reversal is significant, and far from plaid out.



Since 2012, the Yuan has appreciated by 20% against a broad basket of currencies. China's currency is expensive by any metric. The appreciation against the Yen goes unnoticed by most investors, but it has placed enormous pressure on Chinese exports as a currency war rages in Asia.

As past November the Yuan has passed the IMF inspection and has been formally accepted as a SDR reserve currency, we believe that it will be the PBoC's focus to let the Yuan return to its PPP balanced levels and a more realistic value, pertinent to the slowing GDP growth that the Chinese government is facing in the transition period from industrialization towards consumption. **We therefore believe the US\$/Yuan faces risks towards US\$/CNY 8.50 in the coming 6 – 9 months**



Right now, China is facing serious pressure to devalue the Yuan. China's economy hit a wall in mid-2014 and since then, about \$1 TRN of capital has left the country. The country's \$4 TRN of foreign exchange reserves has dropped to nearly \$3.3 TRN as the authorities have spent hundreds of billions of dollars defending the currency. The USDCNY increased 0.0105 or 0.16% to 6.62 on yesterday from 6.61 in the previous trading session. Looking back, the USDCNY gained 0.3611 or 5.77 percent during the last 12 months from 6.26 in February of 2015. Historically, the Chinese Yuan reached an all time high of 8.73 in January of 1994 and a record low of 1.53 in January of 1981.



The Chinese New Year celebrations extend from February 7-13, 2016. The authorities will try to keep things calm until the end of that period. The China State Council website reported that Premier Li had coffee with IMF head Christine Lagarde and said that China will defend the Yuan. After the Chinese New Year holiday ends, there is a much greater chance that the government will let market forces take over.

If the Yuan heads much lower, other Asian currencies will follow. We already know that the Japanese want to cheapen the Yen in order to boost economic growth. The Hong Kong dollar, which is pegged to the US\$, is also being called into question. The Hong Kong Monetary Authority has said it will defend the Hong Kong dollar. Other currencies like the Singapore dollar are also likely to follow despite Singapore's image as a strong currency state. Singapore's banking system grew tremendously over the past five or six years but is now shrinking, and no longer attracting foreign assets. We believe that the currency wars are going to be making financial markets much more volatile in 2016.

Carlo R Besenius, CEO & Head of Global Strategy

cbesenius@cg-inv.com

office: +(352) 26 25 86 40

mobile: +(352) 691 106 969

Luxembourg/Europe

Sabine CJ Blümel, Head of Global Automotive Research

sblumel@cg-inv.com

office: +44 (7785) 301588

London, UK

Trish Twining, Managing Director of Sales

ttwining@cg-inv.com

office: 7817710117

Boston, MA, USA

Gary Schieneman, Managing Director,

Global Accounting and Finance

gschieneman@cg-inv.com

office: 917-868-6842

New York, NY, USA

Steve Gluckstein, Global Strategist

sgluckstein@cg-inv.com

office: 212 939 7256

mobile: 732 768 8843

New York, NY, USA

Marc Peters, Head of Global Industrial Strategy

mpeters@cg-inv.com

office: +(352) 26 25 86 40

mobile: +352 621 36 44 50

Luxembourg/Europe

Allison M Cimon, Director of Sales & Technology

amcimon@cg-inv.com

office: 646 228 4321

Boston, MA, USA

Jennifer Crisman, COO

jcrisman@cg-inv.com

office: +(352) 26 25 86 40

Luxembourg/Europe

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