



Creative Global Investments

Weekly market commentary & charts

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Macro Commentary

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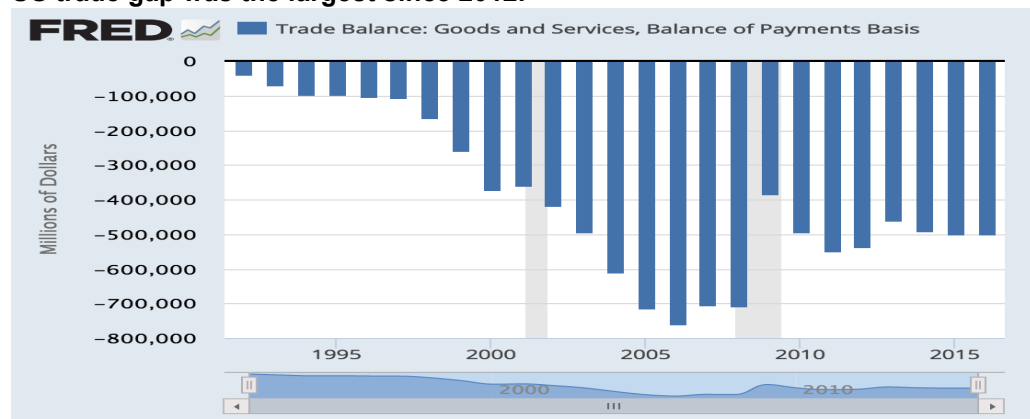
Objectivity
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In Asia, Japanese Prime Minister Abe said that he and US President Donald Trump would discuss trade and economic issues at a working lunch and he was "optimistic" there would be good results from the dialogue. Abe said he was "fully aware" of Trump's decision to withdraw from the Trans-Pacific Partnership multilateral trade accord. But he said Japan and the United States had agreed on a new framework for economic dialogue. In Japan, GDP for Q4 rose +1.0% q-o-q annualized, which was close to expectations of +1.1% q-o-q annualized.

In Europe, despite 'exceptional risks' from Brexit, upcoming European elections and the new administration in the US the EU raised its forecasts for growth and inflation for the Eurozone today, with expectations for the Euro area economy to grow by +1.6% this year, up from 1.5% in its autumn forecast. Growth is expected to accelerate to +1.8% in 2018, up from 1.7%. The Commission also raised its Eurozone inflation forecast to +1.7% this year from +1.4% previously. Unemployment is also forecast to keep falling from its current high levels, the report said. The EC said it expects the unemployment rate to average 9.6% this year, down from 10% last year, and then fall to 9.1% in 2018. The EC said it expects the UK economy to slow sharply as Brexit negotiations get underway. Growth in the UK economy is expected to slow to 1.5% this year, from 2.0% in 2016, before slowing again to 1.2% in 2018, and expects the annual rate in inflation in the UK to hit 2.5% this year, as the steep drop in the pound since the Brexit vote pushes up the cost of living.

Greek Industrial production expanded a working-day adjusted 2.2% in December compared to the same month of the previous year, which was above November's revised 2.0% rise (previously reported: +2.3% y-o-y).

In the US, the trade deficit rose in 2016 to \$502.3 BN, marking the highest level in four years and underscoring the difficulty the Trump administration faces in bringing the nation's trade outlook back into balance. The trade gap widened last year because exports fell faster than imports, the result of a weak global economy and a stronger US\$ that made American products more expensive to foreign buyers. **The US trade gap was the largest since 2012.**



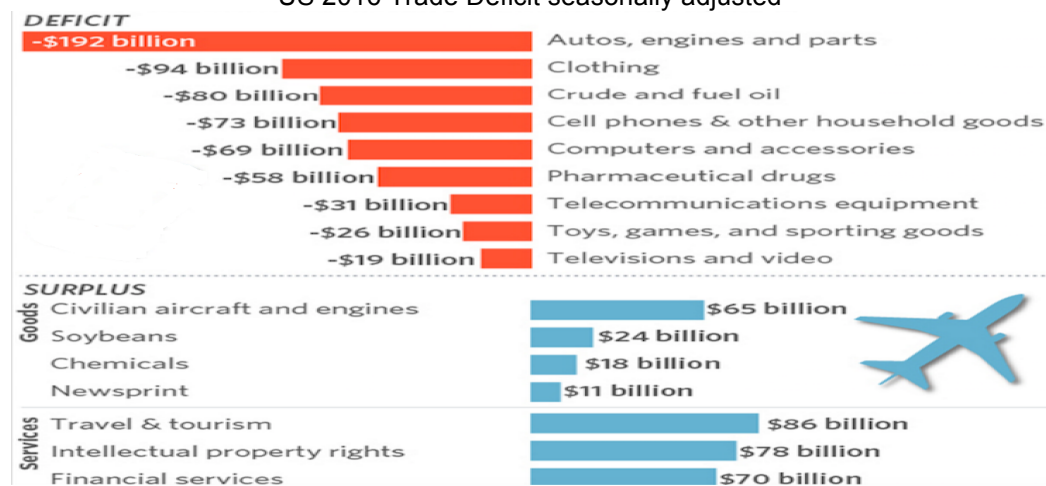
The deficit with Mexico, the biggest target of President Donald Trump's wrath, rose 4.2% to \$63.2 BN in 2016 to mark a 5-year high.

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The gap with China is by far the largest among the major US trading partners. Although the deficit dropped -5.5% in 2016, it still totaled \$347 BN. That's more than three-fifths of the overall US trade deficit.

In December, meanwhile, the trade deficit fell as expected. The gap in the final month of 2016 dipped -3.2% to \$44.3 BN. Economists consensus was forecasting a \$44.9 BN deficit. Exports rose 2.7% \$190.7 BN, led by higher shipments of passenger planes and parts. Imports increased a smaller 1.5% to \$235 BN as demand for pharmaceutical drugs, cell phones and televisions declined. US resellers usually order lots of electronics before Thanksgiving and they cut back once the holiday season is already underway.

US 2016 Trade Deficit seasonally adjusted



In 2016, the US actually had a deficit in goods of \$750 BN. Yet the US also runs a large surplus in services such as tourism, financial advice and intellectual property rights, or patented products that foreign companies license for a fee. Americans mostly buy foreign-made autos, cell phones, computers, TVs, toys and clothing from other countries, much more than they buy from the US. Aside from autos very few of those products are made in America anymore.

The shift in production since the late 1990s, accelerated by a series of free-trade deals and China's entry into the global trading system, has helped reduce the number of American manufacturing jobs. The industry now employs about 12.3 MN Americans compared to more than 17 MN at the turn of the century.

Trade alone is not the sole or even primary reason for the drop in manufacturing jobs, however. Companies are also more productive through the adoption of new technologies, and that's reduced the number of workers they need.

In any case, the White House is already pushing hard via a series of high-profile meetings with the nation's largest companies to bring back manufacturing and other jobs. Trump is banking on a lower corporate taxes and reduced regulations to keep US companies at home and attract more foreign firms.

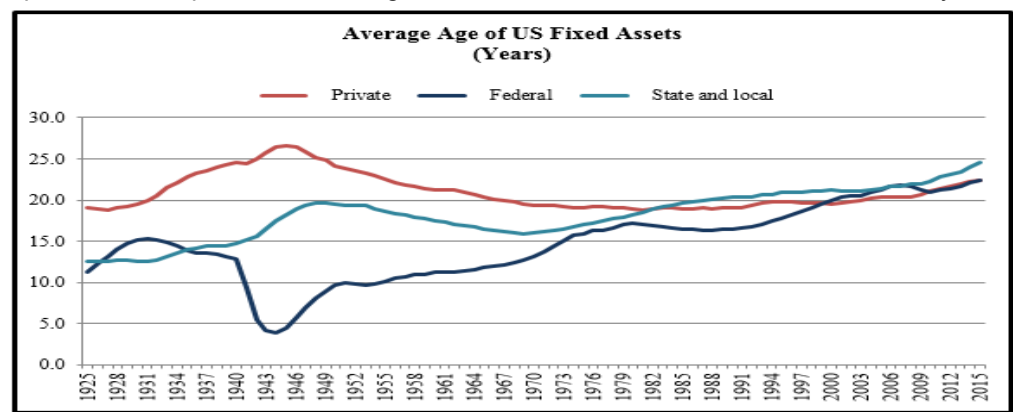
A political push for more local production is popping up all over the world and that CEO's are getting the message. He thinks some progress can come quickly, he pointed out that automakers shifted production to Mexico fairly rapidly after the 1994 trade deal known as NAFTA.

As we highlighted in past research, we do not believe that the "America first" Trump rhetoric will prove to be a success, and as GM's CEO Mary Barra pointed out last month, "large plants require lots of money and often take years to plan, decisions that companies don't make lightly. Progress is unlikely to happen as fast as Trump would like. When you have a problem this big that has been building up this long, a quick turnaround isn't realistic."

One of the promises that took center stage in Donald Trump's campaign trail was the \$1 TRN funding that he wanted for US infrastructure. And now, the Democrats have proposed a similar-sized investment, albeit suggesting a different route.

Intended to rebuild America's transportation and other infrastructure, the Democrats' proposal hinges mostly on new government spending. Trump, on the other hand, is keen on public-private partnerships for raising up to \$1 TRN for the sector. His team has suggested \$137 BN in tax credits to incentivize private participation. At this point, we don't know which one will get the lead, (or, if there's any chance of collaboration between the two proposals) but one thing's for sure: America's infrastructure needs some serious attention, and it needs it fast!

The average age of all fixed assets in the US was at a record high of 22.8 years in 2015, with that of government-owned (average of federal, state and local) touching 24 years, the highest among them dating back to 1925. As roads, bridges and pipelines get rustier, potentially adding to future repairing costs, project proposals for replacements/repairs for reviving the US infrastructure has become a timely issue.



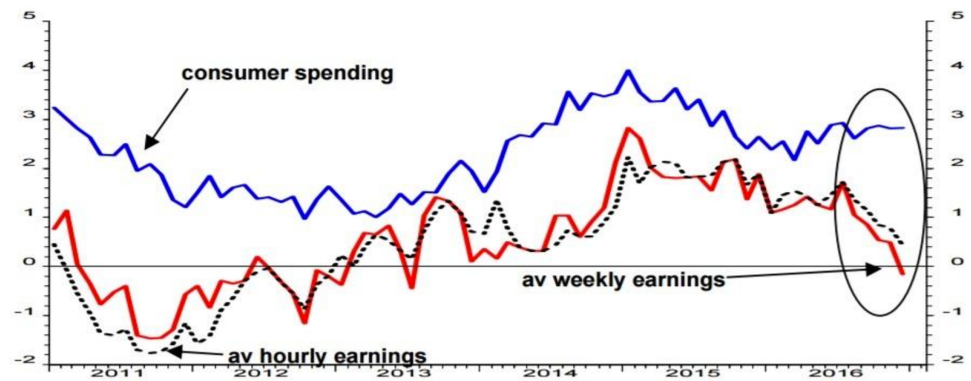
Source: Bureau of Economic Analysis

Corroborating the above statistics is the 2013 report from the American Society of Civil Engineers that gave a grade of D+ to the nation's infrastructure. According to the Federal Highway Administration estimates, \$170 BN in capital investment would be needed on an annual basis for improving the nation's roads. As for water works, around \$600 BN is needed over the next 20 years for infrastructure.

Nevertheless, Trump seems to be laying the groundwork already. In December, the President's transition group asked the National Governors Association to collect from US states a high-priority lists of infrastructure projects, mainly "shovel ready." 40 states have submitted a total of 300 projects, following which Trump's team delineated a to-do list of 50 items, which includes repairs/replacement of aging bridges and highways, fixing outdated river locks and dams, building railways and airports along with upgrading electricity networks and water systems. More recently, Trump proposed easing of regulations on domestic manufacturing and streamlining of permitting procedures for high-priority US infrastructure projects. Whether infrastructure ultimately gets funded from the government or through private money, rebuilding and repairing the nation's ailing facilities is potentially a strong economic growth-booster. While "Buy American and hire American" has been the central theme of Trump's presidential motto, Democrats' infrastructure proposal includes the creation of 15 MN jobs over 10 years. A 2012 research publication by the Federal Reserve of San Francisco shows that every \$1 of federal grant towards a state's highways can generate \$1.5-\$3 of economic output for the state in the immediate term, and up to \$8 over the medium term though increased productivity. For a more comprehensive analysis, we will have to wait for better clarity on the channels of funding and revenue generation for each of the proposals from the Democrats and the Republicans.

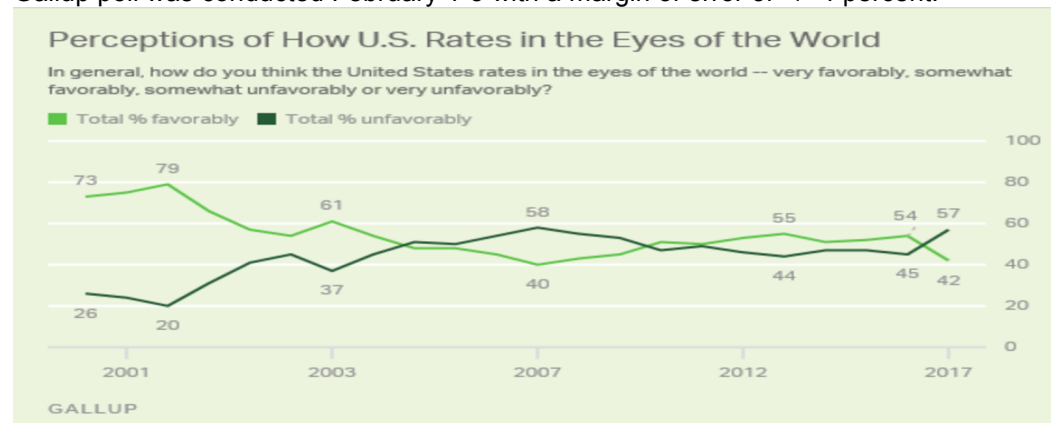
However, are there other risks that the US economy could roll over soon?

The next chart shows a scary correlation between real wage growth and consumer spending, indicating the consumer rollover might be sooner than anyone thinks.



The US faces an additional rising problem which we pointed out for the past 4 months:

For the United States to succeed domestically, and for it to play a leading international role in preventing war and devastation, it needs strong international cooperation. That does not happen if leaders around the world are not prepared to work with president Trump. Fewer than 29% of Americans say leaders of other countries have respect for the new president, with 67% saying world leaders do not have much respect for him. This is a sharp turnaround from how people perceived the prior two presidents. The Gallup poll was conducted February 1-5 with a margin of error of +/- 4 percent.



Weekly Investment Conclusion

- AUD and CAD turn higher, USD weakness is gaining breadth
- Commodities break to the upside (Oil, Copper, Steel, Platinum, Palladium)
- Emerging Market equities break out to the upside (Brazil; India; China)
- Stock/Bond ratio ready to break higher

With regard to investors' sentiment, the latest **sentix survey** shows investors have become more defensive in their investment preferences.

Investors' medium-term strategic bias on Commodities and particularly Gold and Silver is becoming more positive. In short, it appears that the 'risk-on' bias baked into investor sentiment is weakening

At an equities asset level, the large negative gap between views on the medium-term outlook for Eurozone bonds versus equities is continuing to close, and we continue to advise for investors to increase allocations towards European Equities.

Survey questions on investors' opinions on the medium-term outlook for sectors versus the European market also reveal a less 'risk-on' bias, with readings on Energy, Basic Resources, Autos and Banks reversing some of their recent gains.

On the other side of the sentiment divide, pessimism on Food & Beverage is lessening, while Healthcare readings bounced back from historic lows.

Global Equities Commentary

Economic news this week is expected to show a slightly diminished growth rate by the US economy.

Weather is expected to have an impact. Snowstorms and colder weather relative to last year at this time is having a negative impact on US and Canadian economies.

Broadly based North American equity indices reached all-time highs. However, strength last week came from a narrowing number of high profile stocks (e.g. Apple). North American equity indices and economic sensitive sectors currently are overbought. History shows that upside potential between now and mid-April after election of a new President is limited. Stick with seasonal trades that are working (e.g. Industrials, Consumer Discretionary, Financials, Base Metals, Precious Metals), but be aware that technical indicators are likely to trigger profit taking between now and early March.

Technical action by S&P 500 stocks last week was mixed last week despite new all-time highs set by the Dow Jones Industrial Average, S&P 500 Index and NASDAQ Composite Index. A 2.8% gain by Apple was a major reason for the all-time highs. 31 S&P 500 stocks broke intermediate resistance levels and 22 stocks broke intermediate support. Number of stocks in an intermediate uptrend slipped last week to 306 from 311, number of stocks in a neutral trend increased to 66 from 60 and number of stocks in an intermediate downtrend slipped to 128 from 129. The Up/Down ratio eased last week to $(206/128) = 2.38$ from 2.41.

Short term technical indicators (momentum, 20 day moving average) for US and Canadian equity markets and economic sensitive sectors turned higher last week and are overbought, but have yet to show signs of peaking. Intermediate term technical indicators (e.g. Percent above 50 and 200 day moving averages, Bullish Percent Index) became more overbought last week.

Notably higher last week were commodity sensitive equities on both sides of the border (base metals, lumber, fertilizers). The long-suffering energy sector finally showed early signs of bottoming. Historically, oil and gas exploration stocks in the sector on both sides of the border turn seasonally positive at the end of January for a move higher to early May. They are late this year. Strength in the sector late last week was related to colder and wetter than average weather in the northern US states and southern Canada as well as confirmation that OPEC is complying with its promise to curtail oil production.

Q4 reports for S&P 500 companies released to date have been higher than consensus (as usual). 71% have reported to date: 67% beat consensus earnings and 52% beat consensus revenues.

Blended earnings are up +5.0% (versus +4.6% last week) and blended revenues are up +5.0% (versus +4.6% last week). Another 54 S&P 500 companies are scheduled to release results this week (including one Dow Jones Industrial Average company).

Prospects beyond Q4 remain encouraging, but at a diminished level. 57 S&P 500 companies have issued negative Q1 guidance and 25 companies have issued positive guidance.

Consensus for Q1 results on a y-o-y basis calls for a +9.9% increase in earnings (down from 10.8% last week) and a +7.5% increase in revenues (down from 7.6% last week).

Consensus for Q2 results calls for a +9.1% increase in earnings (down from +9.6% last week) and a +5.5% increase in revenues (same as last week).

Consensus for 2017 results calls for a +10.3% increase in earnings (down from +11.1% last week) and a +5.6% in revenues (down from +5.8% last week).

US equity markets have a history of moving flat to slightly lower until April in Post Presidential Election years.



What will Ms. Yellen give us for Valentine tomorrow? More of the same, namely do nothing? Or will she risk to become more hawkish and for the US equity markets to correct significantly as a consequence?

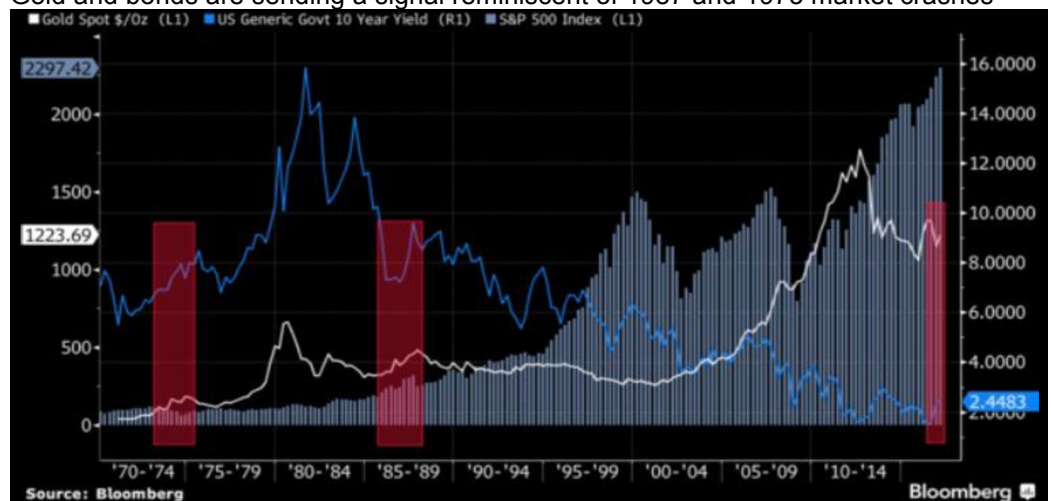
US equity market corrections historically are generally defined as short, sharp with declines in the -10% to -20% range over a period of less than six months.

Year	Market Pullback Within That Year	Market Finish That Year
2010	-16%	+13%
2011	-19%	0%
2012	-10%	+13%
2013	-6%	+30%
2014	-7%	+11%
2015	-12%	-1%
2016	-11%	+10%



At nearly this exact time last year, investors fully allocated to stocks would have checked their portfolio only to see it down -11% y-t-d in just over one month's time! Not good, and probably gut-wrenching for many. Are equities in risk of contracting like in 2016?

Gold and bonds are sending a signal reminiscent of 1987 and 1973 market crashes



Hence, why we see a stronger case in favor of higher European allocations until mid May.

We believe that the political and sovereign tail risks for Europe, particularly with respect to potential Eurozone disintegration, are fully priced in the weak Euro and European equities. The central concern is that the anti-establishment movement sweeping across the US and Europe will propel populist and anti-EU parties into power and potentially break up the Eurozone. While that is far from the base-case scenario, analysts have learned from the UK's Brexit vote and Donald Trump's presidential election victory in the US to brace for the unexpected. Looking ahead, Europe is facing Dutch elections in March, the UK is set to kick off negotiations to exit from out of the European Union after last year's referendum, French elections are slated for April/May and Germany is expected to hold elections in September that could result in a leadership change. There's also speculation Italy could call a snap election in 2017, possibly in June.

The earnings cycle in Europe is bottoming and therefore turning the decade long downturn in relative profit growth around in Europe's favor. So far the signs are positive. Earnings are now rising relative to the US and we expect double digit EPS growth in 2017. European companies are currently trading around a forward P/E ratio of 14.7, compared with a P/E of 17.8 in the US. But as we pointed out in the past, the tides may be turning now with a weaker Euro and its tailwind benefits and that US corporations will be hard pressed to squeeze their margins further, after going through significant cost-cutting measures in the aftermath of the financial crisis.

US stocks at 40 Year high versus European stocks
MSCI US versus MSCI Europe (Total return indices in US\$)



Same for China, where we are seeing encouraging short-term technical action as shown in the following chart by the Shanghai Composite Index.



Fixed Income Commentary

Market attention is set to remain centered on the developments in the spread between France and Italy versus Germany as we enter the week. The most puzzling divergence recently is how price dynamics in EGBs have decoupled from the sustained upbeat

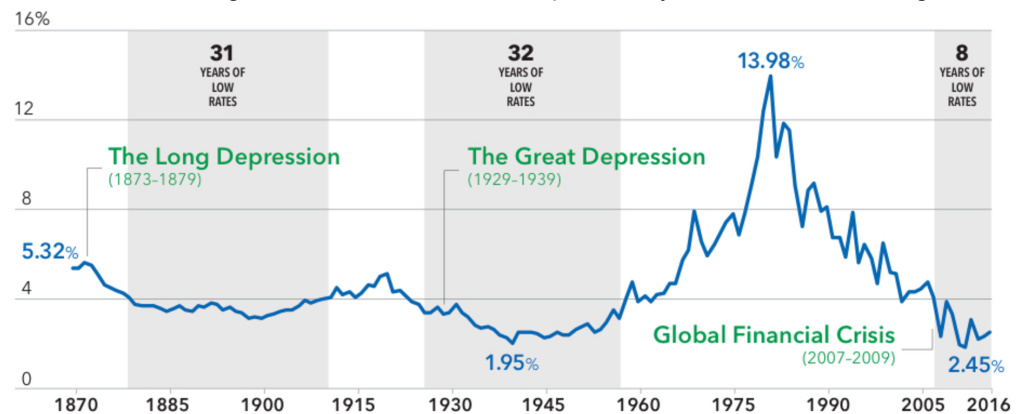
sentiment in HY and equities as reflected by all four US leading equity indices hitting new all-time highs on Friday.

In the FI community, focus is on the risk of the EUR debt crisis re-emerging, either as a result of change in power in France or due to a relatively fast normalization from the ECB and the impact on Italy's debt sustainability. German ASW spreads have also widened significantly and ended last week just a tad from highs.

Supply this week is kicked off with Italy tapping EUR6.25-8.5bn in Oct-19s, May-20s, Oct-23s, Aug-39 and Mar-47. Italy was up for a rating review by Moody's on Friday but the agency kept both rating and outlook unchanged. France and Spain will be in the market on Thursday; therefore, investor appetite for the sovereigns in focus will be tested in the coming week.

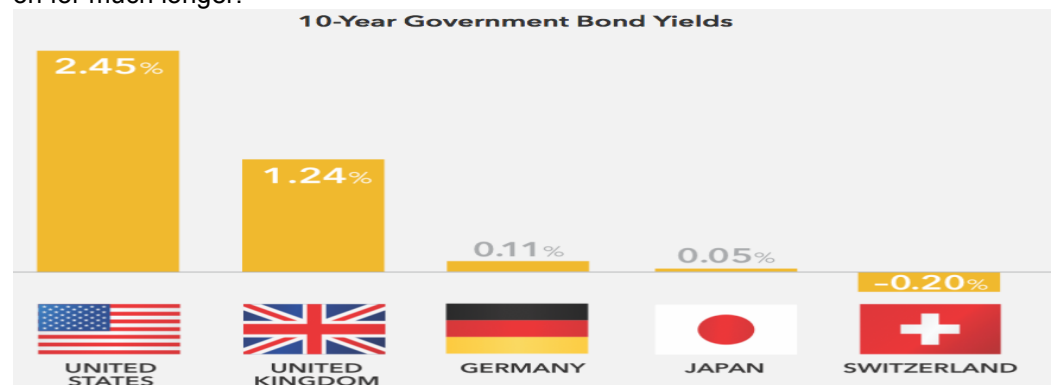
In the US, the main event for the FI markets this week will be Yellen's semi-annual monetary policy testimony to Congress on Tuesday, especially given we did not get any major news from the last FOMC meeting.

We have been observing that investors are getting quite bullish on inflation, particularly in the US, however, Interest rates are low because growth and inflation in the US have been relatively tame, and foreign central banks continue to buy bonds, pushing down global yields. In order to see significantly higher yields, we probably need to see both a hawkish Fed and high inflation, but we see the probability of both of those things low.



Sources: Federal Reserve, Robert Shiller, Thomson Reuters Datastream. Data from 1871-1961 represents average monthly U.S. long-term government bond yields compiled by Robert Shiller. Data from 1962-2016 represents year-end 10-year Treasury yields.

Rates drifted higher after the US election, as Trump's emphasis on infrastructure spending and tax cuts could lead to a higher budget deficit and higher inflation. Despite the rise, rates still remain low by historical standards and look poised to remain relatively low for an extended period. That's because low and negative sovereign bond yields throughout the developed world should anchor US rates. Although this 8-year period of low rates might seem long, history has shown that low-rate periods can carry on for much longer.

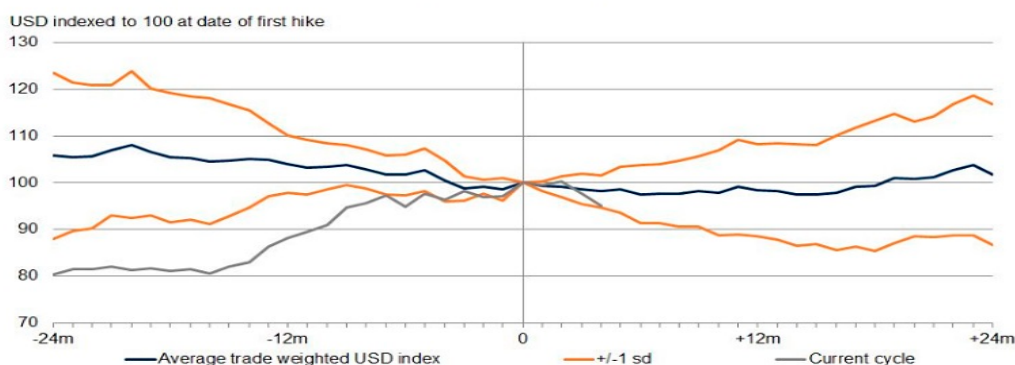


Currencies Commentary

The latest IMM positioning data reveals a continuation of investors reducing their long USD bets, which have now reached the lowest level since the US presidential election. In our view, crowded USD positioning has been one of several reasons why EUR/USD will not reach parity. As USD positioning, according to our statistical threshold, is now no longer 'stretched', we do think it nonetheless re-opens up for some near-term downside, as relative rates and political uncertainty (both in US and in Europe) could send the cross a few figures lower from the current spot. **Longer term, however, we stick to our long-held view that fundamental forces will support and send EUR/USD higher on a 12M horizon, likely back towards EUR/USD 1.18 – 1.22**

When looking at the trade-weighted US\$ back to 1975, before and after the Fed starts the process of raising rates, one can see the performance of the US\$ in the current interest rate cycle has been very different to past cycles. This time, the US\$ rose close to 20% in the 24 months leading up to the first rate hike. Historically, however, the US\$ has depreciated steadily in the run up. **We believe the embedded US\$ strength is way overdone, and that the US\$ index (\$USD) peaked in March 2015 at 100.71.**

The trade weighted US\$ has historically underperformed following Fed rate hikes

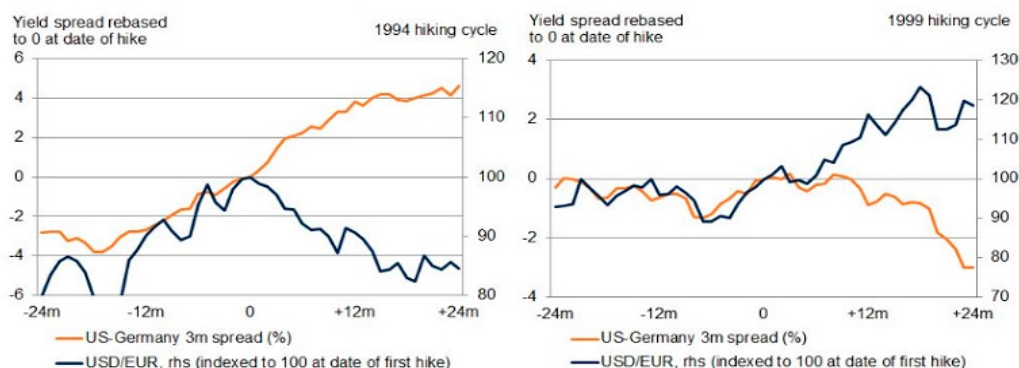


source: Thomson Reuters

The trade-weighted US\$, post rate hikes, tends to weaken by around -1.6% within 12 months. Given the parabolic 1-year exaggerated rise of the US\$, we are of the opinion that the tremendous damage that this US\$ rise has caused globally, the reaction by currency investors with regards to the direction of the US\$ (we still are not expecting, contrary to consensus, for rates in the US to rise versus other major central banks) in the unlikely event of a rate rise by the Fed in June will be opposite to historic incidents. **Hence why the US\$ carry trade should diminish and inherently weaken the US\$. We therefore continue to see fundamental and technical evidence that the US\$ will likely weaken all through the summer, even if interest rates between the US and Japan and Europe were to diverge further.**

Unlike in past cycles, when looking at the relationship between the US/Germany interest rate differential and the performance of the US\$/EUR exchange rate, we believe that the US\$'s recent 2-year parabolic strength has been totally overdone, and will not continue, even in the case where our "no rate hike in 2016" scenario were not to pan out. The impact of interest rate differentials on US\$ movements in past cycles looks to be stronger before the first rate hike than after it. This in 2016, as in the 1994 and 1999 hiking cycles, where initially rates and currencies moved together before a pronounced divergence occurred when the Fed finally hiked.

Interest rates and US\$/EUR divergence post Fed rate hikes



source: Thomson Reuters

The US was the anchor of the Bretton Woods agreement that collapsed when former President Nixon ended the dollar's convertibility into gold in 1971. Yet even when off the remnants of the gold standard, the US has continued to be the currency in which many countries hold their foreign reserves. Why is that, what are the benefits and what are the implications if this were under threat?

We most frequently hear as to why the US\$ is the world's reserve currency "it is because of tradition", which is not a convincing argument. Tradition only gets you so far, it ought to be policies and their implementation that guide investors.

Academically, the exorbitant privilege literature analyzes the income puzzle, which consists of the fact that despite a deeply negative net international investment position, the US income balance is positive, i.e. despite having much more liabilities than assets, earned income is higher than interest expenses. The most under-appreciated yet possibly most important aspect of the so-called exorbitant privilege: what makes the US so unique is that it is de facto acting as the world's bank. A bank takes on (short-term) deposits and lends long-term, capturing the interest rate differential.

Applied to the US as a country, investors borrow cheaply in the US, and seek higher returns by investing in the rest of the world. In the investment world, we also refer to this as carry, i.e. one might say the US engages in an amazing carry trade. As long as this 'carry trade' works, it is quite a charm. However, the party cannot last forever. To quote the former head of the European Central bank Wim Duisenberg said in 2003: 'We hope and pray the global adjustment process will be slow and gradual.' In fact, a reference to a "disorderly adjustment of global imbalances" was a risk cited by the ECB every month in its statement until about the time current head, Draghi, took over. This "adjustment process" is a thinly veiled reference to a potential US\$ crash.'

So are there reasons the US shall no longer be serving as the world's bank?

At first, the answer would be no, as the US has deep and mature financial markets. However, there are developments of concern:

Due to a regulatory change, analysis suggests it is less attractive to issue debt in US\$ for anyone other than the US government. The regulatory change might look arcane at first, but we argued that a quirk in money market fund rules that could be interpreted as an implicit subsidy for issuers of debt has gone away. Funding cost for just about everyone other than the US government has gone up, as evidenced by elevated intra-bank borrowing rates (LIBOR rates) independent of the rise in Federal Funds rate. The US\$ is a less attractive currency to raise money in than it had been. These days, issuers might as well issue debt in Euros, a trend exacerbated by the extraordinarily low interest rates in the Eurozone.

US Treasuries as reserve holdings are less attractive now than over the past decade. Take an emerging market corporate issuer raising money in US\$ because of what used to be a funding advantage: upon issuing debt (raising cash), they might sell US\$ to buy the emerging market currency to fund their operations. In the meantime,

their government buys US\$ and subsequently US Treasuries to sterilize the corporate issuer's sale of the US\$. Due to regulatory changes in US money market, it may now be no longer advantageous to issue debt in US\$, eliminating the downstream effects, including the holding of Treasuries as a reserve asset.

Another negative change affecting the US\$ and borrowing in US\$'s is under consideration: the House GOP tax proposal would eliminate the deductibility of net interest expense. If passed, it could have profound implications on how issuers around the globe get their funding. If corporate America can no longer deduct net interest expense, we believe it will make the use of debt less attractive. It would discourage the use of leverage. Banks use a lot of leverage. And, as we are pointing out, one can look at the US as a whole as if it were a bank. A system with less leverage may well be more stable; however, a system that uses less leverage may also have less growth.

From the point of view of America's exorbitant privilege, the key question is how the world reacts. A plausible scenario to us is that American CFO's will move leverage to overseas entities where interest continues to be deductible. Similarly, to the extent that foreign issuers in the US used US legal entities to raise money, they would likely raise funds through foreign entities where interest expense would still be deductible. The question then becomes whether the money raised from these (newly minted) foreign entities would be in US\$ or in foreign currency. If they raise money in foreign currency, the US\$ would be cut out as the "middleman," jeopardizing American exorbitant privilege.

If a US company decided to use foreign subsidiaries to issue debt, they might want to also report more revenue overseas to make it worthwhile to deduct more. CFO's are highly paid, in part we believe, because of their ability to engineer where to recognize revenue and expenses. We would expect CFO's to rationally optimize shareholder value in the context of the regulatory and tax framework they are presented with. Once you take the step of recognizing more revenue abroad, it would only be prudent to match the liability, i.e. the interest expense, in the same currency.

Would the US be more attractive to invest in if the entire GOP tax plan gets passed?
What about if the US changes to a territorial tax system?
What about the border adjustment tax?

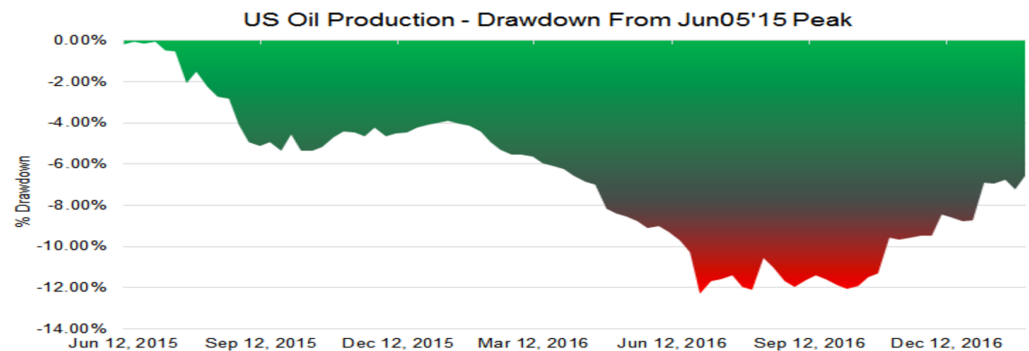
If the US were to move to a territorial tax system, i.e. no longer tax corporations on their global income, it may provide a further disincentive to issue US debt. In the current tax system, corporations issue US debt to fund domestic operations while avoiding the repatriation of foreign earnings.

The concept of a border adjustment tax still needs to take shape before we can have a more definitive opinion about it. From what we see, it appears to foremost provide a one time shock to the system (possibly causing a one time inflationary impact as the cost of higher imports gets passed on to consumers); that said, corporate America might come up with a variety of tricks to mitigate the impact of such a tax (e.g. exporting fuel to their plant in Mexico, thus being able to deduct the cost of energy from imported goods).

Most importantly, a further negative for the US\$ under GOP leadership is that US government needs to issue a lot of debt to fund its budget deficits. To the extent that foreign governments have less of a need to hold US\$ reserves, funding costs for the US government would rise. While some may believe higher borrowing costs might be a positive for the US\$, the opposite may be true if the Federal Reserve has to keep rates artificially low to prop up an economy that would otherwise deflate; or because government deficits would otherwise be unsustainable. The point being here that the US\$ might become more vulnerable should fiscal and monetary policy not be sound. In summary, **providing a disincentive for debt might make the world more stable, but lead to lower growth. It might encourage more issuance of debt in local currency, something that might also be healthy for global stability, but might leave the US and the greenback behind.**

Commodities Commentary

Despite US Oil Production still rising last week to 8.978 MN bpd for the week ended February 3/17 Down -6.58% from the June 5/2015 peak



Despite US Oil Production rising last week, the intermediate trend for \$WTIC remains **Positive**. Strength relative to the S&P 500 Index is **Neutral**.

\$WTIC is highly compressed in an ascending triangle. Upward breakout is the most probable scenario. Short-term momentum indicators are Mixed. We see \$WTIC move towards \$64 resistance in the coming months.



US equity markets weekly charts

The VIX Index lost 0.12 points (1.09%) last week.

Intermediate trend remains Negative. The Index remained below its 20-day moving average. Price keeps being rejected by the moving averages.



The S&P 500 Index added 18.68 points (0.81%) last week.

Intermediate trend remains Positive. The Index closed above its 20-day moving average. \$SPX rallied to a new high

Short-term momentum indicators are Positive.



Percent of S&P 500 stocks trading above their 50-day moving average rose last week to 70.40 from 62.00.

The index moved back above the 200-day moving average.



Percent of S&P 500 stocks trading above their 200-day moving average rose last week to 75.80 from 70.40

The index moved to a yearly high.



Bullish Percent Index for S&P 500 stocks rose last week to 71.80 from 70.480 and remained above its 50-day moving average.

The Index was rejected from and remains above the 50-day moving average



The Dow Jones Industrial Average gained 197.91 (0.99%) last week.

\$INDU rallied to a new high. Strength related to the S&P 500 remains to Neutral.

The Average closed above its 20-day moving average. Short-term momentum indicators are Positive.



Bullish Percent Index for Dow Jones Industrial Average stocks dropped last week to 73.33 from 76.67 and moved below its 20-day moving average.

The Index moved on the 20-day moving average.



The Dow Jones Transportation Average gained 152.23 points (1.65%) last week.

Dow Jones Transportation Index will likely test 9500 resistance again.

Strength relative to the S&P 500 is Neutral. The \$TRAN closed above its 20-day moving average.

Short-term momentum indicators are Positive.



Bullish Percent Index rose last week to 64.57 from 63.73 and moved above its 20-day moving average.

The Index moved above the 20-day moving average.

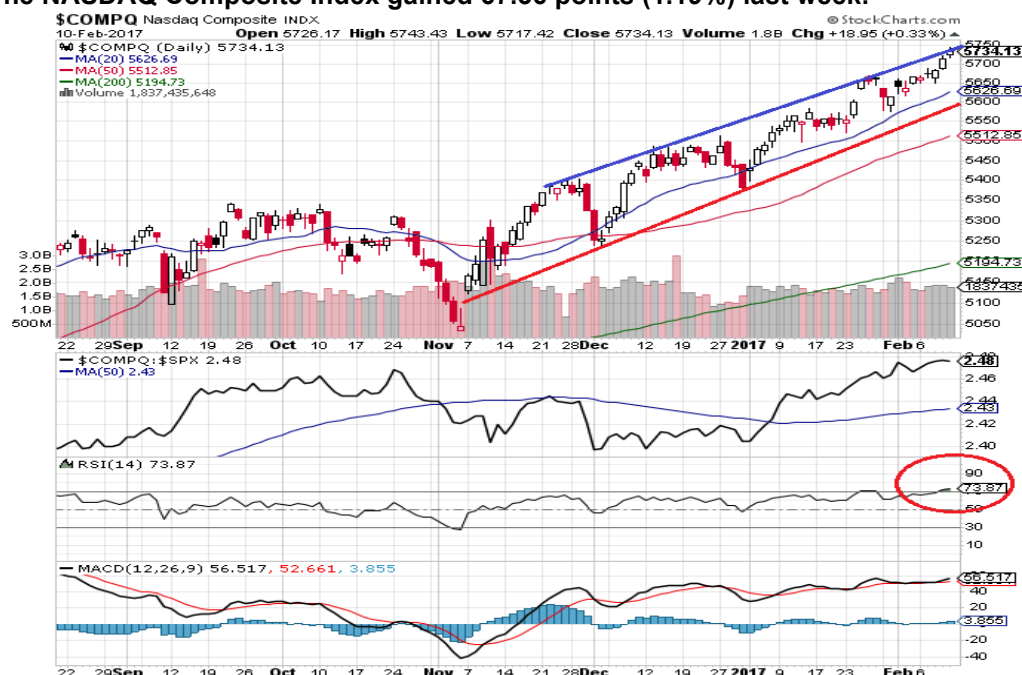


The NASDAQ Composite Index gained 67.36 points (1.19%) last week.

\$COMPQ is pressuring the upper trendline. Strength relative to the S&P 500 Index remains Positive.

The Index remained above its 20-day moving average.

Short-term momentum indicators are Positive and slightly Overbought.



The Russell 2000 Index added 11.01 points (0.80%) last week.

\$RUT was rejected from the lower trendline and is pressuring the resistance. Strength relative to the S&P 500 Index changed to Neutral.

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



The S&P Energy Index dropped 3.62 points (0.67%) last week.

Intermediate trend remains Neutral. \$SPEN remains highly compressed. Strength relative to the S&P 500 Index remains Negative.

The Index remains below the 20-day moving average. Short-term momentum indicators are Mixed.



The Philadelphia Oil Services Index lost 2.90 points (1.58%) last week.

\$OSX rebounded from the lower trendline again.

The Index closed below its 20-day moving average. Short-term momentum indicators are Neutral.



The AMEX Gold Bug Index gained 6.68 points (3.15%) last week.

\$HUI was rejected by the 200-day moving average.

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

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



The BOVESPA added 1170 points last week.

Short-term momentum indicators are Positive.



Short-term momentum indicators are Mixed.



Canadian equity markets weekly charts

Bullish Percent Index for TSX Composite stocks rose to 77.55 from 75.10 and remained above its 20-day moving average.

The Index rebounded from the 200-day moving average.



The TSX Composite Index added 252.73 points (1.63%) last week.

Intermediate trend remains Positive. The Index rebounded from a lower trendline and made a higher high.

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



Percent of TSX stocks trading above their 50-day moving average rose last week to 68.07% from 56.54%.

The index moved back above the 50-day/200-day moving averages.



Percent of TSX stocks trading above their 200 day rose last week to 73.95% from 69.20%.

The index rallied above the 200-day moving average.



Asian equity markets weekly charts

The SENSEX added 93.73 points (0.33%) last week.

\$BSE seems to have found resistance at 28500.

Short-term momentum indicators are starting to roll over.



The Nikkei Average gained 460.73 points (2.44%) last week.

Intermediate trend changed back to Positive. Strength relative to the S&P 500 Index remains Negative. \$NIKK retraced back above the 19 000.

The \$NIKK moved above its 20-day moving average. Short-term momentum are Mixed.



The Shanghai Composite Index added 56.53 points (1.80%) last week.

Intermediate trend remains Positive. \$SSEC rebounded from the 20-day moving average

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



Emerging Markets iShares gained \$0.47 (1.25%) last week.

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

Units made a Higher High. Short-term momentum indicators are slightly Overbought.



The Australia All Ordinaries Index added 99.10 points (1.75%) last week.

Intermediate trend remains Neutral. Strength relative to the S&P 500 Index remains Negative. \$AORD broke out upwards from a descending triangle.

The \$AORD moved above the 20-day moving average. Short-term momentum indicators are Negative.

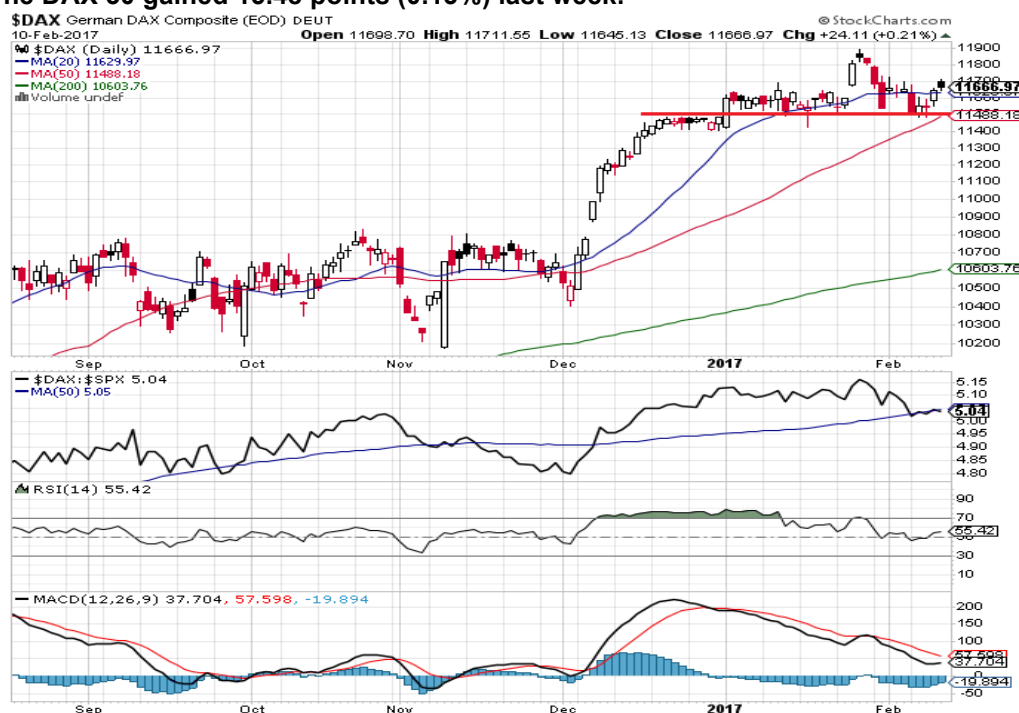


European Equity markets weekly charts

The DAX 30 gained 15.48 points (0.13%) last week.

Intermediate trend remains Neutral. \$DAX rebounded from Support once again

Short-term momentum indicators are Mixed.



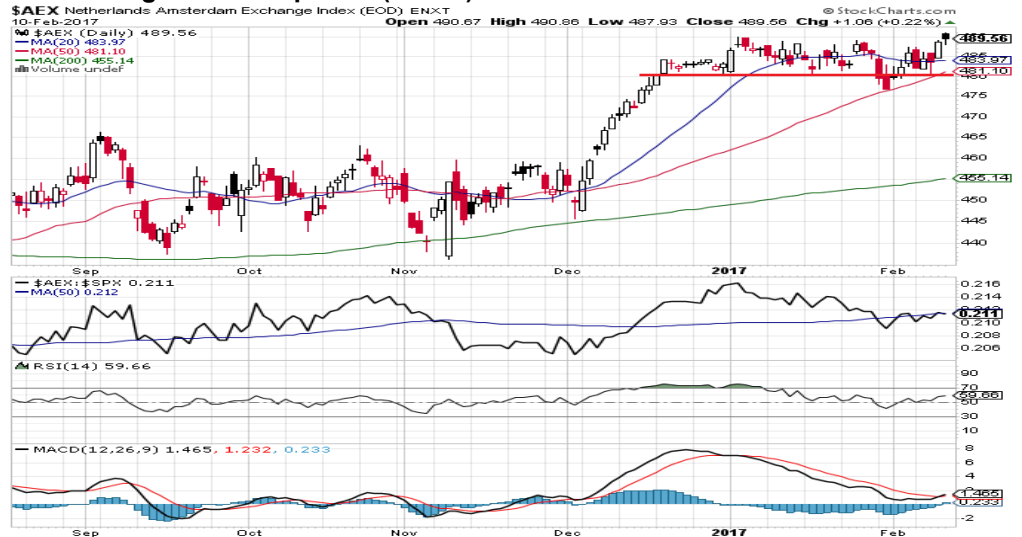
The CAC 40 added 2.90 points (0.06%) last week.



Intermediate trend is Neutral. \$CAC rebounded from the 4750 Support. The Average remains above the 50-day moving average.

Short-term momentum indicators are rolling over

The AEX 25 gained 3.64 points (0.75%) last week.



Intermediate trend changed from Neutral to Positive. Index rebounded from support once again and remains above the 20-day moving average.

Short-term momentum indicators are rolling over.

The IBEX 35 lost 84.60 points (0.89%) last week.

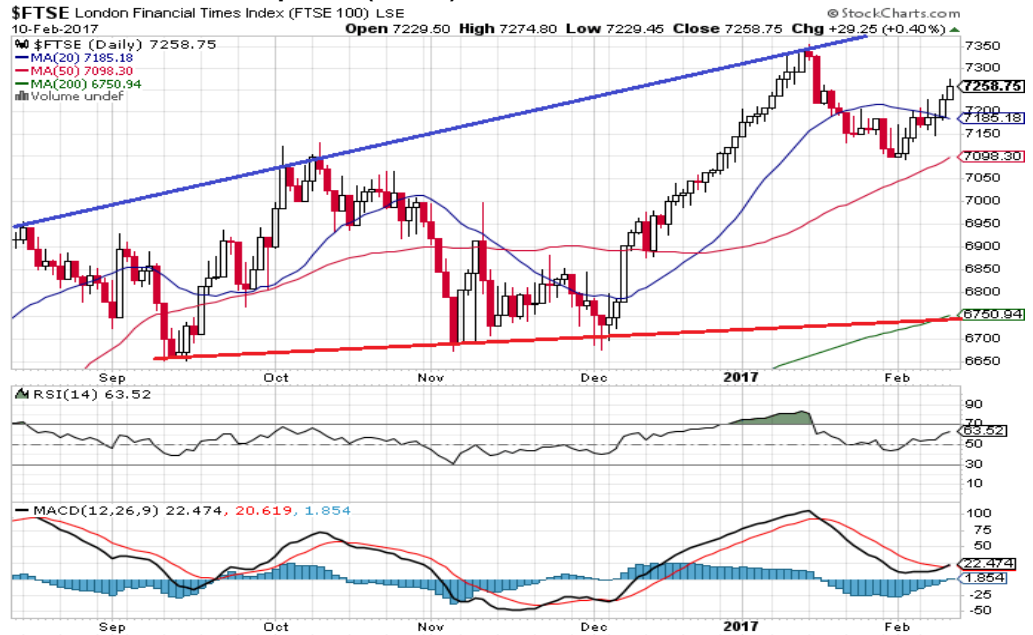


\$IBEX rebounded from the 9300 support once again. Strength relative to the S&P 500 changed to Neutral.

The Index moved below the 20-day moving average.

Short-term momentum indicators are Negative.

The FTSE added 70.45 points (0.98%) last week.



Intermediate trend changed from Neutral to Positive.
Index broke the 20-day moving average in a bullish momentum.

Short-term momentum indicators are Positive.

Europe iShares lost \$0.17 (0.42%) last week.



Intermediate trend remains Positive.
Strength relative to the S&P 500 flipped to Negative.
\$IEV rebounded from the 48.25 Support.

Units closed above the 20-day moving average.
Short-term momentum indicators remain Mixed.

Fixed income markets commentary & weekly charts

Country	Latest yield	Spread vs bund	Spread vs T-notes
Australia	2.71%	+2.39	+0.28
Austria	0.61%	+0.28	-1.83
Belgium	0.91%	+0.58	-1.53
Canada	--	--	--
Denmark	0.38%	+0.06	-2.05
Finland	0.55%	+0.22	-1.89
France	1.06%	+0.74	-1.37
Germany	0.33%	--	-2.11
Greece	7.37%	+7.05	+4.94
Ireland	1.12%	+0.79	-1.32
Italy	2.29%	+1.96	-0.14
Japan	0.09%	-0.24	-2.34
Netherlands	0.52%	+0.20	-1.91
New Zealand	3.23%	+2.90	+0.80
Portugal	4.13%	+3.80	+1.69
Spain	1.72%	+1.40	-0.71
Sweden	0.66%	+0.33	-1.78
Switzerland	-0.12%	-0.44	-2.55
UK	1.26%	+0.93	-1.18
US	2.42%	+2.09	--

Data delayed at least 15 minutes, as of Feb 13 2017 10:09 GMT.

We see momentum increase in favor of peripheral European 10-bonds to rise (Spain, Italy, Greece, Portugal) and for yields to compress by – 30bps relative to Bund yields

We are recommending investing in French, Spanish, Italian 10-Year government bonds currently. However, we are recommending taking profits in German 10-Y Bunds.

We can see yields in France and the Benelux move down by another -20bps to -40 bps over the next 3 months, and similarly to decline by -30bps to -50bps in Spain, Italy, Portugal and Greece.

US Bonds

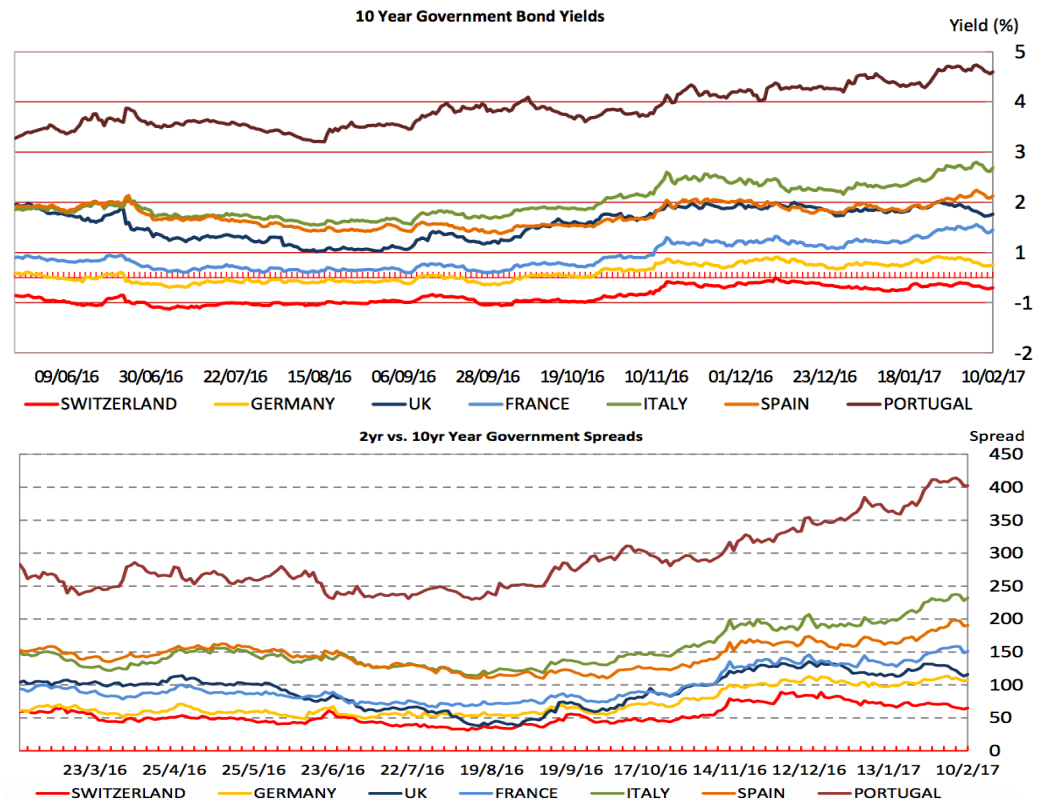
Intermediate trend remains Neutral. \$TNX is forming a descending triangle. \$TNX moved below its 20-day moving average.

Short-term momentum indicators are Neutral.

Intermediate trend changed from Negative to Neutral.

TLT rebounded from the lower trendline. It moved above the 20-day moving average.

Short-term momentum indicators are Neutral.



Yield on 10 year Treasuries dropped 0.82 basis points (3.29%) last week.



The long term Treasury ETF added 1.76 points (1.48%) last week.



Currency weekly charts

The Euro dropped 1.45 points (1.34%) last week.

Intermediate trend changed to Neutral. \$XEU was contained by the 50-day moving average.

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

Short-term momentum indicators are Negative.



The US\$ added 0.95 points (0.95%) last week.

Intermediate trend changed from Negative to Neutral. The US\$ moved above its 20-day moving average.

Short-term momentum indicators are Positive.



The Japanese Yen dropped 0.48 points (0.54%) last week.

Intermediate trend remains Neutral. \$XJY

was stopped by the 20-day moving average.

Short-term momentum indicators are rolling over.



The Canadian Dollar lost 0.40 points (0.52%) last week.

Intermediate trend remains Positive. \$CDW rebounded from the lower trendline and has now formed a Coil.

Short-term momentum indicators are Mixed.



Commodities weekly charts

The CRB Index added 0.84 (0.43%) last week.

Intermediate trend changed from Neutral to Positive. Strength relative to the S&P 500 Index remained Negative. \$CRB rebounded from the lower trendline once again.

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

Short-term momentum indicators are Positive.



Copper gained \$0.15 per lb. (5.81%) last week.

Intermediate trend

changed back to Positive. Strength relative to the S&P 500 Index is Positive. Copper rallied towards a yearly high.

Copper closed above the 20-day moving average.

Short-term momentum indicators are rolling over.



Lumber gained \$19.90 (5.68%) last week.

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

Lumber remains above the 20-day MA. Short-term momentum indicators are Positive and Overbought.



The Grain ETN added \$1.06 (3.61%) last week.

Intermediate trend is Positive.

Units rallied to make a higher high. Price remained above the 20-day MA. Short-term momentum indicators are Positive.



The Agriculture ETF added \$0.25 (0.46%) last week.

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

Units closed above the 20-day moving average.

Short-term momentum indicators are Neutral.



Gold & precious metals weekly charts

Gold gained \$15.10 (1.24%) last week.

Gold closed above the important resistance of 1220.

Gold remained above its 20-day moving average.

Short-term momentum indicators are rolling over.



Silver added \$0.45 per ounce (2.60%) last week.

Silver is at the 200-day moving average which acts as resistance.

Silver is above its 20-day moving average. Short-term momentum indicators are Positive and slightly overbought.



Platinum gained \$5 per ounce (0.50%) last week.



Palladium added \$34.10 per ounce (4.55%) last week.



Oil, gas & energy weekly charts

Crude oil gained \$0.03 per barrel (0.06%) last week.

Intermediate trend remains Positive. Strength relative to the S&P 500 Index remains Neutral. \$PLAT remains inside a yearly channel.

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

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

\$PALL finally broke the 770 resistance.

Short-term momentum indicators are Mixed.

Intermediate trend remains Positive. Strength relative to the S&P 500 Index is Neutral. \$WTIC is highly

compressed in an ascending triangle. Upward breakout is the most probable scenario.

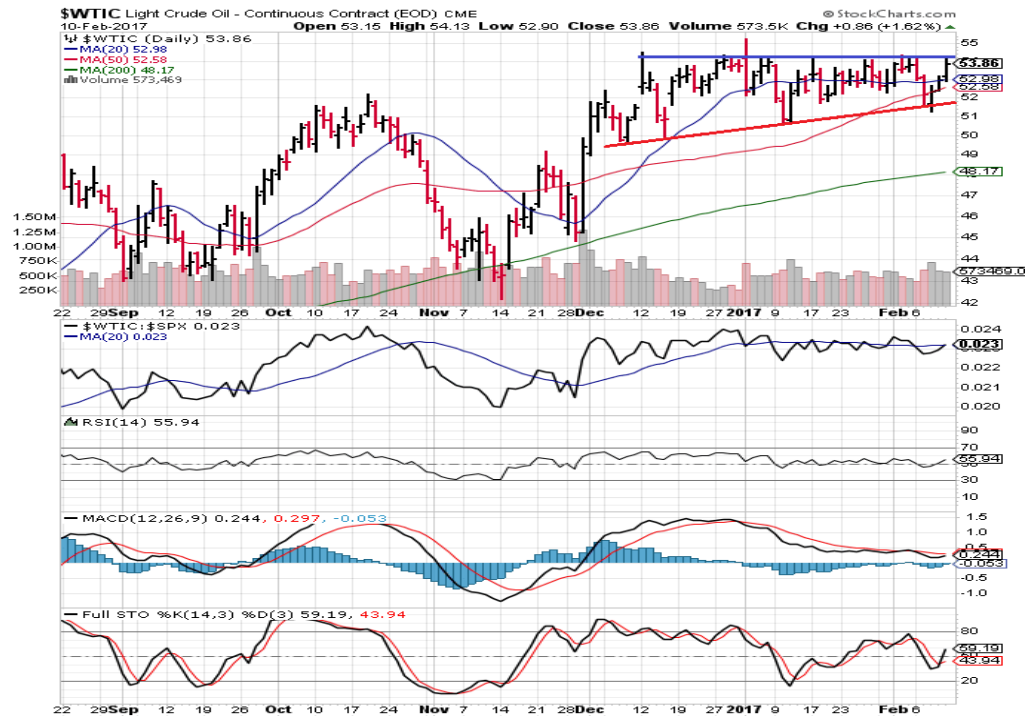
Short-term momentum indicators are Mixed.

Intermediate trend changed from Negative to Neutral. Strength relative to the S&P 500 Index changed from Negative to Neutral. \$GASO was strongly rejected from the 200-day moving average.

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

Intermediate trend remains Negative. Strength relative to the S&P 500 Index remained Negative. \$NATGAS broke the 3.1 support.

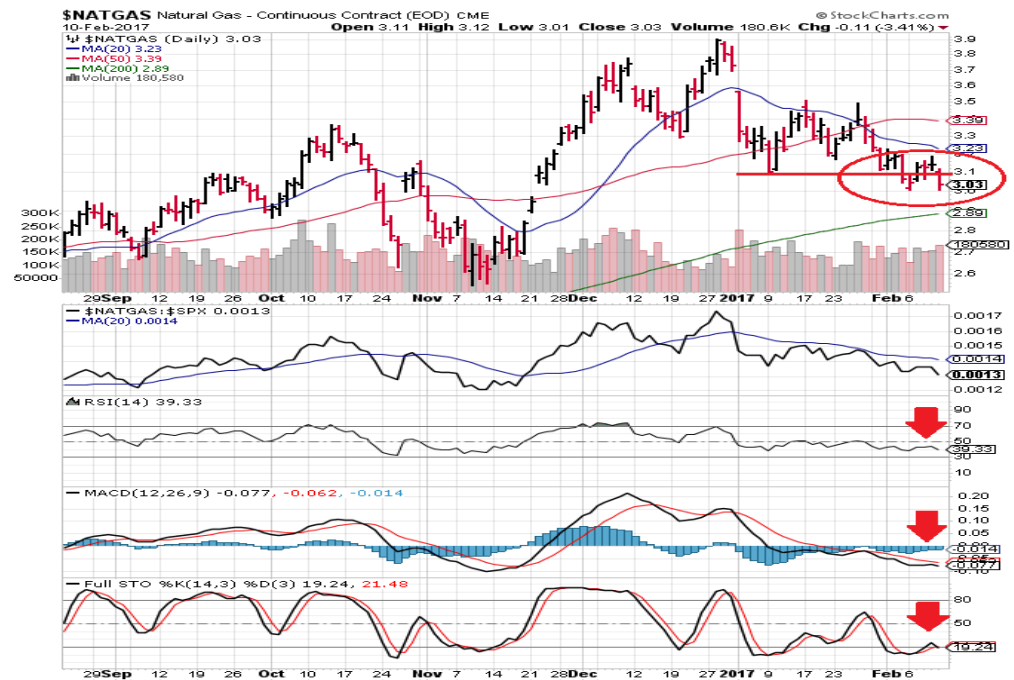
\$NATGAS is below the 20-day moving average. Short-term momentum indicators are Negative.



Gasoline added \$0.04 per gallon (2.31%) last week.



Natural Gas dropped \$0.03 (0.95%) per MBtu last week.



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