



Creative Global Investments

Morning market commentary & charts

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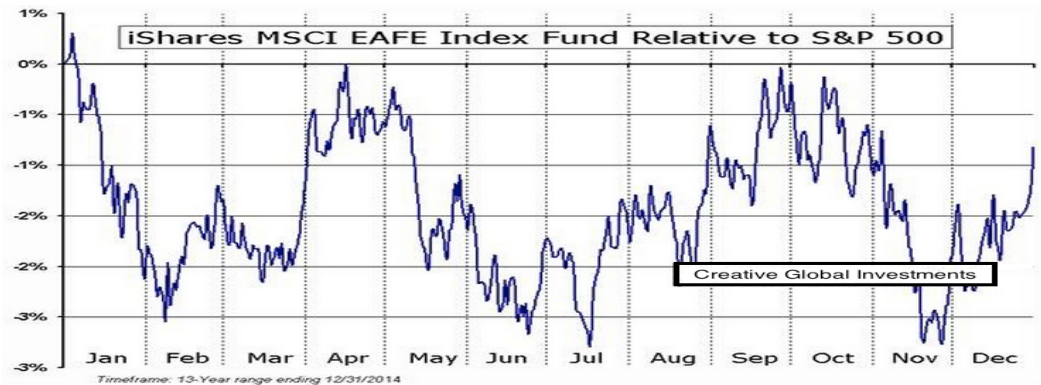
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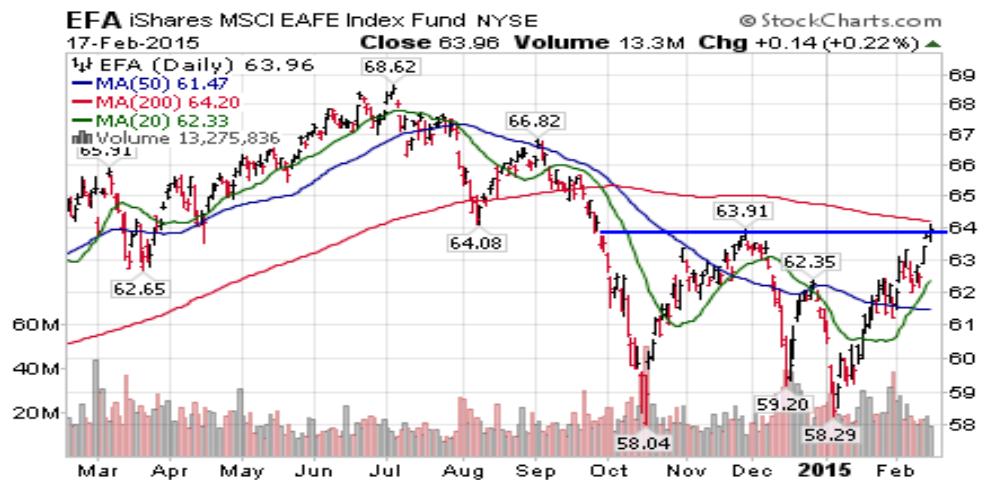
Creativity

EAFE stock indices have entered their period of seasonal strength versus US stocks

EAFE have entered a period of seasonal strength relative to the S&P 500 Index.



\$EFA completed at double bottom pattern by moving above \$63.91.



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Long-term government bonds have entered a period of seasonal weakness until the end of May

The big story of the day was the substantial rise in US Treasury yields following the collapse of prices as investors flee the apparent safe-haven trade that has dominated for the past 13 months. We had been writing rather exhaustively over recent weeks about 30-year bond prices hitting long-term trend line resistance, a level that has resulted in many intermediate peaks in bond prices; bond prices have typically declined in the 12-month period that followed. The beneficiary from the bond market selloff during those past instances was the equity market as investors rotated out of the fixed income asset class and into riskier investments. Should the 30-Year T-Bond trade back down to trend line support at 135 over the weeks and months ahead, the decline would shed around 16.5% in value, a significant move for a fixed income investment.



Seasonally, treasuries trade lower between now and the end of April as investors take on more risk in the equity market; the month of March is by far the weakest period of the year for the treasury bond, declining by an average of 1.6%. The 30-Year Treasury Bond has declined in March 87% of the time over the past 24 years, a significant frequency for any asset class.

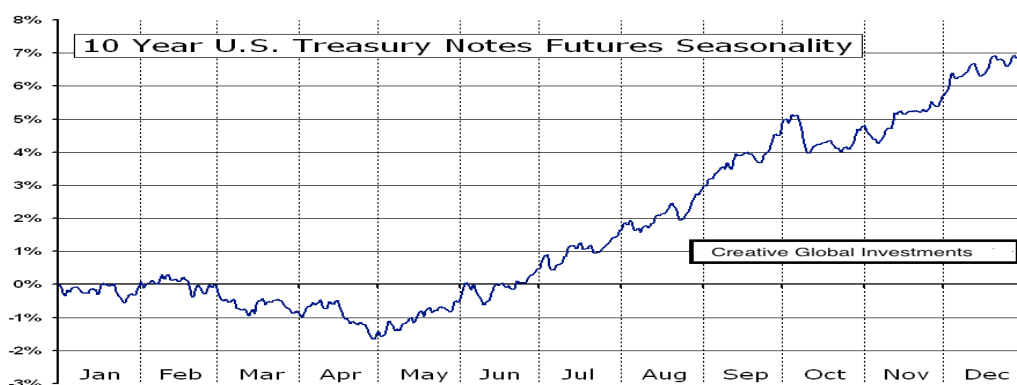
Bonds seasonally come back into favor during the summer months when investors tend to be more risk averse.



More technical evidence that the US interest rates have passed their peak can be seen in the charts below depicting the price of 7-10 year Treasuries remaining under pressure. Yesterday, the price fell below its 50-day moving average.



The season for weakness in US Treasury prices lasts historically until May, backing the old adage for balanced fund managers, "Sell in May & Go Away". Balanced fund managers typically switch out of equities back into bonds starting in May, particularly in Europe, as a consequence of annual equities' dividend collection.



Consequent to the temporary bond price reversals, utility stocks are responding inverse to higher interest rates. CMS and EIX joined the list of S&P Utilities that broke support yesterday. Yesterday, the S&P Utilities Index broke another support level at 226.97.

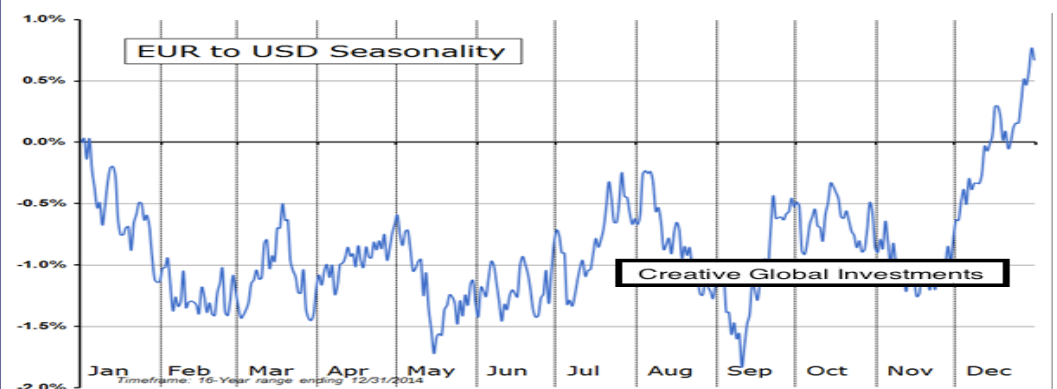


Euro double bottom

The Euro continued to firm upon recent gains, attempting to chart a short-term double-bottom pattern around 1.125. The currency rebounding from some of the most oversold levels in its over 16-year history. Short-term resistance around the 20-day moving average is presently being tested; significant resistance around the 50-day moving average, currently at 1.182, continues to suggest an upper limit to any potential rebound rally.

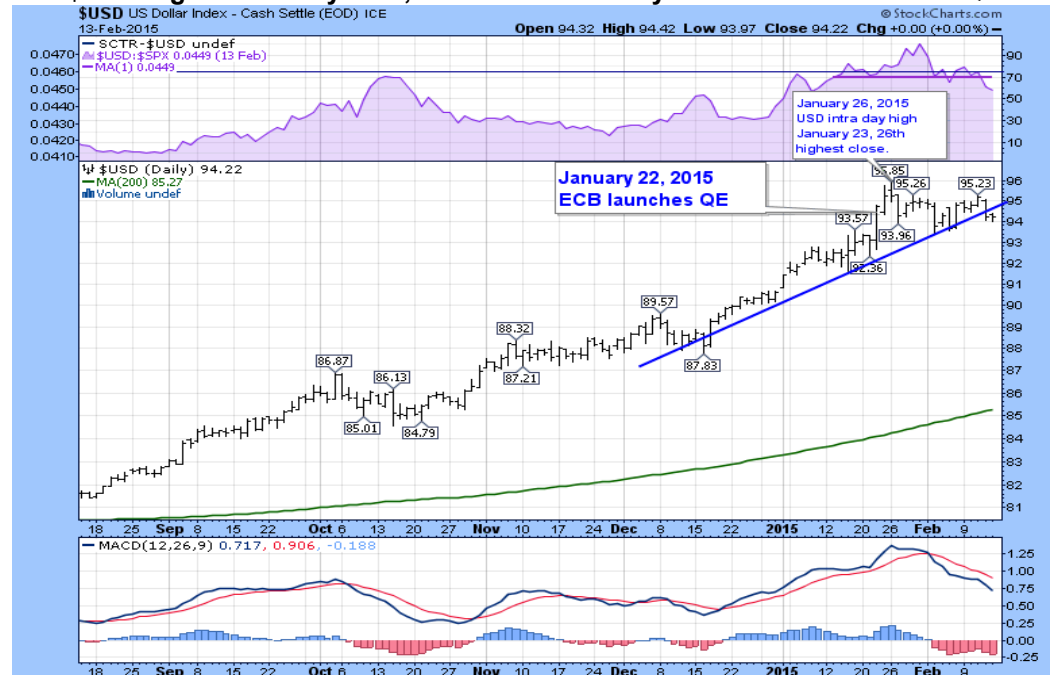


Seasonally, the Euro, in US\$ terms, typically trades flat in February and March, charting a bottom, on average, following the weak month of January.

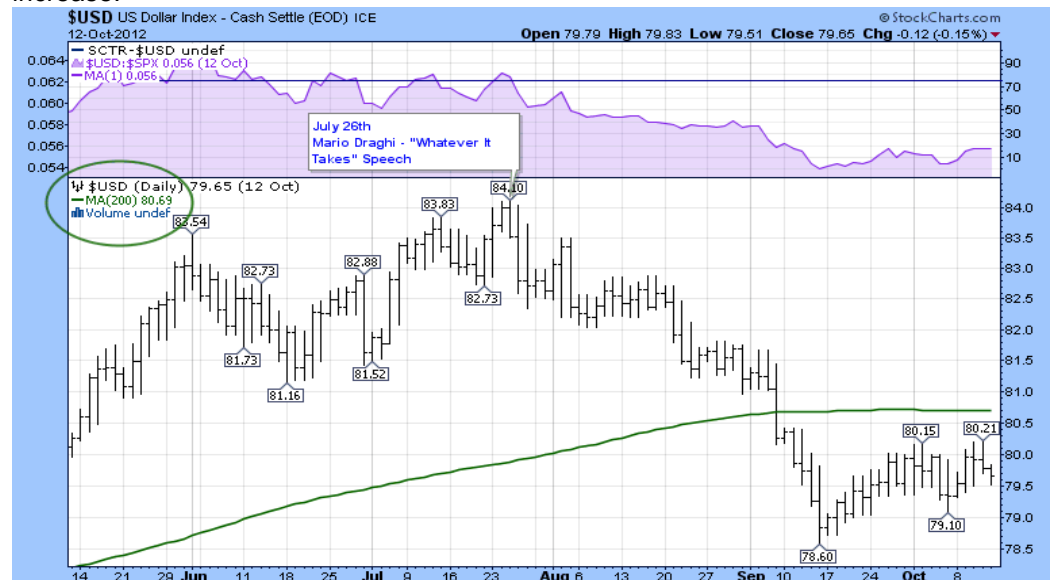


US\$ double top

The \$USD high is January 26th, 2015 which is 2 days after the ECB started QE.



In 2012, the \$USD fell for about 35 trading days after the Mario Draghi's "Whatever It Takes" announcement. So the recent price action on the \$USD and the breaking of the trend line on February 12, 2015 money movement towards the Eurozone should increase.



Weekly Investment Conclusion

International uncertainties remain high, most notably in Ukraine and Greece. Possible resolutions in Ukraine and Greece were a major reason for strength late last week.

Economic news this week is expected to show decelerating growth in the US.

Earnings reports this week are less relevant. Most of the major US and Canadian companies already have reported fourth quarter results. Results released to date generally have slightly exceeded consensus. Guidance generally has been lowered for the first quarter primarily because of the impact on revenues and earnings from strength in the US\$.

Investor sentiment changed significantly two weeks ago after peak of the fourth quarter report season was reached. As per prior reports, we anticipated for equity prices to move higher, bond yields to spike, whilst we expected for bond and utility sector prices to be hit hard, and exactly this scenario played out over the past two weeks. Funds are coming out of interest sensitive securities and are moving into economic sensitive equities and commodities.

Currency trends continue to have a significant impact on equity prices. An intermediate peak in the US\$ is bullish for US equity prices. The stage is set for a volatile, but positive move by North American equity prices into this summer with a focus on economic sensitive sectors.

Looking at the near-term seasonal tendencies, the last half of February has historically been fairly negative for stocks. Over the last 20 years, the S&P 500 Index has fallen by an average of 1.15% between February 16th and March 2nd. The large cap index has ended lower in 65% of those seasonally weak periods. This period typically follows the monthly options expiration date, an event that has the tendency to act as a pivot point to the prevailing market trend. The next seasonal up-leg for stocks, the trend that lifts all boats, runs from the start of March through to the start of May as investors react to first quarter earning reports.

Following another strong employment report for the month of January, treasury yields in the US traded firmly higher, forcing investors out of some of those higher yielding equities in the utilities and REIT sectors. Consumer staples and health care, two defensive sectors, have also started to show performance that is lagging that of the broad market as investors rotate towards materials, financials, and consumer discretionary. This cyclical rotation is typically a positive for the broad equity market as investors venture out on the risk spectrum.

Seasonally, cyclical sectors, including

- **Industrials**
- **Materials**
- **Energy**
- **Financials**
- **Consumer discretionary**

tend to perform well into the spring, benefiting from the uptick in economic activity following the winter months.

This risk-on sentiment amongst equity investors tends to result in gains for the S&P 500 index, particularly during the months of March and April. Between March 1 and May 5, the large-cap benchmark has recorded gains 75 per cent of the time over the past 20 years, resulting in an average gain of 4.23 per cent. Assuming markets can get past some of the overhanging macroeconomic concerns, there is a strong probability for further gains in stock prices during the months ahead.

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