Creative Global Investments

Morning market commentary & charts

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Objectivity

Integrity

Creativity

Macro Commentary

This morning the Organization for Economic Cooperation and Development cut its global growth forecast for 2016 from 3.3% to 3.0% and warned that some emerging markets are at risk of exchange-rate volatility. The downgrade in forecasts is broadly due to disappointing incoming data for Q4 of 2015 and the recent weakness and volatility in global financial markets, which are affecting some emerging markets are particularly vulnerable to sharp exchange-rate movements and the effects of high domestic debt. **The OECD's revised global growth outlook is still to optimistic in our view, and we are expecting for major organizations like the OECD and IMF to continue to downgrade global GDP over time to our forecasted 2.4% levels for 2016.**

The OECD expects the US economy to grow by 2.0% in 2016 and 2.2% in 2017, down from November's projected expansions of 2.5% and 2.4%, respectively, saying that the US is facing an intensification of headwinds, including the drag on exports from the stronger dollar and energy sector investment from low oil prices. **We believe this number is too high and we keep our 1.8% GDP growth target for the US for 2016.**

The OECD cut its Eurozone growth forecasts to 1.4% and 1.7% from 1.8% and 1.9%, and nudged down its German growth forecast for this year to 1.3% from 1.8%, which are **all in line with our Eurozone forecasts.** The organization cut China's growth to 6.5% this year, while they cut Brazil's economy to a minus -4% this year.

China's consumer inflation increased 1.8% year-on-year in January, compared to 1.6% in December. While it marked an improvement on the previous month, it missed analysts' estimates of 1.9%.

Brazilian officials confirmed that Latin America's biggest economy could accept payment in currencies including the Euro from Iran, which is forbidden from using the US financial system and the US$ under the current sanctions. Brazilian President Dilma Rousseff could visit Iran this year to bolster exports,

In Europe, all focus is on the upcoming UK referendum on its existence within a EU frame, as David Cameron's seven-month quest for a EU reform deal has taken the prime minister on a journey spanning 20 countries from Portugal to Lithuania. The prime minister's aides say his marathon diplomatic effort has left Britain in "a good place"; his supporters are already looking beyond a deal in Brussels to launching a referendum campaign to keep the UK in "a reformed EU"

In the US Economic data included industrial and manufacturing output figures from the Federal Reserve that surprised to the upside. Industrial production was up 0.9% in January compared to a month ago, beating analysts' estimates for a 0.4% increase. Manufacturing output rose 0.5% month-on-month in January, ahead of forecasts for a 0.2% gain.

US housing starts figures were less impressive, falling 3.8% in January on the month, trailing estimates for a 2% rise, the Commerce Department revealed. Mortgage applications in the US increased 8.2% in the week to 12 February, according to the Mortgage Bankers Association.

US Equities Commentary

Simple facts:

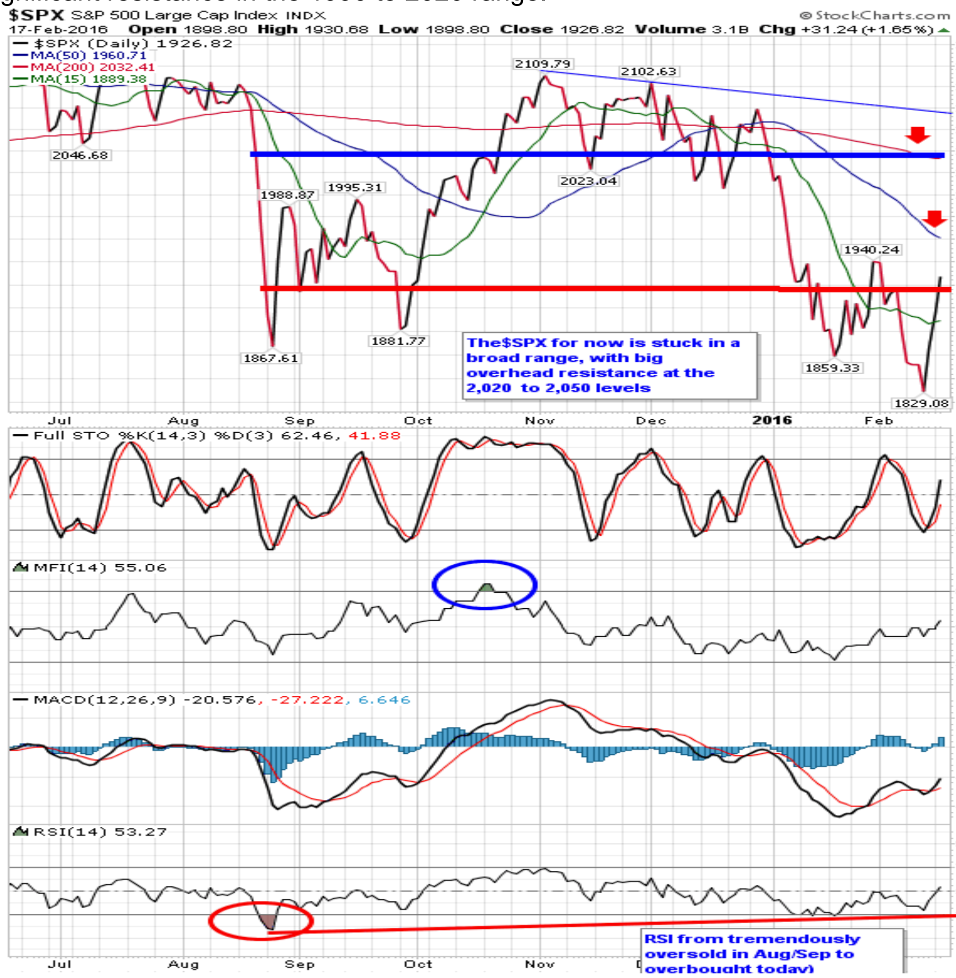
- 62% of US households own equities
- 28% of UK households own equities
- 11% of European households own equities
- 9% of Chinese households own equities
- 7.5% of German Households own equities

Whose consumers do you think are getting more scared given the stock market declines and inherent impact on their savings & retirement funds we have seen so far yet?

As a long term investors, in which one of those countries and economies would you want to allocate more new funds to?

Seems simple to us!

Nevertheless, US stocks rallied for 3 days and the S&P 500 Index is quickly approaching its early February highs, erasing the vast majority of the losses that were realized as of late last week. The market remains significantly overbought on a short-term basis, increasing the probability of a near-term retracement. This is the exact opposite scenario from just 10 days ago when momentum indicators were significantly oversold, setting up appealing buying opportunities and leading to the strong rally that has followed. The big test ahead is the range of resistance that comes in between 1930 and 1950, which if broken has a high probability of seeing follow through to more significant resistance in the 1990 to 2020 range.



A look at the longer-term weekly chart of the large-cap index provides an interesting perspective of where we are from a technical standpoint. The present market downturn has brought the S&P 500 Index back to levels around its rising 200-week moving average, a level that has acted as support in prior corrections, including 2008 and 2011. The market subsequently bounced in both instances back to its 50-week average, where the benchmark struggled and rolled over to re-test the lows. Perhaps as an ominous sign of what's to come, successful tests of the 200-week moving average as support over the past 20 years have only occurred when the moving average is pointing lower; the 2001 and 2008 break of this longer-term average have occurred with the moving average line pointing higher, as it is now. It is way too premature to expect a similar outcome, but the reaction upon any potential retest of the lows in the weeks ahead will warrant careful monitoring. Resistance presented by the 50 week moving average is presently at 2038, while the 20-week comes in around 2000.

The next chart highlights the Fibonacci levels for the $SPX. We see the 61.8% retracement level at risk to be tested in the next 3 – 6 months.

Short term, however, there are some encouraging technical signs of some long-disliked sectors which are breaking out

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