# Creative Global Investments

## Morning market commentary & charts

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Objectivity

Integrity

Creativity

## One more time: "No FED rate hike until 2016"!

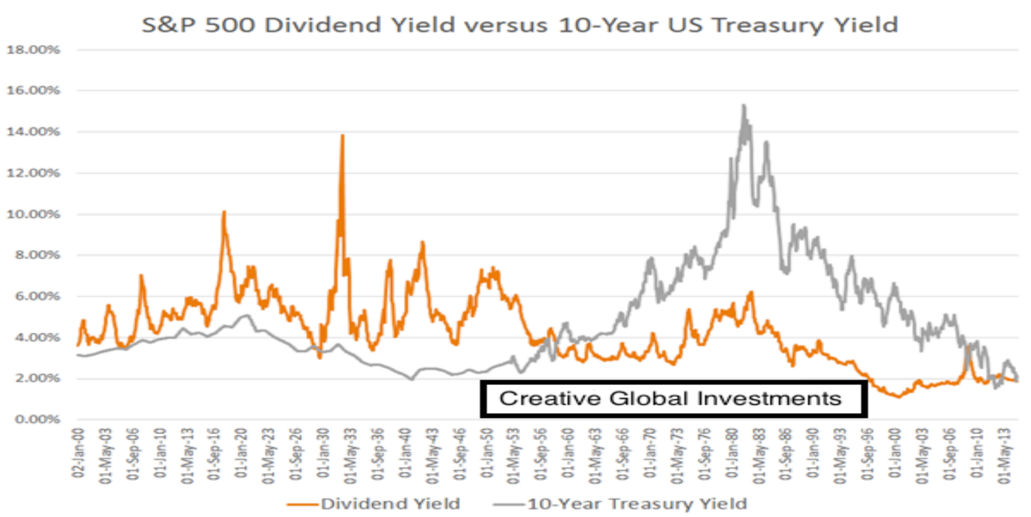
Minutes from the Fed January released on Wednesday showed that "many" on the Fed committee said a premature rate increase could be detrimental for the recovery, while "several" believed a later move could lead to high inflation.

Many Fed officials worried that once the term "patient" is scrapped, markets will assume the Fed is set to move on "an unduly narrow range of dates," which could lead to "undesirably tight" financial conditions".

**We maintain our baseline forecast for 2016 of "No FED rate hike in 2016", as the global inflationary pressures** (data released by the Fed on Wednesday, US industrial production rose a seasonally adjusted 0.2% in January, falling short of the expected 0.4% increase) **are still declining, and we see increasing macro-economical evidence of the US economy slowing, and of our baseline forecast becoming more widely be accepted both by central bankers and by market participants.**

**Consequent to the market slowly adapting to our base line scenario, we do see a strong case for renewed allocations towards high yielding equities mostly outside of the US, particularly in the case of Japan and Europe, as those equities markets have entered their periods of seasonal strength until April for Japan, and mid-May in the case of Europe.**

**In the US, dividend yields on S&P 500 stocks are competing with yields on 10-year Treasuries. Higher Treasury yields (i.e. lower Treasury prices) could prompt additional rotation into equities.**



**Not surprisingly, our 15 year long favorite in the US, the Russell 2000 Small Cap index charted another record closing high, continuing to break above resistance that bound trading activity for the past 12 months. Strength in the small cap index is typically an excellent gauge of the risk sentiment amongst investors, which suggests further upside potential ahead.**

**The relative performance of the benchmark has been on par with the large-cap S&P 500 Index for the past few weeks, however, this is a positive change from the declining relative performance that spanned most of 2014 when investors were reluctant to be exposed to too much risk amidst the Fed's taper program.**

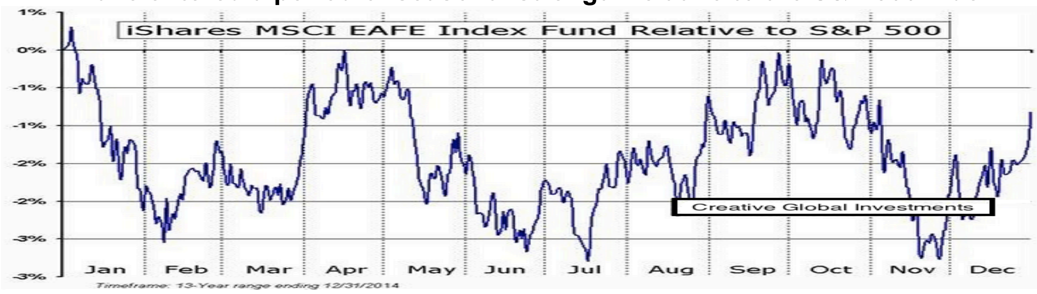
**Seasonally, the small cap benchmark remains strong through to the start of March.**



**While we see investors in US equities to continue rotating towards the previously lagging Russell 2000 Index, they should also look aggressively towards Japanese, Indian, Brazilian and European equities.**

# 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.**




**On Tuesday $EFA completed at double bottom pattern by moving above $63.91.**


**The 25-year chart below shows the Nikkei-225 gaining momentum relative to the S&P 500. The N-225 is at a 20-year low forward P/E multiple of 13.5x, and a 25-year low P/E comparison to the S&P 500. We continue to advise investors to increase allocations towards Japanese equities and towards the N-225 in particular, as we see the structural changes made by Abe's government gaining traction and delivering tangible results, and Japanese investors increasing their exposure into domestic equities.**

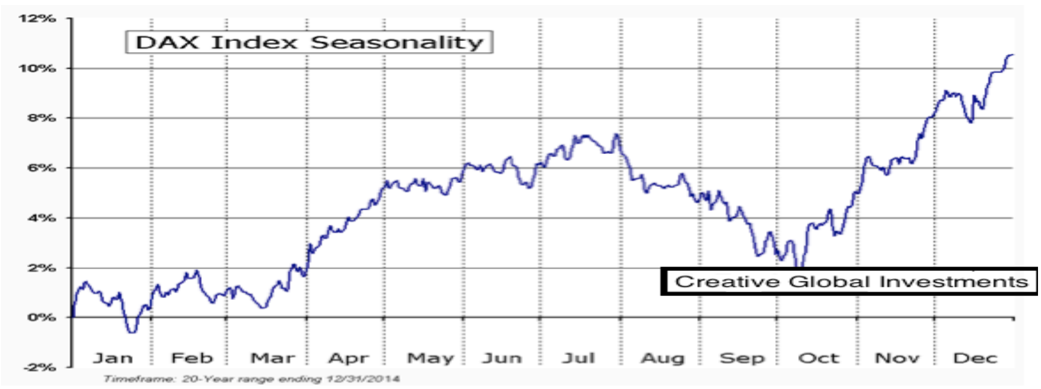
**The short-term chart shows the N-225 breaking above a prior double top and ready to move towards new highs, as both RSI and MACD and other short-term indicators are positive.**


**Historically, the N-225 is in a period of seasonal strength from January until early April (in part due to fiscal year end {March 31st} window dressing related performance).**

**As we had been expecting, European benchmarks have been outperforming US benchmarks since the beginning of the year, mainly due to the much lower valuations attracting investors** (P/E; P/CF; much higher dividend yields) **but also benefitting from the accommodative monetary policies enacted by the ECB.**

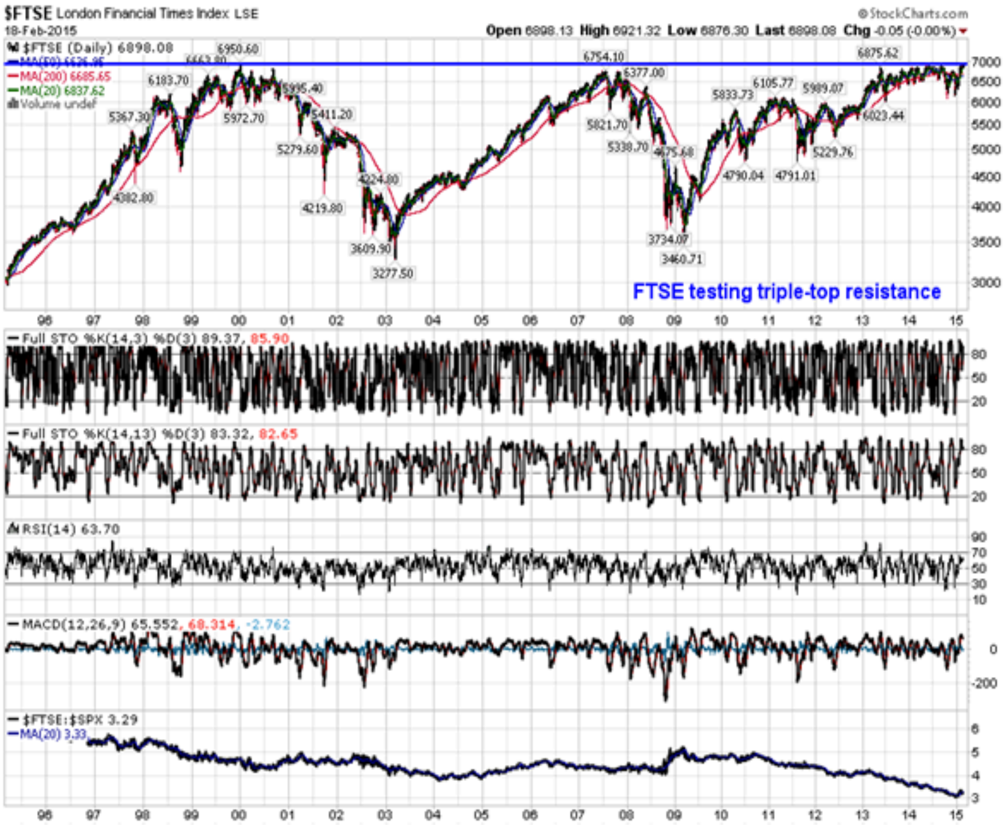
**Wee see technical evidence of the strength in European equity markets set to continue, following historic seasonal strength patterns that run through to the start of May, which is coinciding with the end of annual dividend pay-out period.**

**The DAX 30 continues to hold around all-time highs, and upside breakout pressures are on the rise. All short-term technical indicators (MACD, RSI) are positive, and the DAX 30 has broken above 20-, 50- and 200-day MVA.**

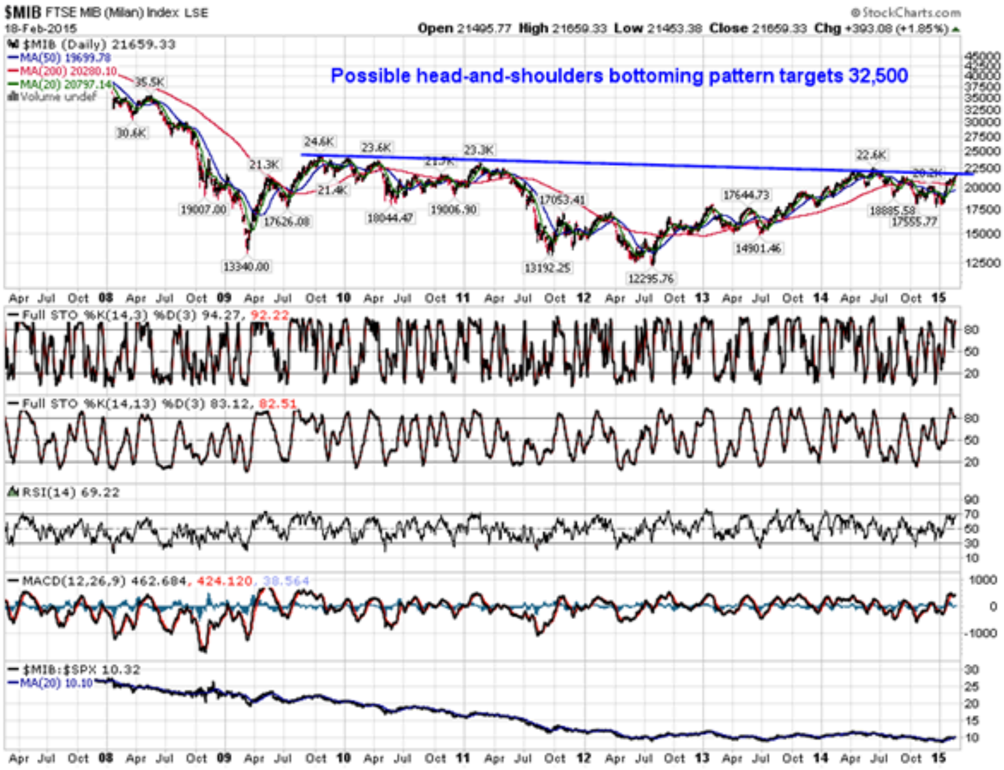



**The CAC 40 charted a new 52-week high during Wednesday's session. All short-term technical indicators (MACD, RSI) are positive, and the CAC 40 has broken above 20-, 50- and 200-day MVA.**


**Also benefitting from the European stimulus are equities in the UK, which, thus far, is following its familiar seasonal pattern of gains from mid-October through to May. The FTSE 100 is presently pushing up against resistance around 6900, a level that has restrained the benchmark for over 15 years. Investors love significant milestones in equity markets and a breakout in this benchmark has a high likelihood of more upside momentum. The $FTSE has been underperforming the S&P 500 Index since 2009, but the strong performance in January suggests the trend may be changing.**




**The chart of the FTSE MIB Index is showing what appears to be a long-term head-and-shoulders bottoming pattern, the upside target of which points to 32,500, or around 50% higher than present levels.**



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