Creative Global Investments

Morning market commentary & weekly charts

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Objectivity

Integrity

Creativity

The **People's Bank of China** cut its benchmark interest rate by a quarter point for the second time in three months, to 5.35%, and lowered its one-year benchmark deposit rate by the same amount to 2.5%.

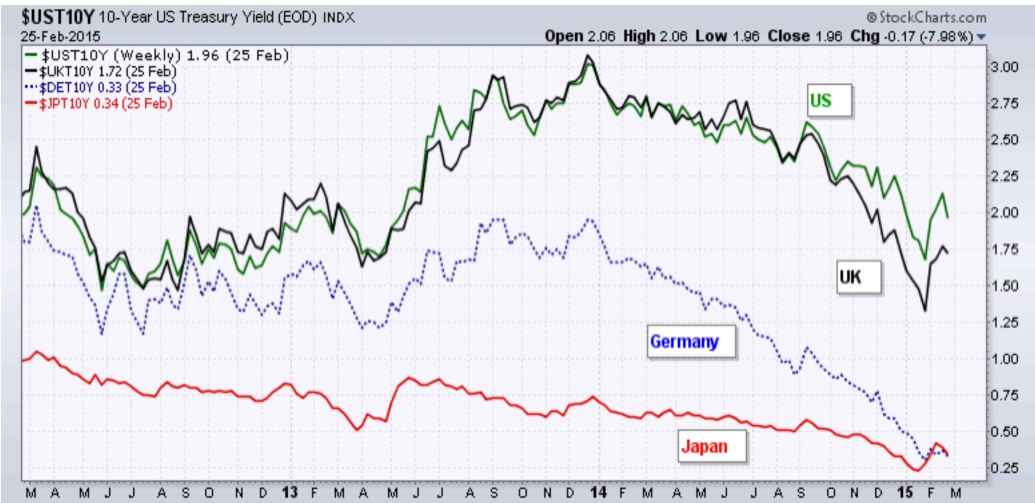
Contrasting data reports on **Chinese manufacturing** activity in February were also released overnight, but they broadly indicated an up-trend in growth for the sector. Both the HSBC/Markit and the government's purchasing managers' indices came in ahead of expectations, though the latter continued to signal a contraction.

In the US Q4 GDP slowed more sharply than consensus expectations (not to our surprise) amid a moderate increase in business inventories and a wider trade deficit, but strong domestic demand brightened the outlook. US Q4 GDP expanded at a 2.2 percent annual pace, revised down from the 2.6 percent pace estimated last month, the Commerce Department said on Friday.

In February, the S&P 500 enjoyed its best performance since October 2011 despite the worst economic data in over a year. With the exception of employment-related numbers – which are both backward-looking and overstated – economic reports were nothing short of horrible. Even the labor markets are far from healthy at U6, the broadest measure of unemployment, remains above 11%. But virtually every measure of manufacturing, construction and consumer activity was extremely disappointing and came in below expectations in February.

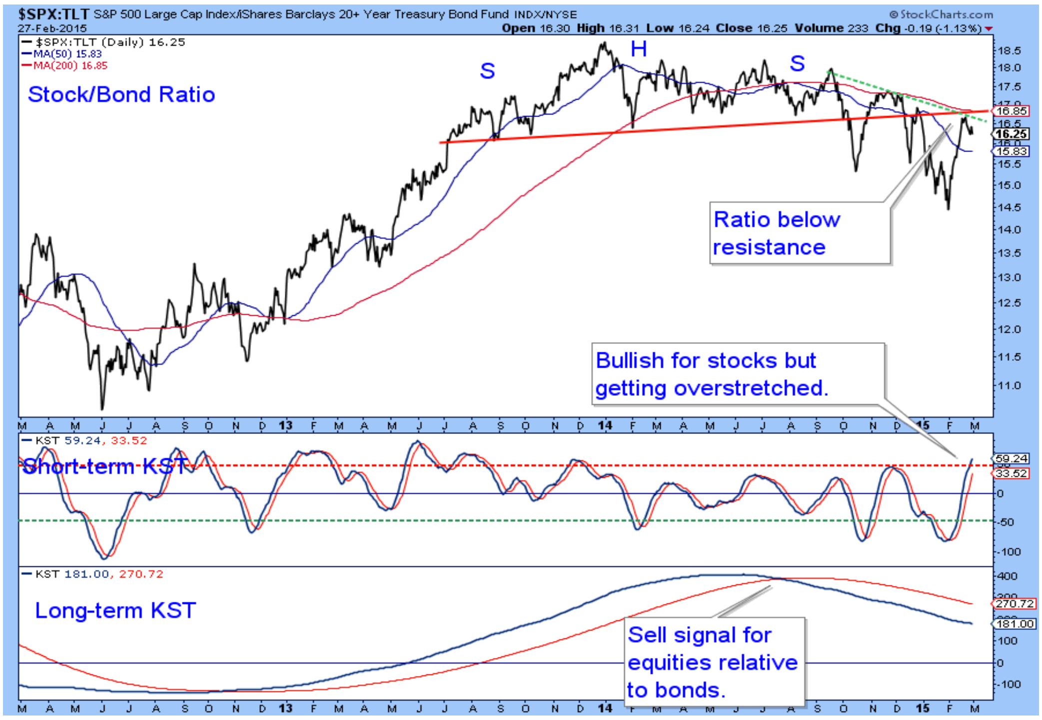
So why do stocks keep going up? Because with over 90% of the World's central banks facilitating 0% interest rates, equities remain the only game in town for investors. The Fed and other central banks have destroyed bonds as alternatives by lowering interest rates to zero.

International Bond markets & Yields outlook



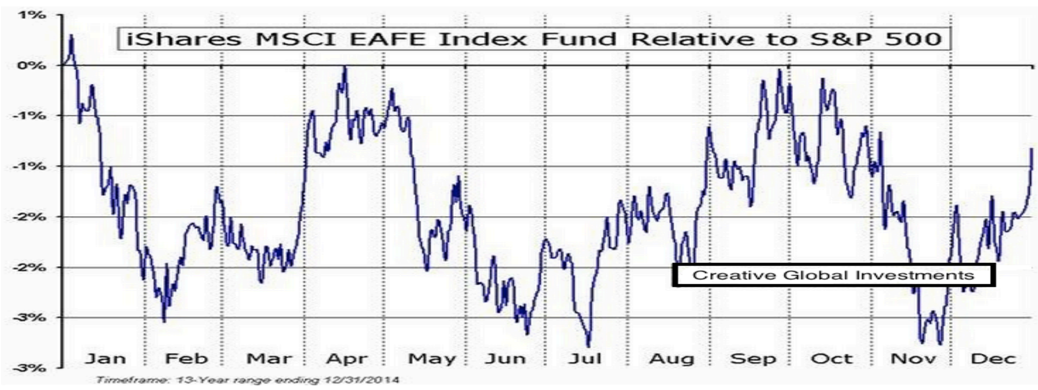
For the US, the Stock/bond ratio ($SPX:TLT) completed a head and shoulders top some time ago and this was followed by a nice retracement rally favoring stocks. Now that advance is running into resistance in the form of the extended (red) neckline and the dashed green resistance line. Since the breakdown is still intact we are assuming that the declining trend favoring bonds is as well. After all, the long-term KST, which reflects the primary trend, is still declining.

The chart leaves no doubt that the technical picture has reached a crucial juncture. If the ratio can take advantage of the rising shorthand move through the resistance trend line then that would likely indicate that the breakdown was a false one. On the other hand, if the ratio stalls from here, thereby resulting in a short-term KST reversal, that would suggest new lows in the stock/bond relationship.

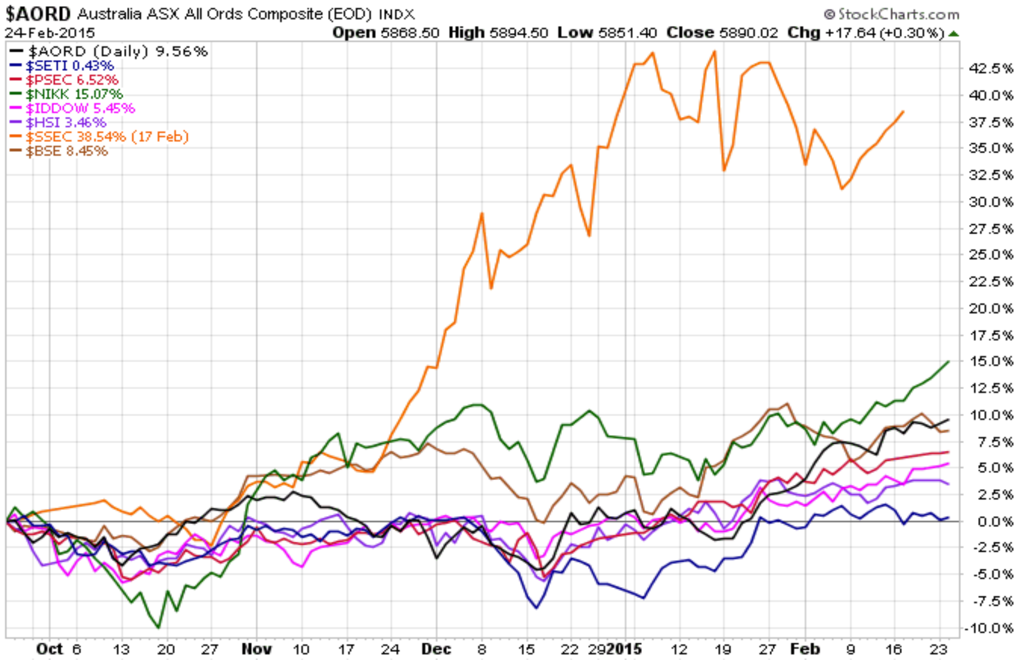


EAFE stock indices have entered their period of seasonal strength versus US stocks

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



Asian equity markets are in their period of seasonal strength until April.



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 $NIKK in particular, as we see the structural changes made by Abe's government gaining traction and delivering tangible results, and Japanese investors increasing exposure into domestic equities.

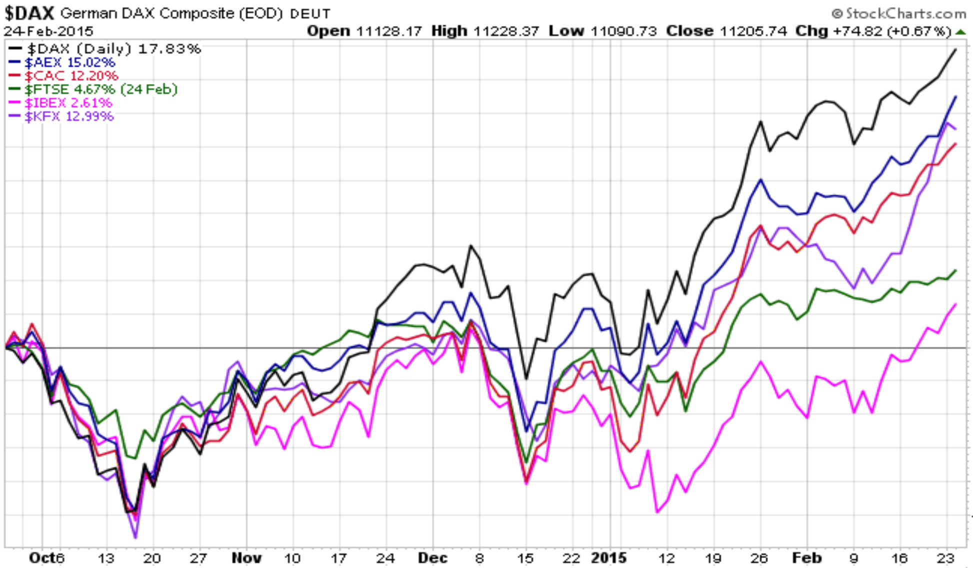
The short-term chart shows the $NIKK breaking above a double top and ready to move towards new highs, as both RSI and MACD and other short-term indicators are positive.

Our short-term target for the $NIKK is 20,000.

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).

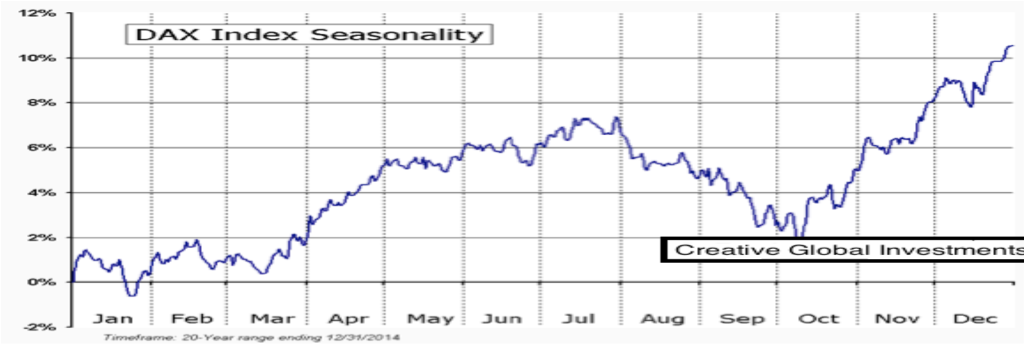
Europe to continue outperforming the US indices

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 benefiting from the accommodative monetary policies enacted by the ECB. Wee see increasingly 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.**



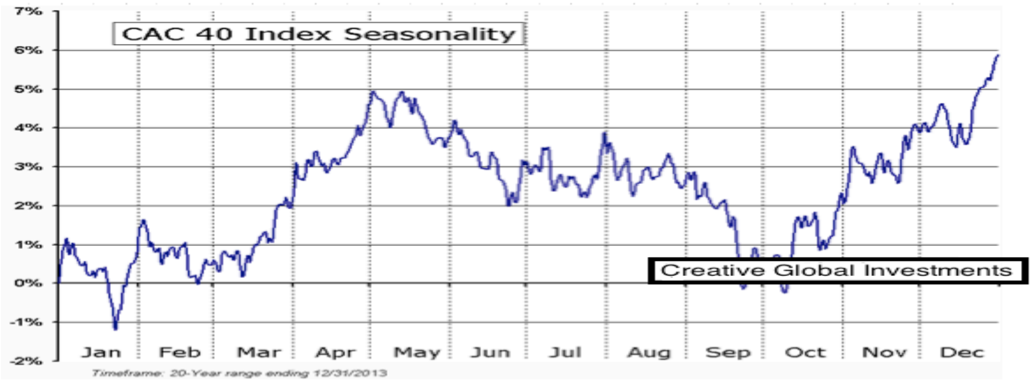
The DAX 30 continues to make all-time highs, and upside breakout pressures are on the rise. All short-term technical indicators (MACD, RSI) are positive, the $DAX 30 has broken above 20-, 50- and 200-day MVA.

Our short-term target for the $DAX is 11,800.



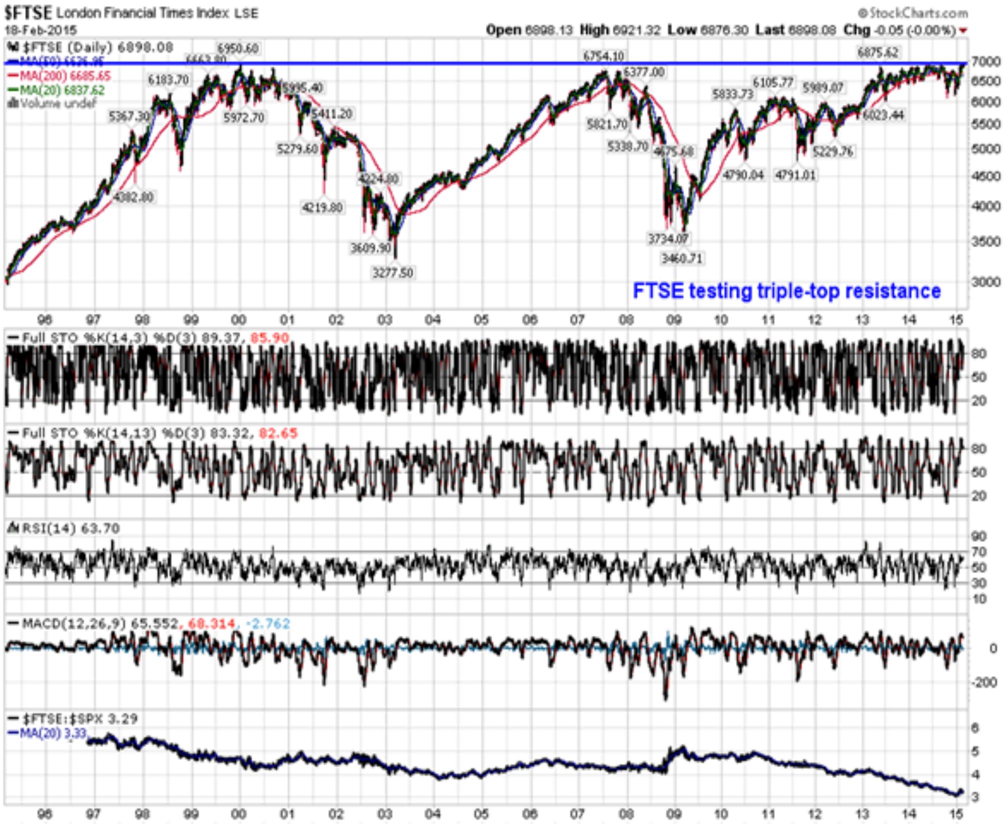
The CAC 40 charted a new 52-week high during yesterday's session. All short-term technical indicators (MACD, RSI) are positive, and the $CAC has broken above 20-, 50- and 200-day MVA.

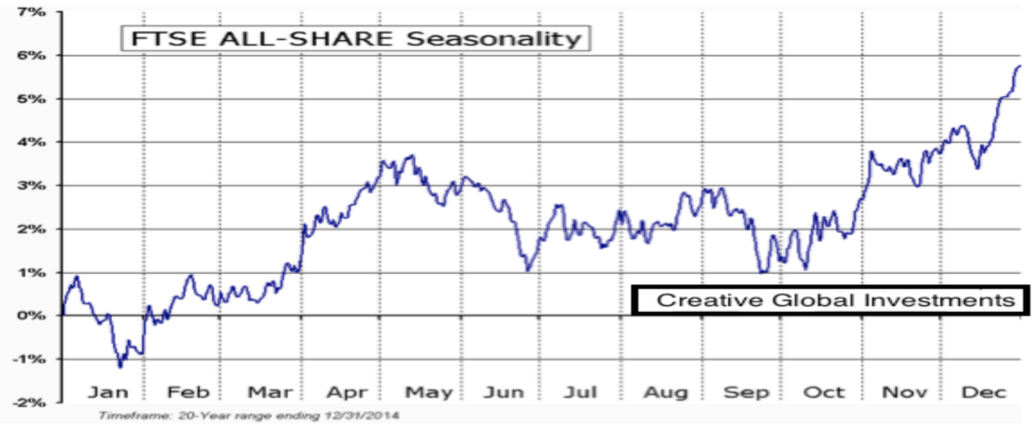
Our short-term target for the $CAC is 5,200.



Also benefiting 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 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 and February so far suggests the trend may be changing. The $FTSE 100 was trading just 0.04% lower at 6,947.03 in early deals. The index set a new closing record of 6,949.63 on Tuesday, and also reached a new intraday peak of 6,958.89.

Our short-term target for the $FTSE is 7,300.





Weekly Investment Conclusion

The stage is set for a volatile, but positive move in economic sensitive North American and international equity prices into this summer.

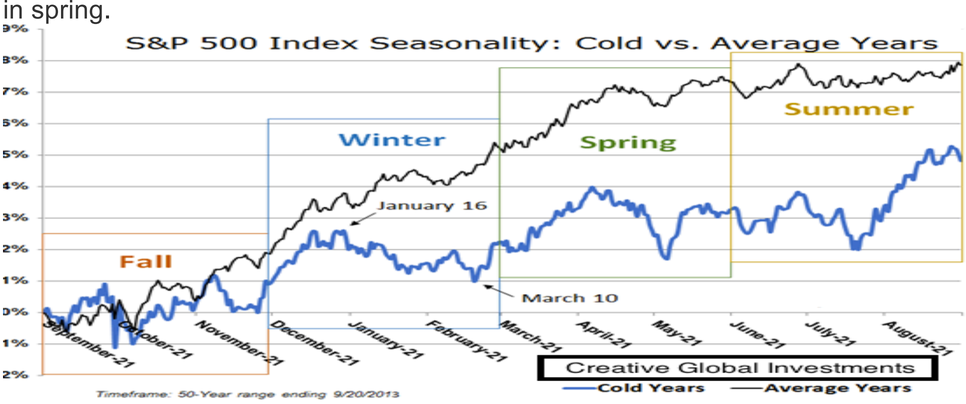
Economic news this week is expected to show a slowing in US economic growth. With the ongoing battle between Republicans and Democrats, we have yet to see favorable policies enacted that would act as a significant influence on equity markets. Fiscal and monetary policy in the US will remain an important focus of investors through the months ahead. Strength during pre-election years remains above average through to July.

Earnings reports are not significant market movers this week.

International uncertainties remain on the radar screen, most notably in Ukraine and Greece. Flash PMI reports from China and central bank interest rate announcements from the UK and the Eurozone are possible market movers.

Currency and interest rate fluctuation also could influence equity markets this week. Major currencies ($USD, Euro, Canadian Dollar, Japanese Yen) show signs of trading sideways. Notably, the $USD probably peaked at 95.85 six weeks ago. Also, US Treasury prices continue to show signs of peaking six weeks ago.

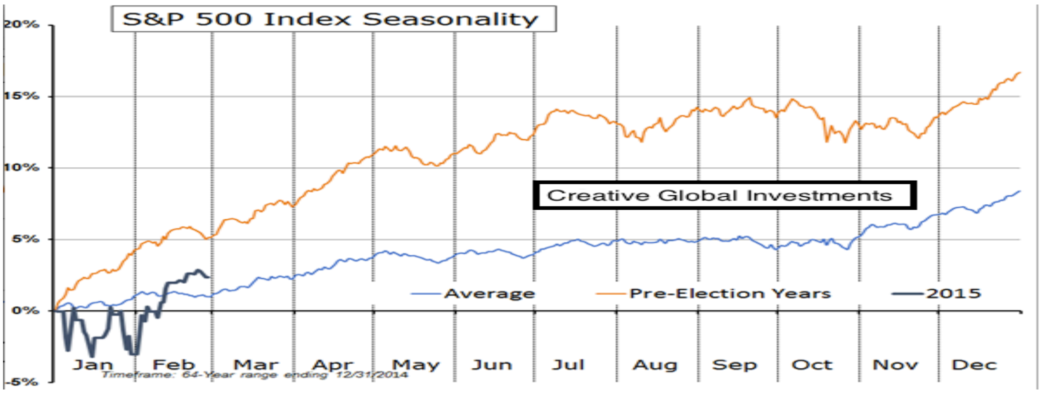
Weather is a negative that will increase short-term volatility in North American equity markets. However, that too will pass by spring. Colder than average weather in eastern North America is slowing North American economic activity in the first quarter. It is temporary and sets the stage for a rebound in economic activity in spring.



The performance of the equity market has been slightly better than the seasonal average, based on the past 65 years of data, but performance continues to lag the average returns recorded during pre-election years within the presidential election cycle. Average return for the S&P 500 Index at the end of February during pre-election years is 5.1%, almost 3% greater than the present year-to-date return. Pre-election years are typically the strongest of the 4-year cycle, resulting from the business friendly nature of the President who is seeking re-election of either himself or his party.

Short and intermediate technical indicators for most equity markets and sectors are overbought and showing early signs of peaking/rolling over.

Historically, the month of March is one of the better months for North American equity performance. During the past 20 periods, the S&P 500 Index gained an average of 1.7% per period and was profitable 75% of the time. The Dow Jones Industrial Average gained an average of 1.5% and was profitable 75% of the time. The NASDAQ Composite Index gained an average of 0.8% and was profitable 58% of the time.



March is typically a strong month for US equity markets. Since 1950, the S&P 500 Index has ended higher 67% of the time for the month of March, averaging a return of 1.3%. Strength continues into April, making this two-month stretch the second strongest back-to-back monthly period for the equity market, following only behind the strength that typically occurs in November and December.

The two periods, November/December and March/April, book-end the best six months of the year for equity markets, following which results tend to be much more random into the summer.

Strongest sectors & stocks of the US equity markets for the month of March, based on average returns over the past 20 years, are

- **Energy**
- **Financial sectors**
- **Consumer discretionary**
- **Materials**
- **Industrials**

Weakest sectors for March are

- **Consumer Staples**
- **Health Care**

March tends to be a risk-on month when cyclical assets perform well, while defensive assets, such as bonds and low beta equities, tend to lag the broad equity market strength. Recent trends pertaining to the cyclical rotation in stocks and the weakness in the fixed income market are encouraging for seasonal norms into this third month of the year.

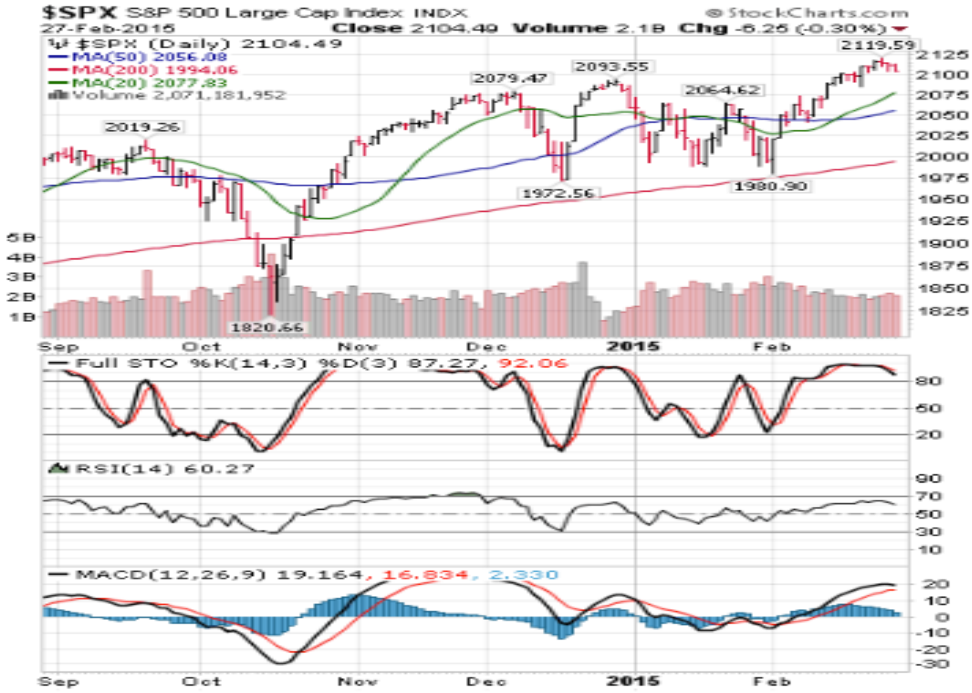
We continue to advise investors to accumulate seasonally attractive, economic sensitive North American and international equities on weakness in early March for a seasonal trade lasting until at least early May and possibly into July.

US equity markets commentary & weekly charts

The VIX Index fell 0.96 (6.14%) last week.

Intermediate trend changed to down from up on a move below 14.01. The Index remains below its 20-day moving average.

The S&P 500 Index slipped 5.81 points (0.28%) last week.



The Index remains above its 20-day moving average.

Short-term momentum indicators are overbought.

The trend changed from up to mixed.

Percent of S&P 500 stocks trading above their 50-day moving average fell last week to 70.80% from 77.40%.

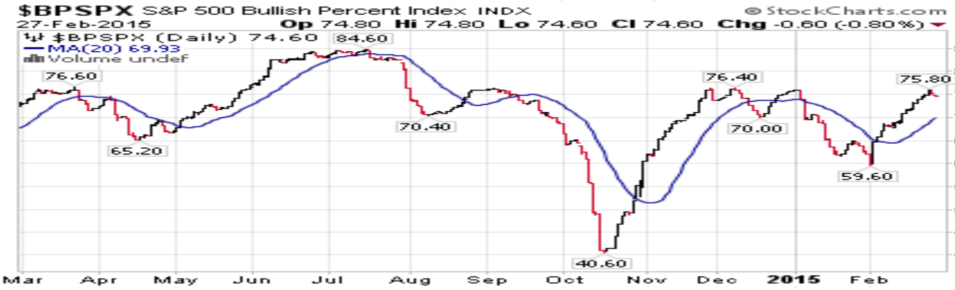
The index is intermediate overbought and showing early signs of rolling over.

Percent of S&P 500 stocks trading above their 200 day moving average slipped last week to 76.40% from 78.00%.

The index is intermediate overbought.

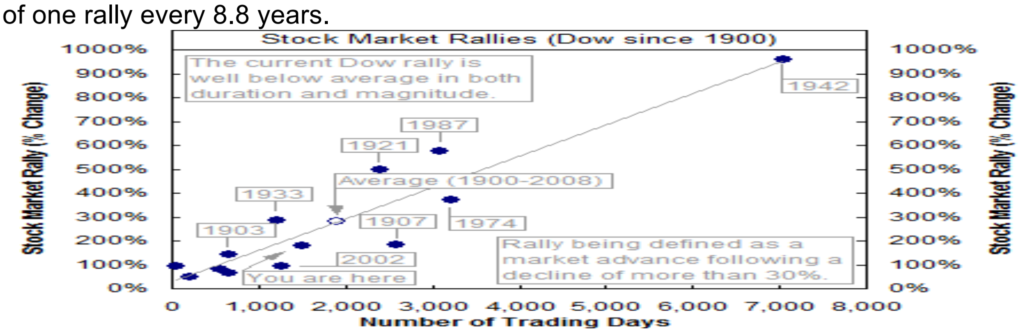
Bullish Percent Index for S&P 500 stocks increased last week to 74.60% from 74.00% and remained above its 20-day moving average.

The index remains intermediate overbought.



It is also interesting to note that the duration and magnitude of each rally correlated fairly well with the linear regression line (gray upward sloping line). As it stands right now, the current Dow rally that began in March 2009 (blue dot labeled you are here) would be classified as below average in both duration and magnitude.

The major market rallies of the last 115 years are plotted on today's chart. Each dot represents a major stock market rally as measured by the Dow with the majority of rallies referred to by a label, which states the year in which the rally began. The Dow has begun a major rally 13 times over the past 115 years, which equates to an average of one rally every 8.8 years.

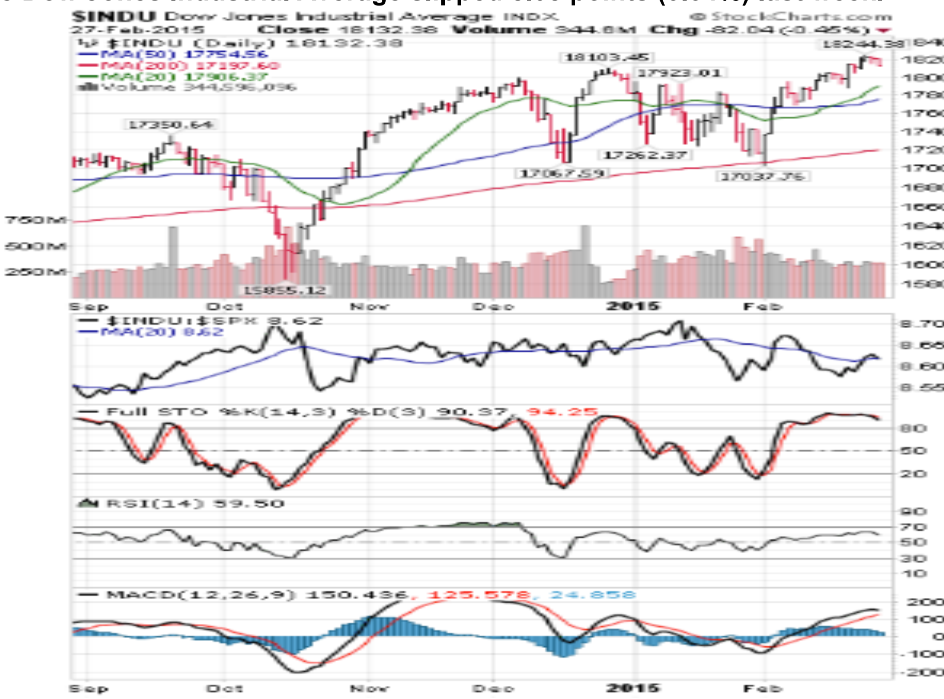


The Dow Jones Industrial Average slipped 8.08 points (0.04%) last week.

Intermediate trend remains up. The Average remains above its 20-day moving average.

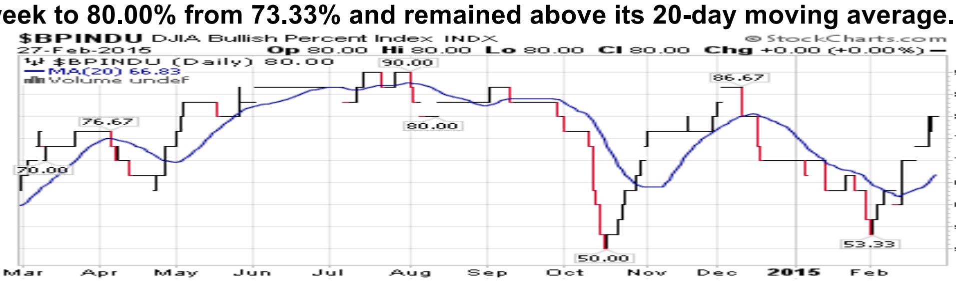
Strength relative to the S&P 500 Index improved to Neutral from Negative.

Short-term momentum indicators are trending up, but are showing early signs of peaking.



Bullish Percent Index for Dow Jones Industrial Average stocks increased last week to 80.00% from 73.33% and remained above its 20-day moving average.

The Index remains intermediate overbought.



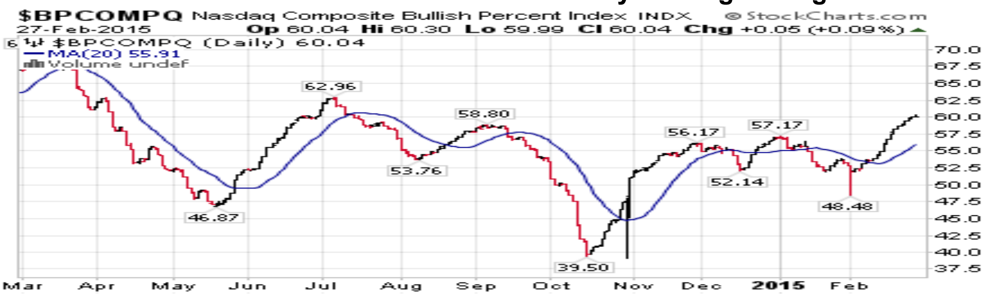
The Dow Jones Transportation Average slipped 6.64 points (1.17%) last week.

Intermediate trend remains Neutral. The Average remains above its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

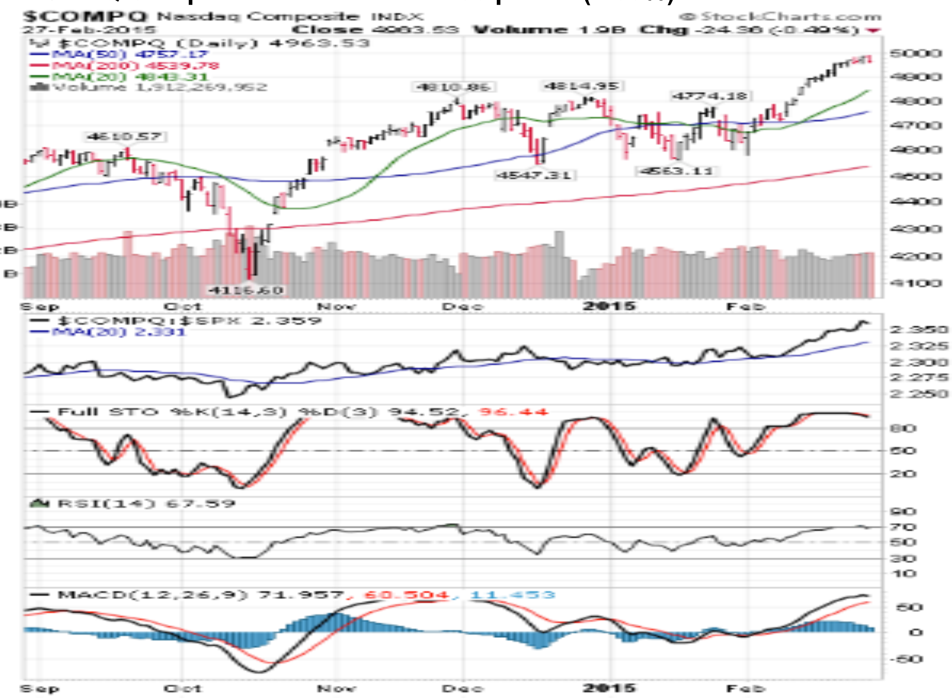
Short-term momentum indicators are trending down.

Bullish Percent Index for NASDAQ Composite Index increased last week to 60.04% from 58.61% and remained above its 20-day moving average.



The Index remains intermediate overbought.

The NASDAQ Composite Index added 7.56 points (1.53%) last week.



Intermediate trend remains up. The Index remains above its 20-day moving average.

Strength relative to the S&P 500 Index remains positive.

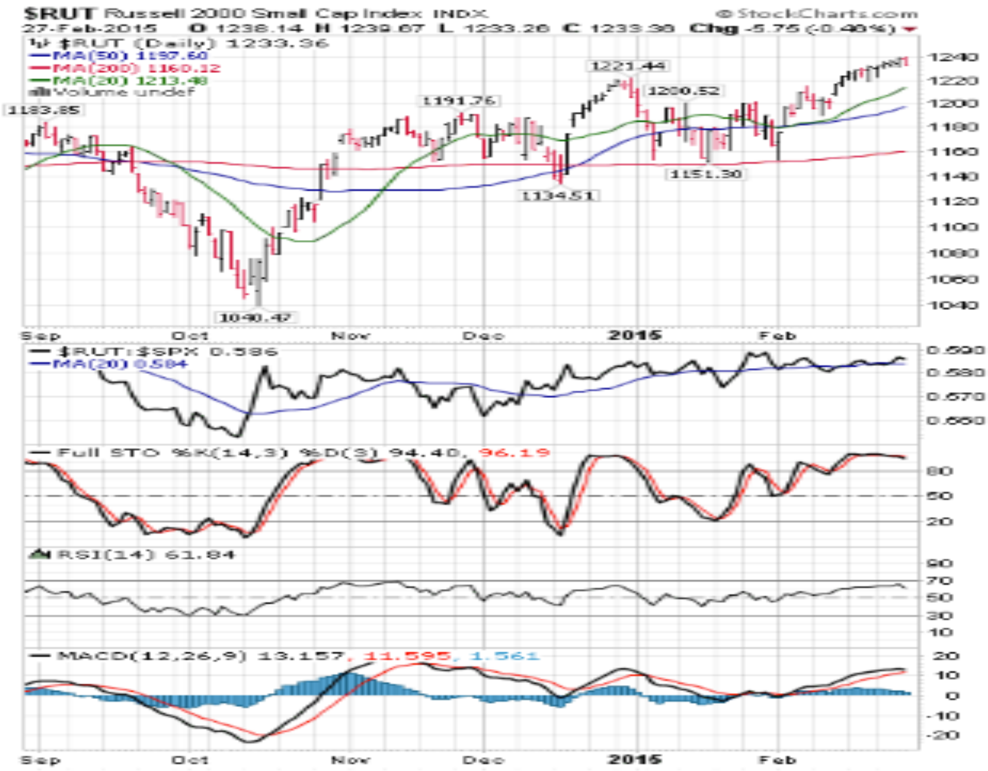
Short-term momentum indicators are trending up, but show early signs of peaking.

The Russell 2000 Index added 1.57 points (0.13%) last week.

Intermediate trend remains up. The Index remains above its 20 day moving average.

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

Short-term momentum indicators are trending up, but are overbought and showing early signs of peaking.



The S&P Energy Index fell 11.56 points (1.96%) last week.

Intermediate trend remains up. The Index fell below its 20-day moving average.

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

Short-term momentum indicators are trending down.

The Philadelphia Oil Services Index dropped 4.50 points (2.21%) last week.

Intermediate trend remains down. The Index fell below its 20-day moving average.

Strength relative to the S&P 500 Index remains Neutral.

Short-term momentum indicators are trending down.

The AMEX Gold Bug Index added 7.79 points (4.23%) last week.

Intermediate trend remains down. The Index moved above its 20-day moving average.

Strength relative changed to Neutral from Negative.

Short-term momentum indicators have just turned up.

Strength relative to Gold has turned positive.

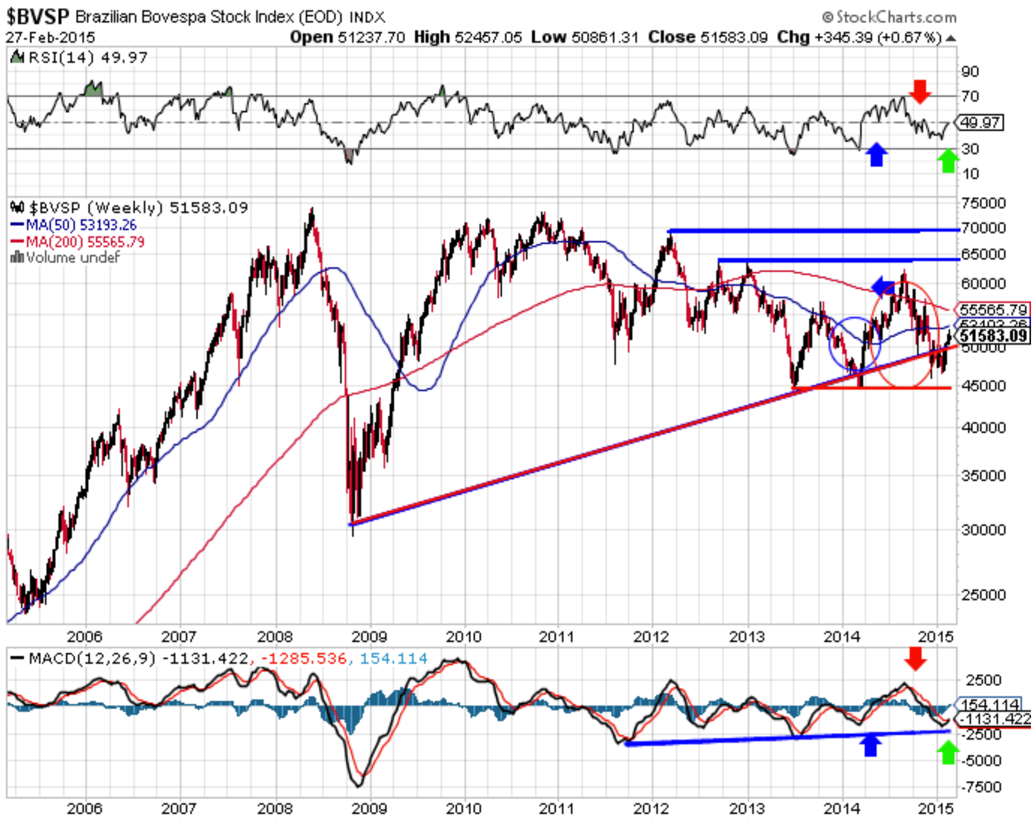
LATAM equity markets commentary & weekly charts

The BOVESPA added 484 points last week.

Intermediate trend remains up. The Average remains above its 20-day moving average.

Strength relative to the S&P 500 Index remains neutral.

Short-term momentum indicators are trending up.

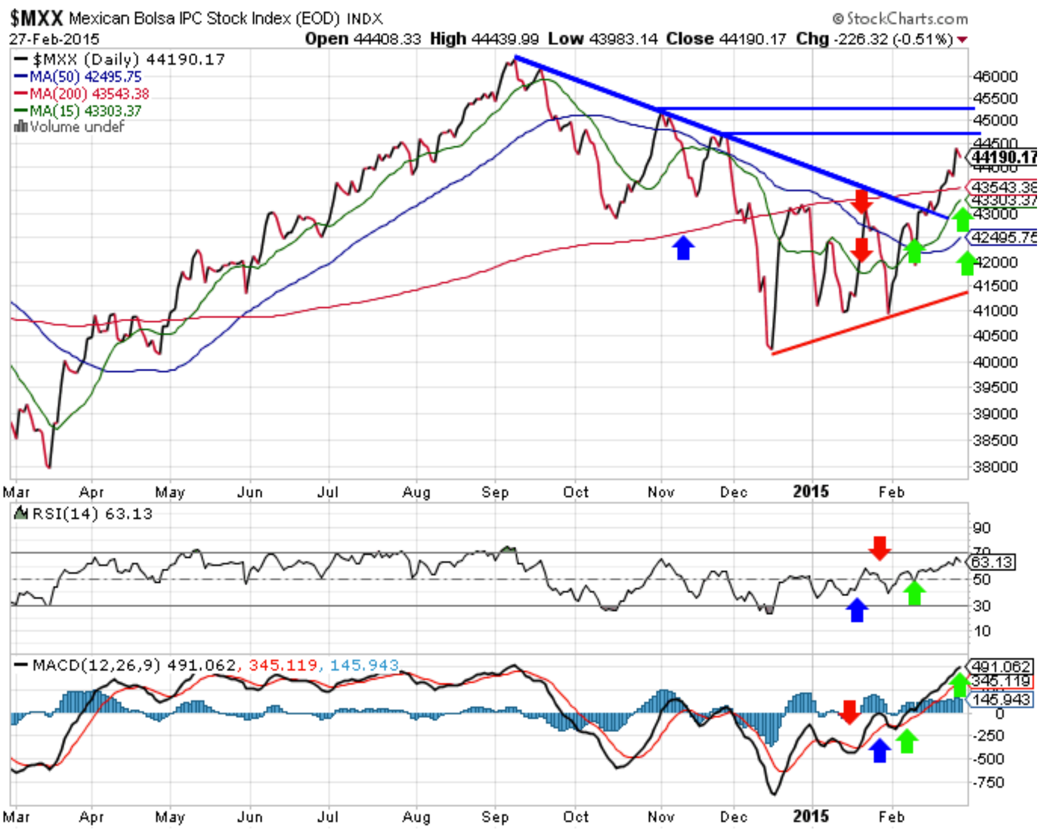


The Mexican Bolsa added 509 points last week.

Intermediate trend remains up. The Average remains above its 20-, 50- and 200-day moving averages.

Strength relative to the S&P 500 Index remains positive.

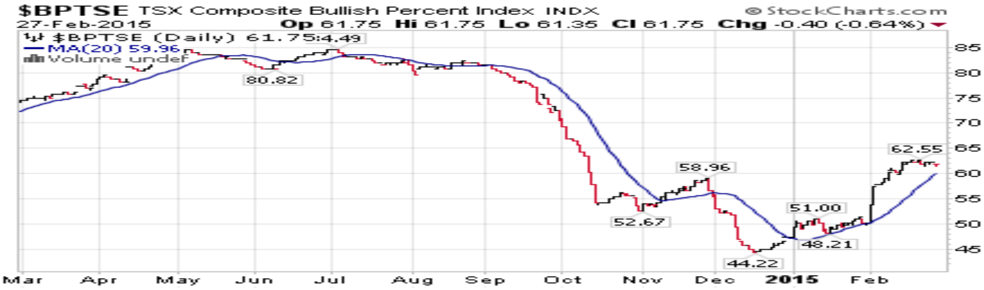
Short-term momentum indicators are trending up, but are overbought.



Canadian equity markets commentary & weekly charts

Bullish Percent Index for TSX Composite stocks slipped last week to 61.75% from 62.55% and remained above its 20-day moving average.

The Index remains intermediate overbought.



The TSX Composite Index added 62.10 points (0.41%) last week.

Intermediate trend remains up. The Index remains above its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

Percent of TSX Composite stocks dropped last week to 68.80% from 73.60%.

The index remains intermediate overbought and is trending down.

Percent of TSX Composite stocks increased last week to 48.80% from 46.80%.

The index remains in an intermediate uptrend.

Asian equity markets commentary & weekly charts

The Sensex added 119 points last week.

Intermediate trend remains up. The Average remains above its 20-, 50-and 200-day moving averages.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are mixed.

The Nikkei Average added 465.44 points (2.54%) last week.

Intermediate trend remains up. The Average remains above its 20-day moving average.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending up, but are overbought.

The Shanghai Composite Index added 63.39 points (1.95%) when trading resumed in mid-week.

Intermediate trend remains down. The Index remains above its 20-day moving average.

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

Short-term momentum indicators are trending up.

iShares Emerging Markets added $0.07 (1.72%) last week.

Intermediate trend remains up. Units remain above their 20-day moving average.

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

Short-term momentum indicators are trending up.

Australia's All Ordinaries Composite Index added 52.85 points (0.90%) last week.

Intermediate trend remains up. The Index remains above its 20-day moving average.

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

Short-term momentum indicators are overbought, but show mixed trends.

European Equity markets commentary & weekly charts

The DAX 30 added 174 points last week.

Intermediate trend remains up. The Average remains above its 20-, 50- and 200-day moving averages.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending up.

The CAC 40 added 65 points last week.

Intermediate trend remains up. The Average remains above its 20-, 50- and 200-day moving averages.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending up.

The AEX added 5 points last week.

Intermediate trend remains up. The Average remains above its 20-, 50- and 200-day moving averages.

Strength relative to the S&P 500 Index remains positive.

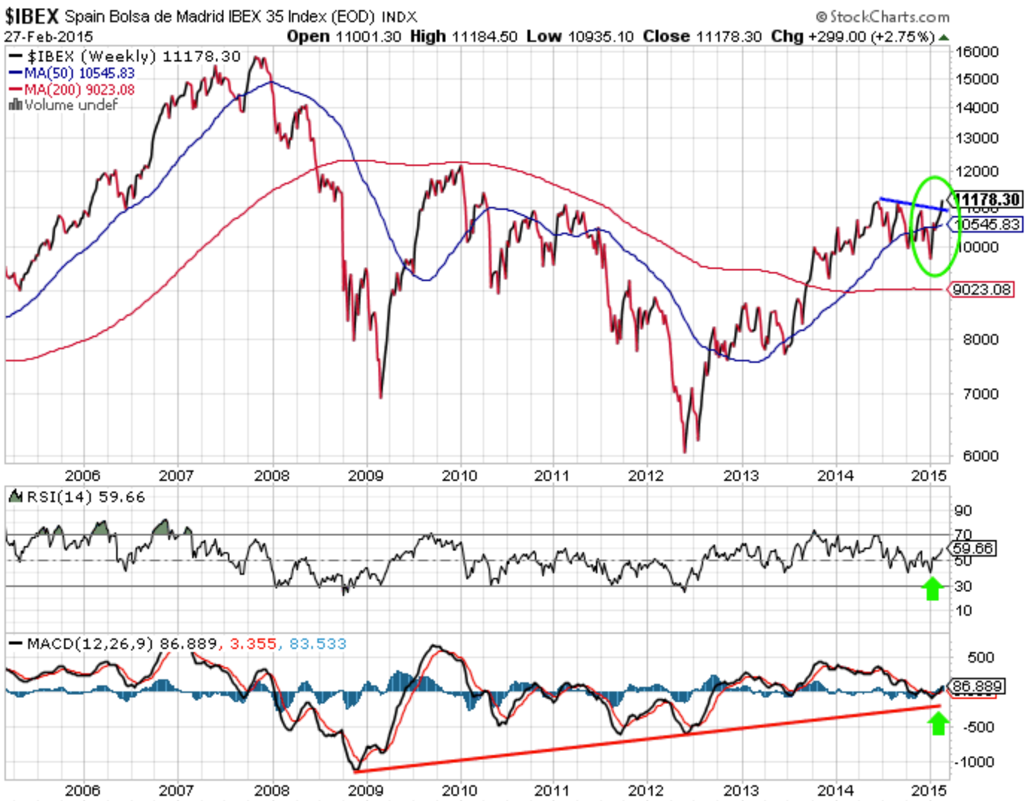
Short-term momentum indicators are trending up.

The IBEX 35 added 195 points last week.

Intermediate trend remains up. The Average remains above its 20-, 50- and 200-day moving averages.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending up.

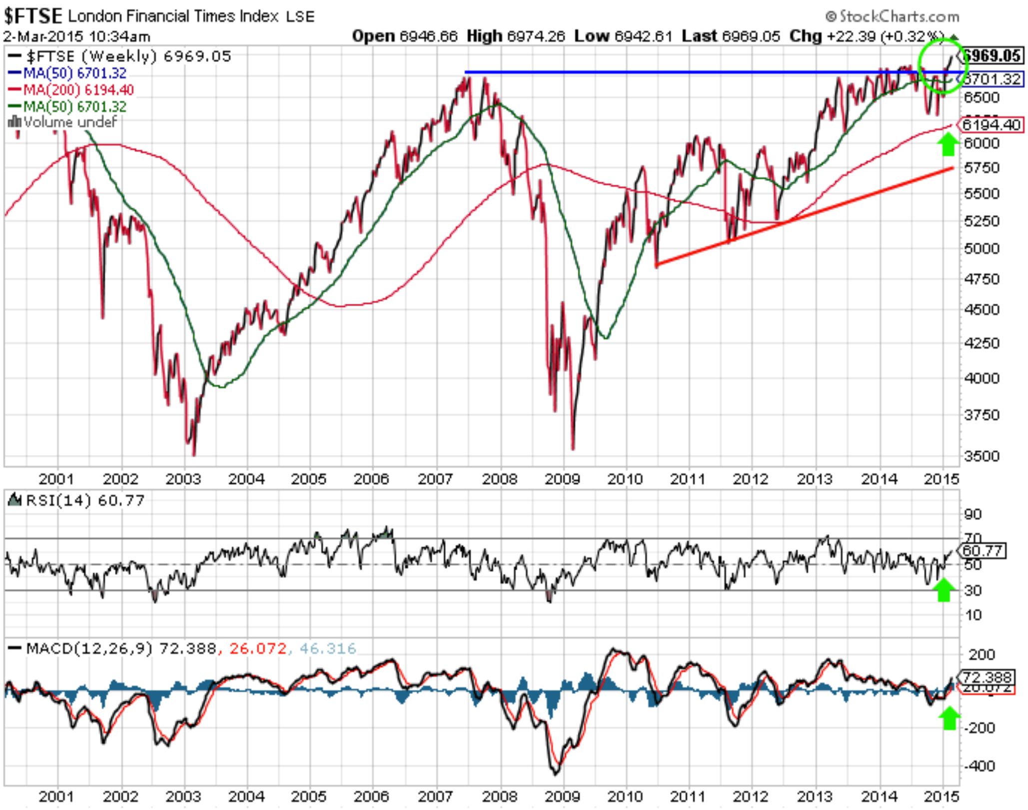


The FTSE 100 added 20 points last week.

Intermediate trend remains up. The Average remains above its 20-, 50- and 200-day moving averages.

Strength relative to the S&P 500 Index is positive.

Short-term momentum indicators are trending up.



Europe 350 iShares slipped $0.02 (0.04%) last week.

Intermediate trend remains up. Units remain above their 20-day moving average.

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

Short-term momentum indicators are trending up, but are overbought and showing early signs of peaking.

Fixed Income markets commentary & weekly charts

International Bonds

Ten year government bond spreads

Country	Latest yield	Spread vs bund	Spread vs T-bonds
Australia	2.51%	+2.17	+0.49
Austria	0.41%	+0.07	-1.61
Belgium	0.57%	+0.24	-1.44
Canada	1.30%	+0.96	-0.72
Denmark	0.32%	-0.02	-1.70
Finland	0.48%	+0.15	-1.53
France	0.55%	+0.21	-1.47
Germany	0.34%	--	-1.68
Greece	9.52%	+9.18	+7.50
Ireland	0.86%	+0.53	-1.15
Italy	1.33%	+0.99	-0.69
Japan	0.35%	<0.01	-1.67
Netherlands	0.39%	+0.05	-1.63
New Zealand	3.30%	+2.96	+1.28
Portugal	1.81%	+1.47	-0.21
Spain	1.24%	+0.90	-0.78
Sweden	0.72%	+0.38	-1.30
Switzerland	0.03%	-0.31	-1.99
UK	1.78%	+1.44	-0.24

US Bonds

The yield on 10 year Treasuries fell 13.1 basis points (6.14%) last week.

Intermediate trend remains down. Yield remains above its 20-day moving average.

Short-term momentum indicators are trending down.

The long term Treasury ETF gained $2.99 (2.36%) last week.

Price remains below its 20 day moving average.

Currencies commentary & weekly charts

The Euro fell 1.74 91.53%) last week.

Intermediate trend remains down. The Euro moved below its 20-day moving average.

Short-term momentum indicators are mixed.

The US$ Index gained 0.89 (0.94%) last week.

Intermediate trend remains up. The Index moved above its 20 day moving average.

Short-term momentum indicators are mixed.

The Japanese Yen fell 0.39 (0.46%) last week.

Intermediate trend remains down. The Yen remains below its 20-day moving average.

Short-term momentum indicators are mixed.

The Canadian Dollar gained US 0.29 cents (0.36%) last week.

Intermediate trend remains down. The C$ moved above its 20-day moving average.

Short-term momentum indicators are mixed.

Commodities commentary & weekly charts

The CRB Index slipped 0.68 (0.68%) last week.

Intermediate trend remains down. The Index moved below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

Copper added $0.13 per lb. (5.02%) last week.

Intermediate trend changed to Up from Neutral. Copper remains above its 20-day moving average.

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

Short-term momentum indicators are trending up. This the period of seasonal strength.

Lumber dropped $8.70 (2.87%) last week.

Trend remains down. Lumber remains below its 20-day MA.

Strength relative to S&P 500 Index remains negative.

The Grain ETN added $0.28 (0.77%) last week.

Intermediate trend remains Neutral. Units remain above their 20-day moving average.

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

The Agriculture ETF fell $0.51 (0.91%) last week.

Intermediate trend remains up. Units remain above their 20-day moving average.

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

Short-term momentum indicators are overbought and have started to trend down.

Gold & precious metals commentary & weekly charts

Gold added $8.20 per ounce (0.68%) last week.

Intermediate trend remains up. Gold remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators turned up on Friday.

Silver added $0.24 per ounce (1.48%) last week.

Intermediate trend remains up. Silver remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators turned up on Friday.

Strength relative to Gold improved to Neutral from Negative.

Platinum added $16.10 per ounce (1.38%) last week.

Intermediate trend remains down. $PLAT remains below its 20-day MA.

Strength relative to S&P 500 Index remains negative.

Palladium gained $39.25 points (5.04%) last week.

Intermediate trend changed to up from down. $PALL moved above its 20-day moving average.

Strength relative to the S&P 500 Index changed to positive from negative.

Oil, gas & energy commentary & weekly charts

Crude Oil fell $1.05 per barrel (2.07%) last week.

Intermediate trend remains neutral. Crude moved below its 20-day moving average.

Strength relative to the S&P 500 Index remains neutral.

Short-term momentum indicators are trending down.

Natural Gas dropped $0.22 (7.46%) last week.

Intermediate trend remains down. Natural gas fell below its 20-day moving average.

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

Short-term momentum indicators are trending down.

Gasoline added $0.13 per gallon (7.93%) last week.

Intermediate trend remains up. Gas remains above its 20-day moving average.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending up.

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