Creative Global Investments

Weekly markets commentary & charts

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Objectivity

Integrity

Creativity

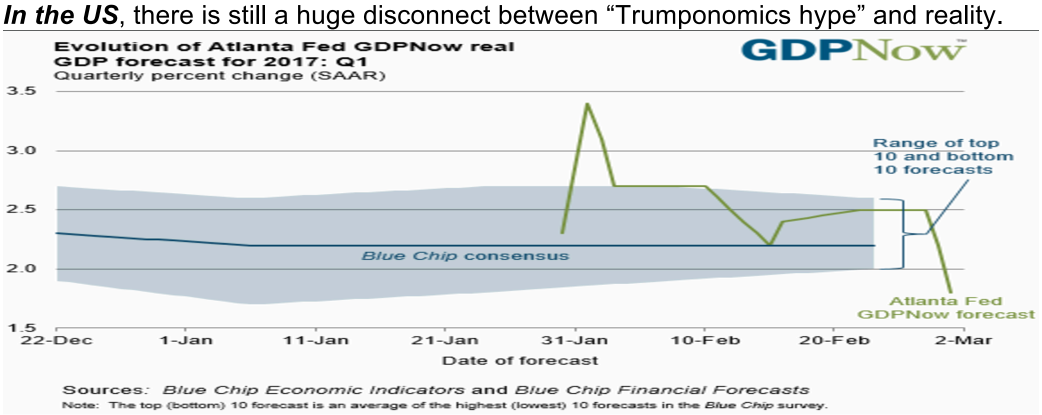
Macro Commentary

In Asia**, China aims to expand its economy by around 6.5%,** The 2017 target for broad money supply growth was cut slightly to around 12% from about 13% for 2016. The government's budget deficit target was kept unchanged at 3% of GDP, Premier Li Keqiang said in his work report at the opening of the annual meeting of parliament on Sunday. In 2016 China set a target of 6.5% to 7% and ultimately achieved 6.7% growth, supported by record bank loans, a speculative housing boom and billions in government investment. But as the government moves to cool the housing market, slow new credit and tighten its purse strings, China will have to depend more on domestic consumption and private investment for growth, and we believe that growth of around 6.5% is sufficient to safeguard employment. As in 2016, China did not set a target for exports, underlining the uncertain global outlook.

North Korea has launched four ballistic missiles towards the Sea of Japan, of which fell into Japan's exclusive economic zone (EEZ) after flying some 1,000km (620 miles), in what PM Shinzo Abe called a "new stage of threat". They were fired from the Tongchang-ri region, near the North's border with China, the South Korean military said. The type of missile is unclear but the North is banned from any missile or nuclear tests by the UN. A South Korean military official said a launch had taken place at 07:36 local time Monday (22:36 GMT Sunday) and was being investigated to determine the type of projectile used.

In Europe, Greek Prime Minister Alexis Tsipras said on Monday the economy of the country was turning a page, and poised to show 'exceptionally high' rates of growth this year. Tsipras, whose government is still negotiating reforms with lenders under terms of a multi-billion euro bailout agreement, said a national growth strategy was needed for the country. "It is clear that no matter how they may want to stall negotiations at a technical level, there is no turning back. Greece has already turned a page," Tsipras told a cabinet meeting, in an indirect reference to lenders.

In the US, there is still a huge disconnect between "Trumponomics hype" and reality.



We believe that the growing divergence between the optimism seen by stock market investors, business executives and consumers, and actual economic activity is a recipe for disaster. The Atlanta Fed's GDPNow model for GDP growth was cut to 1.8% from 2.5%, marking its lowest forecast for Q1. The biggest negative contributor was the weak consumer spending revealed in the personal consumption expenditure report. Not to our surprise, and as usual, sell-side economists are also souring on Q1 growth. As it appears, as most often in the past 3 years, the market seems to move downwards to our realistic GDP estimates over time, as we see growth for Q1 at 0.9%.

There's too much optimism outside of Washington as well. A new round of surveys marked another multiyear high for the Institute for Supply Management's manufacturing gauge, just a day after consumer confidence reached a 15-year peak. Much of the optimism relies on expectations of a bump in activity driven by some combination of tax cuts, regulatory relief and infrastructure spending that have yet to materialize.

Even though current US asset valuation measures (particularly equities) are not as extreme as in 1999, today's economic underpinnings are not as robust as they were then. The chart below allows for a different perspective and quantification, as comparison of valuations and economic activity, to show that today's P/E ratio might be more overvalued than those observed in 1999."

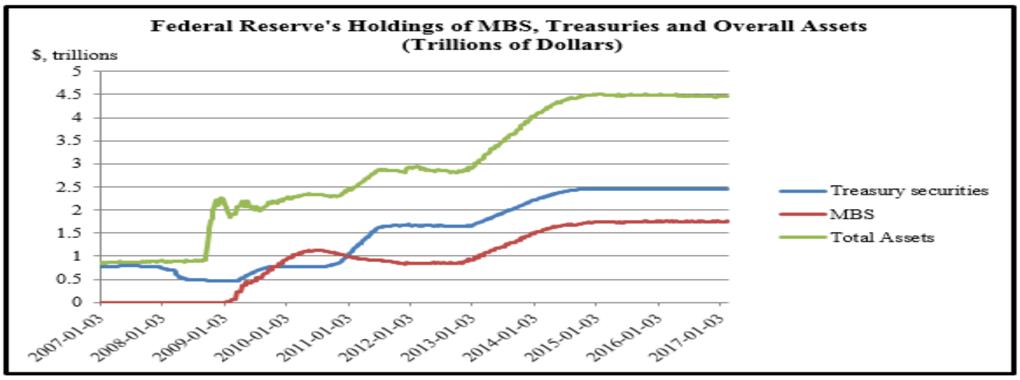
A simple direct metric comparison from the recent past's biggest equities bubble which started in 1994 and ended as we all know too painfully in 1999, the current valuation metrics are frightening:

US Economic Valuation Metric	1995 – 2000	2012 – 2017	Change/Diff. (%, $)
US GDP	$9.89 TRN	$18.20 TRN	+$9.32 TRN
US GDP Growth	4.05%	1.90%	-2.15%
US GDP Trend	2.30%	1.80%	-0.50%
US Productivity Growth	1.85%	0.50%	-1.35%
US Federal Debt	$5.36 TRN	$18.2 TRN	+$12.84 TRN
US Federal Debt/GDP	60.50%	106.2%	+45.7%
US Federal Reserve Balance Sheet	$0.45 TRN	$4.65 TRN	+$4.20 TRN
US Personal & Corporate Debt	$15.5 TRN	$41.5 TRN	+$25.5 TRN
US Government Deficit (% of GDP)	-0.35%	-3.3%	+2.95%
US Personal & Corporate. Debt/GDP	156.10%	223.50%	+67.4%
US Trade Deficit	$210 BN	$505 BN	+$295 BN
US Fed Funds Rate	5.40%	0.25%	-5.15%
US 10-Y Treasury Yield	6.10%	2.15%	-3.95%
S&P 500 3 Y EPS Growth Rate	7.53%	3.85%	-3.68%
S&P 500 5 Y EPS Growth Rate	9.50%	0.50%	-9.00%
S&P 500 10 Y EPS Growth Rate	7.75%	1.00%	-6.75%
US Equities Market Cap/GDP	151%	134%	17%

Of course, as we all know in hindsight, equity valuations back in 1999 were ridiculously stretched. However, relative to economic factors as the table above shows, those valuations appear to be relatively sanguine compared to todays!

Some will likely argue with this analysis and claim that Donald Trump's pro-growth agenda will invigorate the outlook for the economy and corporate earnings. While that is a possibility, that argument is highly speculative as such policies face numerous headwinds along the path to implementation. Economic, demographic and productivity trends all portend stagnation. There is little justification for paying such a historically steep premium for what could likely be feeble earnings growth for years to come.

The Federal Reserve, which Ms. Yellen confirmed last Friday, is seeing the March window of re-setting the FED Funds rate higher by +0.25% as a realistic opportunity.
In order to save faith, with the Fed currently holding record-high of $4.5 TRN worth of assets on its balance sheet, and of which a large part resulted of its "rescue mission" in the midst and aftermath of the 2008-09 sub-prime crisis, the time for the FED to raise rates is now. After short-term interest rate reductions failed to provide a substantial lift to the US economy, the Fed undertook massive QE programs and purchased long-term Treasury securities and government-backed mortgage debt to pull down longer-term credit costs.



Source: Federal Reserve Economic Data/St. Louis Fed.

Consequently, long-term interest rates came down to record lows over the past couple of years, which made other asset classes (commodities, stocks, alternatives) look very attractive on a relative basis and helped support higher prices. Unfortunately, globally but foremost in the US, economic growth failed to accelerate to date. GDP growth and employment gains in the past cycle have been below average, and it's easy to argue that the monetary policy experiment of the last 5 years has not been delivering what was expected.

Now, with a more stable economy, and with the usual talk by the GOP of spending its way out of the troubling near term outlook for the US economy, the Fed needs to gear up to reduce the size of its balance sheet (which ultimately means they will gradually stop re-investing the proceeds of maturing bonds). Rightfully so, this has many market participants worried, especially those who believe that the Fed's bond-buying programs and QE stimulus single-handedly fueled the bull market. Take away the punch bowl, they argue, and the stock market party is over.

But it's not that simple, for three very easy-to-understand reasons:

1. **QE was arguably *not* the only factor driving stock prices higher,** QE did have the effect of driving down longer term interest rates, which nudged yield seekers into the best alternative (stocks). While that likely helped stock prices over the years, it seems shortsighted to say that QE was the only reason stocks went up. Saying that would mean ignoring the economic growth and gains in corporate earnings that we've seen over the last few years, which are substantial.
2. **Janet Yellen is in no hurry,** statements suggest that Janet Yellen is in no hurry to trim the Fed's balance sheet. Although some regional Fed presidents suggested in recent weeks that its time the central bank reduced its asset purchases, the Fed chair indicated that the central bank would wait until it is more confident in the US economy's health.
3. **Reductions to the balance sheet are likely to occur very gradually –** The Fed currently holds $1.7 TRN in mortgage-backed securities (MBS) making it the biggest holder of government-backed MBS. But Ms. Yellen's latest statements indicate that a balance sheet trimming is unlikely to begin until the interbank interest rates rise sufficiently to make room for monetary loosening in case negative shocks emerge in future. When it does, the moves are almost certain to be "passive", that is, the central bank would stop reinvesting the maturing principal/interest receipts in mortgage debt versus aggressively selling the holdings. That should make the process orderly and less abrupt, lowering chances of fire sales in the securities market.

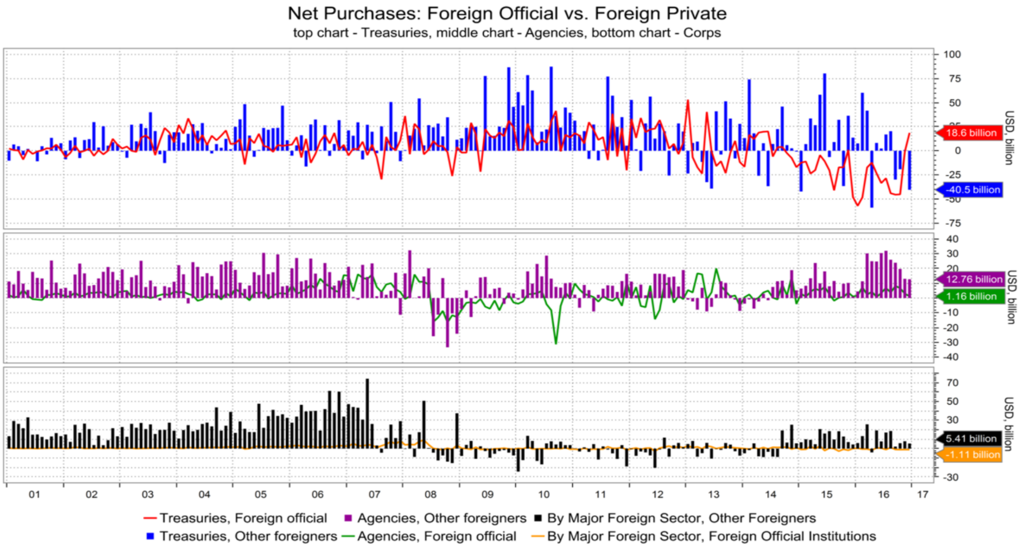
The Fed's reduction of securities' holdings would mark a return to "normality" in monetary policy, which would mean a break from the policies that were only mildly effective for the amount of risk they assumed. The markets would likely welcome a normalization of interest rate policy, not shun it. For those who fear that reducing the balance sheet will mean skyrocketing long-term rates, keep in mind that a great deal of high quality sovereign bonds (Europe and Japan) pay lower yields than US Treasuries.

Should yields here tick-up, there is likely to be ample demand to keep rates in check.

As of now, the Fed's focused on following through with the overnight rate hike cycle and closely assessing the US economy's progress. We're hopeful that inflation will reach the Fed's target by 2018, although some uncertainties regarding Trump's policy implementation and global weakness still remain.

But of course, foreign investors have been worried about this upcoming balance sheet reduction, and foreign official accounts have been selling Treasuries ahead of any FED balance sheet reduction. In fact, it's been going on for more than two years, according to both Treasury Department and Federal Reserve data. What hasn't gotten much attention is that to a large degree official selling has been offset by private investors, the bulk of them in Asia, buying Treasuries, mortgage bonds and agency-related fixed-income. There's been as much a reallocation of investments in the broadest context than a wholesale liquidation of US$-denominated assets. This also speaks to a divergence between central banks and private activity.

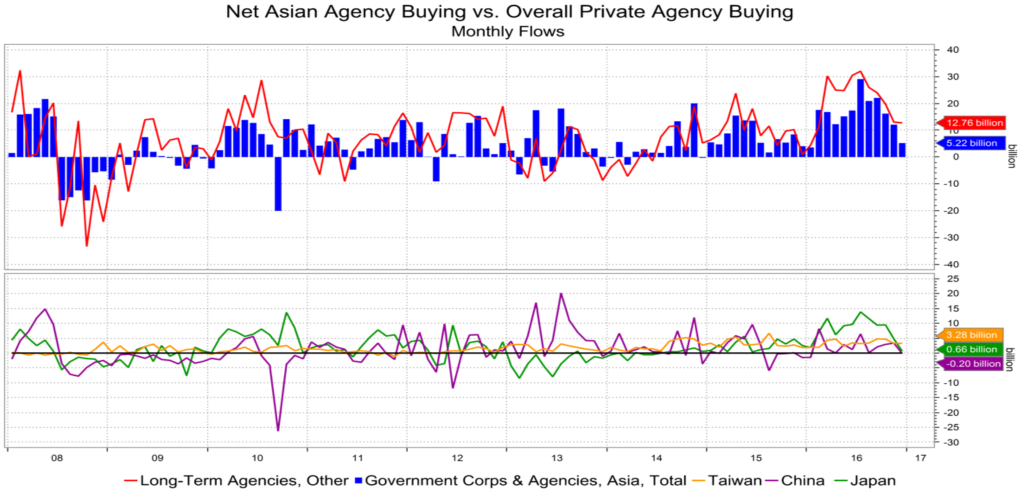
The inference is that the selling, or reduction, in Treasury holdings isn't an interest rate bet, per se, but about reserve management. The buying of other fixed-income assets suggests a rather benign view of the rate cycle and even hints that there will be further buying interest if rates back up further. Let's start with the big picture of the Treasury's TICS (Treasury International Capital Systems) flows. What's evident is that there's been some deep selling of Treasuries since about mid-2014 by foreign official accounts such as central banks flows, which show a from about $4.2 BN to $3.8 BN as of December. A lot of that is related to China's shrinking foreign-exchange reserves, which are now a hair under $3 TRN after peaking at about $4 TRN in 2014. Japan's reserves are $1.17 TRN, down from a peak of $1.22 TRN in 2012. The Fed's Custody Holdings stand at $3.16 TRN, after having topped out at $3.38 TRN in mid-2015.



The details of the TICS data can be misleading because of a quirk in initially measuring where the buying or selling is coming from, rather the ultimate buyer or seller. For example, between November 2013 and March of 2014, Belgium saw its holdings of Treasuries rise from less than $150 BN to more than $350 BN. Either the country sold an awful lot of chocolate or some other foreign entity parked their money there for a while. We can speculate on whom that was, but the more telling point is that today Belgium holds less than $90 BN. Now consider foreign holdings of agency securities and, to a lesser degree, corporate bonds. When selling of Treasuries started in 2014 there was dramatic ramping up of agency/mortgage bond securities buying and a significant, if much more modest, increase in corporate bond purchases.

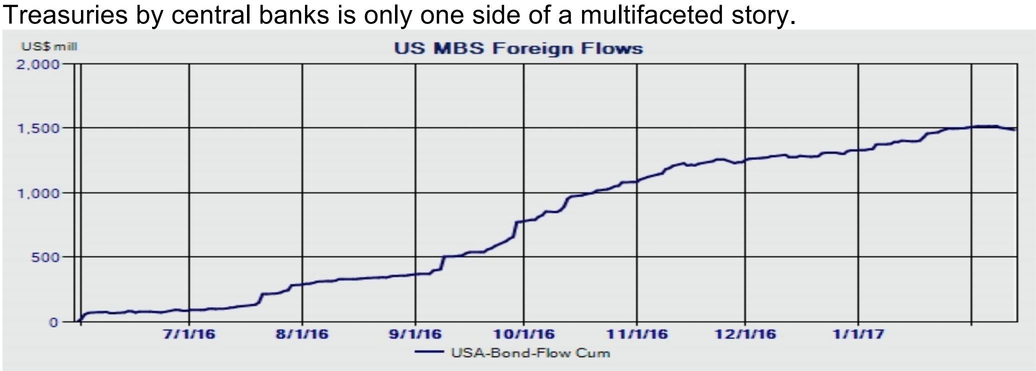
The agency/MBS purchases hit record levels in 2016, surpassing the aggressive purchases seen before the financial crisis. Since June 2014, officials sold $569 BN of Treasuries while private buyers bought $434 BN in agency/MBS and $266 BN in

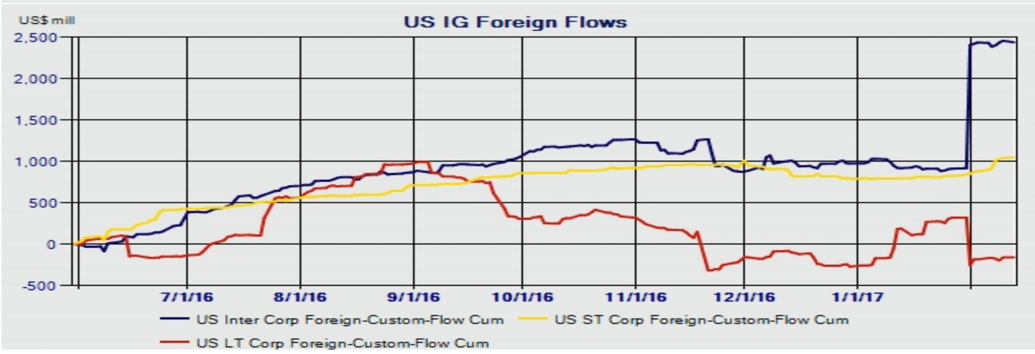
Treasuries. (this is potentially misleading since we are looking at monthly purchases and haven't input redemptions or maturing issues that were simply rolled over into new securities. The Treasury reports that as of November, official accounts owned $3.81 TRN in Treasuries out of the $6 BN outstanding. As of November, foreigners held $968 BN in agency/MBS with $528 BN owned by private investors and $440 BN by officials, in contrast with the trough in 2014, when privates owned just $390 BN)



And who is doing all that agency/MBS buying? The answer is largely Asia, the epicenter of Treasury selling. Of the $13 BN agency/MBS bought in November by private buyers, $12 BN was purchased by Asia, with Japan, China and Taiwan taking a combined $11.7 BN. The buying wasn't an anomaly, especially since there's typically a drop in buying in Decembers. These countries were net buyers for most of last year, with Japan leading the way.

When measuring the flows in and out of mutual funds and exchange-traded funds across the global asset class spectrum, there's been steady buying in MBS on a cumulative basis, which conforms somewhat to the two-month delay in the TICS data. There was a big acceleration in purchases at the start of the year before the momentum slowed in the latest week. Corporate bond buying has surged in recent weeks on a cumulative basis. Treasury Inflation-Protected Securities have also seen strong and consistent buying. Without overlaying the data with other variables, such as interest-rate differentials and/or exchange rates, it's safe to say that the much touted selling in Treasuries by central banks is only one side of a multifaceted story.





Currencies Commentary

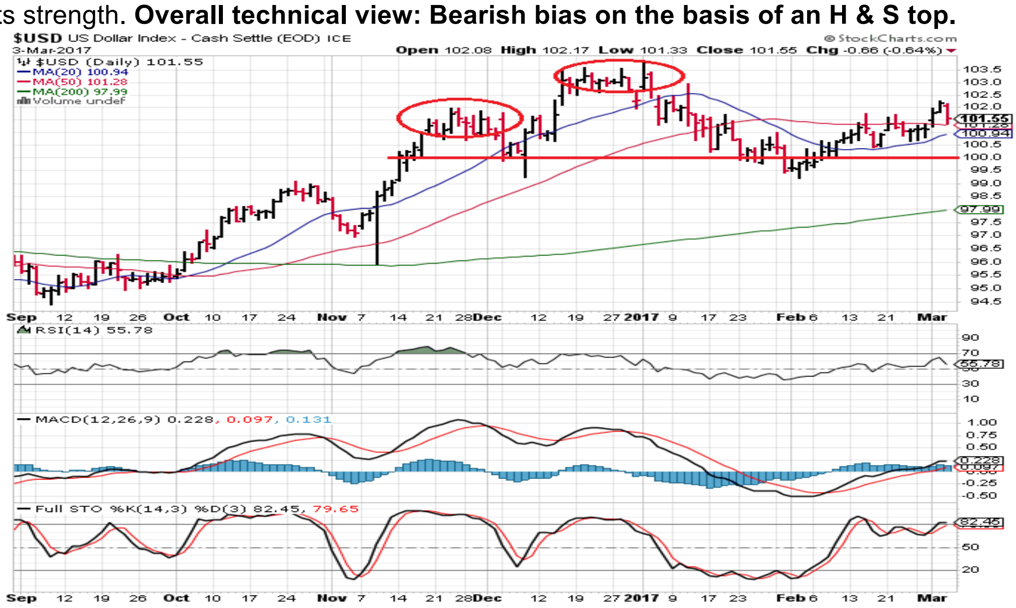
Over recent weeks, the market has shifted their expectations of a March hike from unlikely to likely with the CME's Fed Watch Tool now indicating an almost 80% probability that the Fed will move when it meets in the next couple of weeks. The reaction in the US$ seemed rather peculiar given the apparent hawkish stance from the Fed chair, as the US$ Index ETF (UUP) shed almost 0.9%, trading back to its 50-day moving average. This move was opposite to what the market was expecting, perhaps suggesting that investor focus is centered elsewhere. The $USD continues to consolidate above previous resistance, now support, at 100, while the 10-year treasury yield continues to consolidate above multi-year declining trendline resistance.

Strength in the US$ through Q4 of 2016 and Q1 of 2017 is likely to have a continued and increasingly negative influence on US exports. As it appears, a number of categories so far have been resilient in the midst of the breakout gains on the US$ index in recent 6 months. However, the US's global competitiveness is suffering increasingly with the US$ at levels of around USD 100. **The US$ warrants careful attention in the weeks ahead as we transition out of a period of seasonal strength and into a period of weakness.**

At the moment the current and projected strength of inflation and of growth look likely to justify two interest rate hikes this year, however, we do not believe that the FED will even proceed with those, as they would likely cause an even stronger US$, which the US currently cannot cope with, and particularly given the Trump administrations economic and fiscal objectives. The US$ has been consolidating above 100 for about 5 months, but a short-term head-and-shoulders topping pattern may be in the works as the index shows signs of rolling over from resistance around its 50-day moving average.

The short-term technical for the USD are very overbought, with full stochastics close to an all time high, and RSI and MACD also at extended levels. We believe that the US$ will retest the 100 levels, and consolidate back towards a 96 level of support over the coming 3 months.

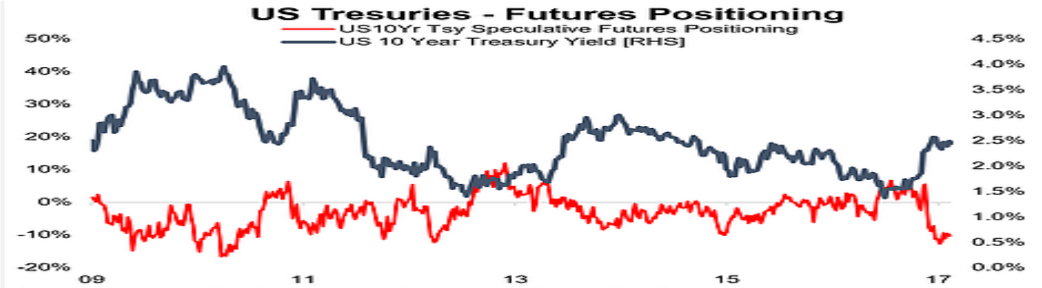
US$ Index formed a head & shoulders top, with the left shoulder and head put in, and a possible right shoulder is in progress; the neckline has support around 98. If it follows through and breaks the neckline it could open up about a 4 point move based on the head vs neckline measure rule; that would put the price target around 95 - 92 and right back in the old range. The latest rally failed to break upper resistance, and is struggling with the 101 level, so either way there should be doubts on its strength. **Overall technical view: Bearish bias on the basis of an H & S top.**



Fixed Income Commentary

In the US, as we have been warning for 4 weeks, investors would be wise to watch the recent consolidation in treasury yields, which could threaten the upside momentum in financial stocks during the last two months of the seasonal trade. Last Friday, US treasuries moved higher in afternoon trade, seemingly unfazed by the prospect of an imminent rate increase. The 10-year treasury yield continues to consolidate above multi-year declining trendline resistance. Treasury bond prices moved higher in afternoon trade, unfazed by the prospect of an imminent rate increase. The yields on the 10 and 30-year treasury bond continue to hold within a descending triangle pattern; a break of the lower limit could see a retracement of the bulk of the post-election move. Yields have bounced mildly higher in the past few sessions, certainly not reminiscent of the move in stocks, which have exceeded their consolidation ranges.

US Treasuries are forming a notable descending triangle, we see initial price target for a downside break of around a yield of 2%, which would still position it around the top end of the previous range. Speculative futures positioning also remains stretched to the short side, which would tend to bias the expectation toward a drop in yields from a contrarian standpoint. **Overall technical view: We expect yields to fall (bonds to rally) further towards 2.15%.**



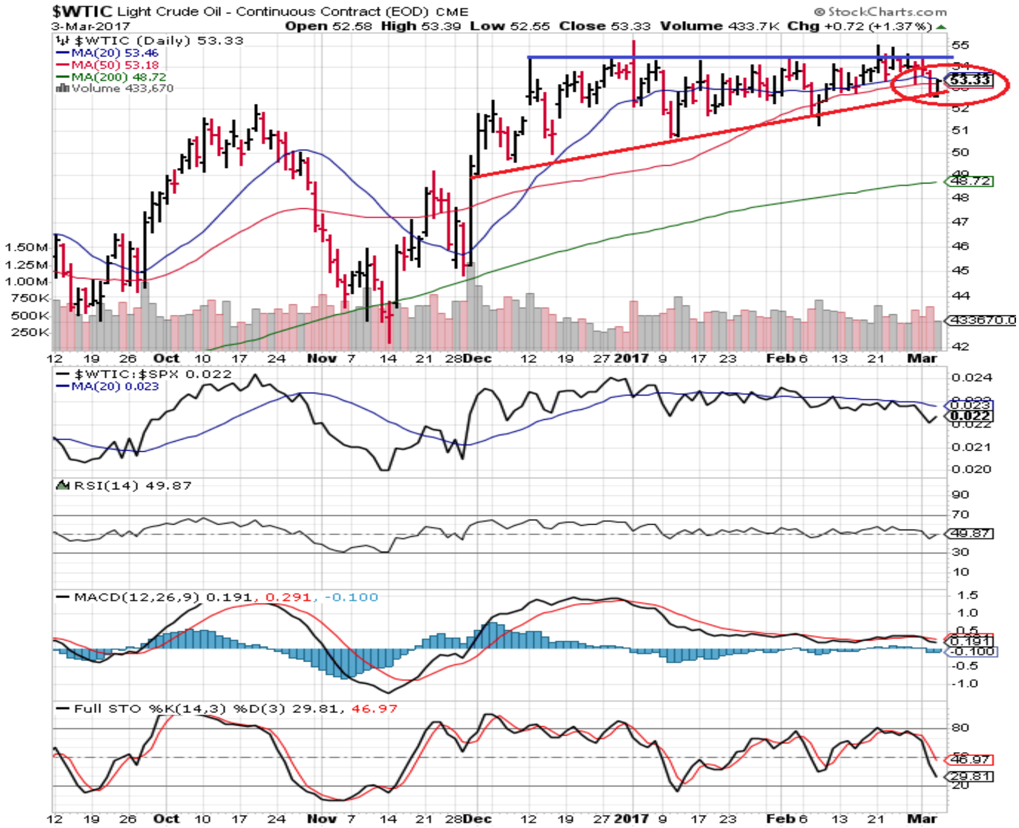
Commodities Commentary

Oil in the US (WTI) tends to play a dominant role in the month ahead as refiners transition from production of winter to summer blend gasoline, drawing down the inventories of the refined product and leading to a peak in the days of supply of the raw input. **Over the past 30 years, the price of WTI Crude has averaged a gain of +4.4% in the month of March, the best monthly return of the year.**

Monthly Averages over past 30 years:

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
% Return	-0.2%	1.0%	4.4%	3.4%	0.8%	0.9%	0.9%	1.7%	1.9%	-2.7%	-3.0%	-0.2%
Gain Frequency	47%	57%	67%	63%	47%	53%	63%	53%	50%	40%	40%	53%
Max Return	11.3% 2005	11.0% 2008	35.3% 1999	24.9% 2015	31.7% 2009	14.7% 1999	20.6% 1990	33.4% 1990	44.0% 1990	18.1% 2011	14.1% 1999	16.2% 2002
Min Return	-23.1% 1991	-15.9% 1997	-15.3% 2003	-16.2% 2003	-17.5% 2012	-13.3% 1988	-20.8% 2015	-13.3% 1994	-12.9% 2008	-32.4% 2008	-21.5% 1998	-20.5% 2000

Crude Oil has been forming an ascending triangle, and our initial 3 months price target would be around $59 - $60 a barrel. We previously talked about the crunch in volatility for Crude Oil in the commodities and the fact that the implied volatility index for oil has also fallen considerably, and that this could be a harbinger of a potential surge in volatility to follow shortly. Well, this is now confirmed by last weeks' price action and our overall technical view being confirmed, we are expecting an explosive move higher.



Equities Commentary

Best performing equity markets				Worst performing equity markets			
1 week		**YTD**		**1 week**		**YTD**	
Index	Change	Index	Change	Index	Change	Index	Change
Italy	5.53%	Turkey	14.82%	Russia	-2.01%	Nigeria	-6.93%
Spain	3.67%	Poland	14.61%	Hong Kong	-1.72%	Russia	-3.91%
Paris	3.09%	Argentina	13.88%	UAE Dubai	-1.38%	Chinext	-1.72%
Ireland	2.89%	Brazil	10.89%	Abu Dhabi	-1.22%	Israel	-1.28%
Netherlands	2.21%	NASDAQ	9.06%	Shanghai	-1.08%	Egypt	0.00%
Frankfurt	1.89%	India	8.34%	Taiwan	-1.05%	Norway	0.53%
London	1.80%	Rus 3000 growth	8.04%	Nigeria	-0.94%	Greece	0.95%
Switzerland	1.69%	Singapore	7.73%	Korea	-0.73%	Australia	0.98%
Austria	1.66%	Vietnam	7.29%	Chinext	-0.52%	Portugal	1.00%
Turkey	1.66%	Hong Kong	7.08%	Shenzhen	-0.45%	UAE Dubai	1.49%

International news to watch this week includes the European Central Bank's decision on interest rates and China's projection on economic activity. US and Canadian economic focuses this week are on the Trade reports on Tuesday and the Employment reports on Friday. Increasingly, the economic focus is on FOMC meetings on March 14-15 when the Fed is expected to increase its Fed Fund rate by another 25 basis points.

The month of March has historically been one of the better months of the year for US stocks. The S&P 500 Index has averaged a gain of +1.3% in March, advancing in 68% of periods in the past 50 years. The month tends to have a cyclical bias, buoyed by strength in retail sales and industrial production as the economy emerges from the slower winter period. Returns have ranged from a loss of 10.2% recorded in 1980 to a gain of 9.7% realized in 2000.

Monthly Averages over past 50 years:

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
% Return	0.9%	0.1%	1.3%	1.5%	0.3%	0.1%	0.5%	0.1%	-0.6%	0.9%	1.3%	1.5%
Gain Frequency	56%	56%	68%	70%	58%	54%	46%	56%	44%	58%	68%	72%
Max Return	13.2%	7.1%	9.7%	9.4%	9.2%	5.4%	8.8%	11.6%	8.8%	16.3%	10.2%	11.2%
	1987	1986	2000	2009	1990	1999	1989	1982	2010	1974	1980	1991
Min Return	-8.6%	-11.0%	-10.2%	-9.0%	-8.2%	-8.6%	-7.9%	-14.6%	-11.9%	-21.8%	-11.4%	-6.0%
	2009	2009	1980	1970	2010	2008	2002	1998	1974	1987	1973	2002

Looking through the past 20 years of data, the best performing sectors in this last month of Q1 are Energy and Financials, averaging a gain of around +3%. Materials, Industrials, Consumer Discretionary, and Utilities have each averaged a return of around +2%. Health Care and Consumer Staples have historically been the laggards, gaining less than 1% over this 31-day period.

Over recent weeks, the market has shifted their expectations of a March hike from unlikely to likely with the CME's Fed Watch Tool now indicating an almost 80% probability that the Fed will move when it meets in the next couple of weeks. Stocks gyrated around the flatline on Friday. **North American equity indices reached all-time highs. However, North American equity indices and economic sensitive sectors currently are overbought and showing early signs of rolling over. 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, Financials, 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 remained bullish last week: 37 stocks broke intermediate resistance and 12 stocks broke intermediate support. Number of stocks in an uptrend increased to 345 from 336, number of stocks in a neutral trend dipped to 51 from 54 and number of stocks in an intermediate downtrend dropped to 104 from 110. The Up/Down ratio increased last week to (345/104=) 3.32 from (3.36/110=) 3.05. Short term technical indicators (e.g. 20 day moving averages, short term momentum indicators) for a wide variety of equity indices, sectors and commodities show signs of rolling over from overbought levels.

Intermediate term technical indicators (e.g. Percent of stocks trading above their 50 day moving average, Bullish Percent Indices) for most equity indices, sectors and commodities remain intermediate overbought and, in some cases, have rolled over.

Q4 reports by S&P 500 companies are most complete. 98% have reported to date. Blended earnings and blended revenues to date were up 4.9%. Six more companies report this week. Prospects for S&P 500 companies into 2017 continue to look promising (albeit at a diminished level). So far, 75 companies have issued negative guidance while 30 companies have issued positive guidance. Consensus calls for a 9.0% increase in earnings and 7.3% increase in revenues in Q1, an 8.5% increase in earnings and 5.3% increase in revenues in Q2 and a 9.8% increase in earnings and 5.3% increase in revenues in 2017.

We continue to see US stock markets remaining tremendously overvalued, particularly when looking at the following two metrics:

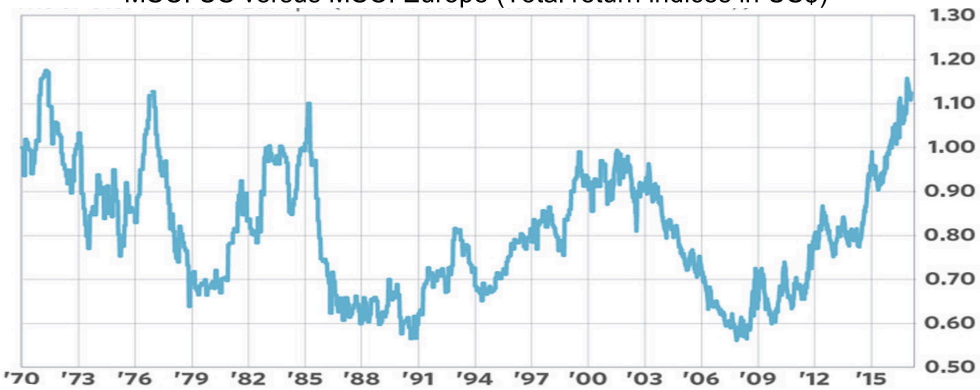
- **The cyclical P/E ratio using the trailing 10-year earnings as the divisor**
- **The Q Ratio, which is the total price of the market divided by its replacement cost**

We continue recommending for investors to use the current US$ strength and diversify into the seasonally better performing European and EM equities. As we have written in the past 3 months, 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. 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 have turned 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$)



US equity markets weekly charts

The VIX Index dropped 0.51 points (4.45%) last week.

Intermediate trend remains Negative. The Index closed below its 20-day moving average. Price was rejected from the upper trendline once again.

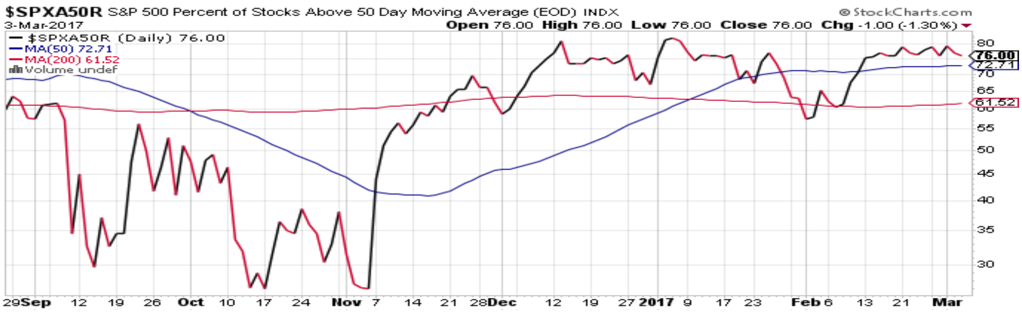
The S&P 500 Index added 15.78 points (0.67%) last week.

Intermediate trend remains Positive. The Index closed above its 20-day moving average. $SPX broke out of the range but could not close above 2400.

Short-term momentum indicators are Overbought and starting to roll over.

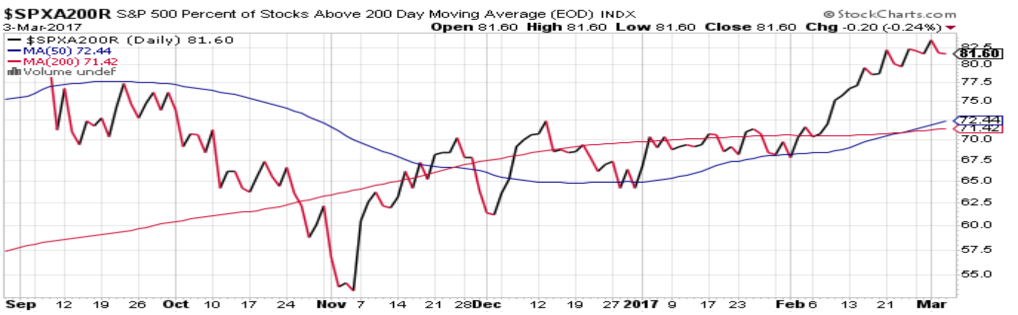
Percent of S&P 500 stocks trading above their 50-day moving average dropped last week to 76.00 from 79.00.

The index remained above the 50-day moving average.



Percent of S&P 500 stocks trading above their 200-day moving average dropped last week to 81.60 from 82.00

The index remained above the 200-day moving average.



Bullish Percent Index for S&P 500 stocks dropped last week to 77.20 from 79.20 and remained above its 50-day moving average.

The Index gained fresh bullish momentum and created a new high. It remained above the 50-day moving average.

The Dow Jones Industrial Average gained 183.95 (0.88%) last week.

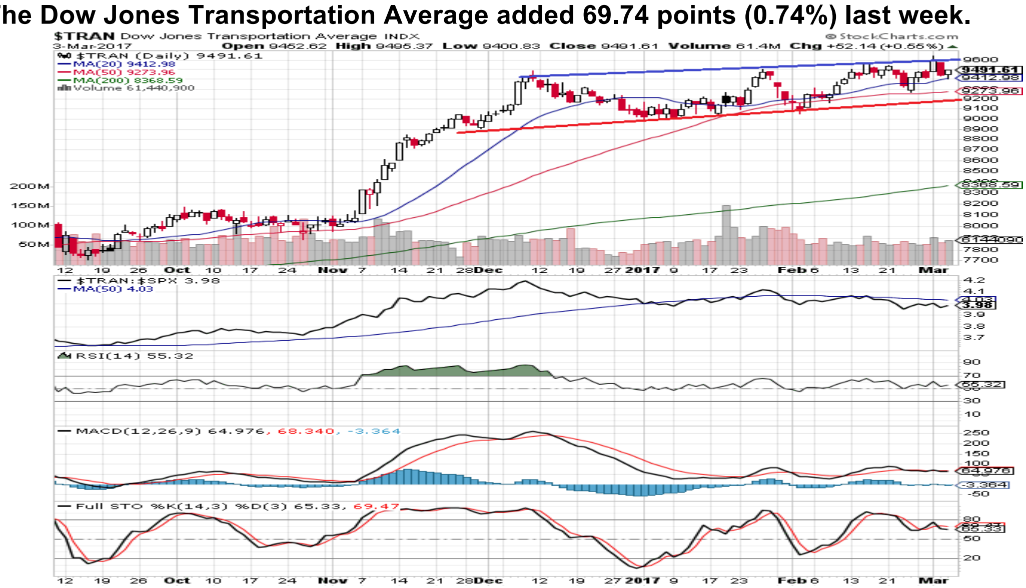
$INDU rallied and closed above the 21 000. Strength related to the S&P 500 remains Positive.

The Average remains above its 20-day moving average. Short-term momentum indicators are Overbought.

Bullish Percent Index for Dow Jones Industrial Average stocks dropped last week to 80.00 from 83.33 and remained above its 20-day moving average.

The Index corrected back towards the 200-day MVA.

The Dow Jones Transportation Average added 69.74 points (0.74%) last week.



Dow Jones Transportation Index was retained inside the channel once again. Strength relative to the S&P 500 changed remained Negative. The $TRAN closed above its 20- day moving average.

Short-term momentum indicators are Neutral.

Bullish Percent Index dropped last week to 73.88 from 76.33 and remained above its 20-day moving average.

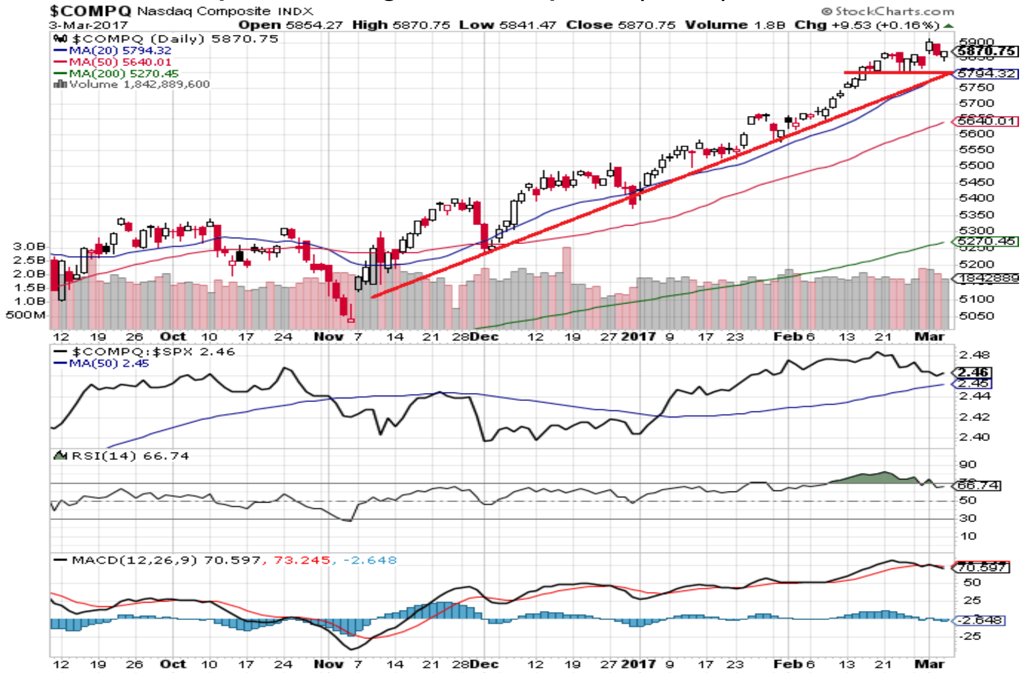
The Index remained above the 20-day moving average.

The NASDAQ Composite Index gained 25.45 points (0.44%) last week.

$COMPQ made a new high yet it indicates a possible 5800 support retest. Strength relative to the S&P 500 Index remains Positive.

The Index remained above its 20-day moving average.

Short-term momentum indicators are rolling over.



The Russell 2000 Index dropped 0.40 points (0.03%) last week.

$RUT continues surfing off the 20-day moving average. Strength relative to the S&P 500 Index remains Negative.

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

Intermediate trend remains Negative. $SPEN rebounded from the bearish trendline. 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 S&P Energy Index added 7.45 points (1.44%) last week.

$OSX looks ready to retest the lower trendline again. Strength relative to the S&P 500 remains Negative.

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

The Philadelphia Oil Services Index lost 0.88 points (0.51%) last week.

$HUI broke the 200 support.
Strength relative to the S&P 500 Index changed from Neutral to Negative.

The Index moved below its 20-day moving average. Short-term momentum indicators are Negative.

The AMEX Gold Bug Index dropped 14.73 points (7.14%) last week.

Latam equity markets weekly charts

The BOVESPA added 123 points last week.

$BVSP was rejected by the 66 000 support.

Short-term momentum indicators remain Negative.

The Mexican gained 366 points last week.

Intermediate trend remains Positive. $MXX is still inside a short-term Coil and looks highly compressed.

Short-term momentum indicators are Neutral.

Canadian equity markets weekly charts

Bullish Percent Index for TSX Composite dropped to 73.88 from 76.33 and remained below its 20-day moving average.

The Index broke out below the 200-day moving average.

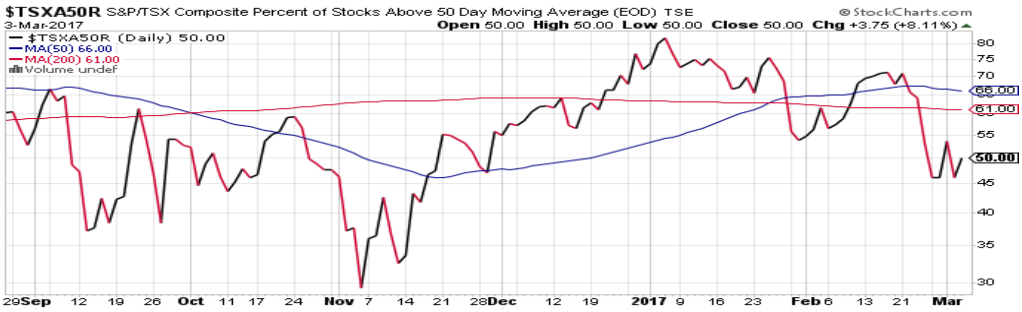
The TSX Composite Index gained 75.03 points (0.48%) last week.

Intermediate trend remains Neutral. The Index remains ranging around the 50-day moving average

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

Percent of TSX stocks trading above their 50-day moving average rose last week to 50.00% from 46.25%.

The index remains below the 50-day moving average.



Percent of TSX stocks trading above their 200 day rose last week to 64.58% from 62.92%.

The index remains below the 50-day moving average.

Asian equity markets weekly charts

The SENSEX lost 60.52 points (0.21%) last week.

$BSE failed to close above 29 000.

Short-term momentum indicators are rolling over.

The Nikkei Average gained 185.63 points (0.96%) last week.

Intermediate trend changed back to Positive. Strength relative to the S&P 500 Index remains Negative. $NIKK looks ready to test the 19500 resistance again.

The $NIKK remains above its 20-day moving average. Short-term momentum is Neutral.

The Shanghai Composite Index dropped 35.12 points (1.08%) last week.

Intermediate trend changed from Positive to Neutral. $SSEC is correcting towards the moving averages.

The $SSEC closed at the 20-day moving average. Short-term momentum indicators are Negative.

Emerging Markets iShares lost $0.29 (0.75%) last week.

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

Units closed below the 20-day moving average. Short-term momentum indicators are Negative.

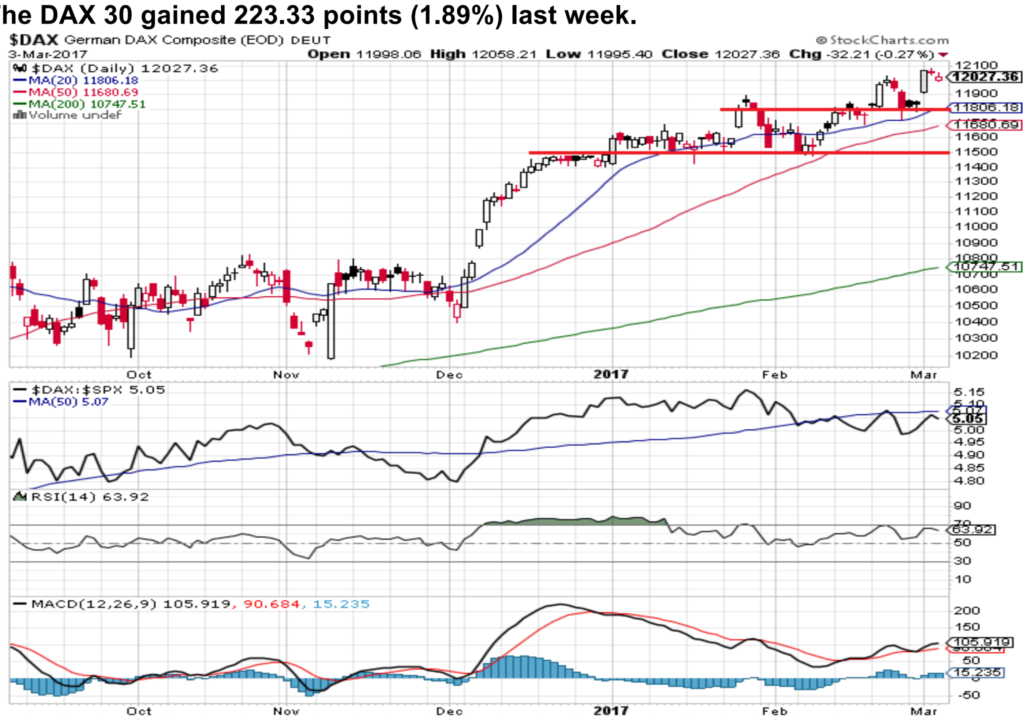
The Australia All Ordinaries Index dropped 11.50 points (0.20%) last week.

Intermediate trend remains Positive. Strength relative to the S&P 500 Index remains Negative. $AORD rebounded from the lower trendline again.

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

European equity markets weekly charts

The DAX 30 gained 223.33 points (1.89%) last week.

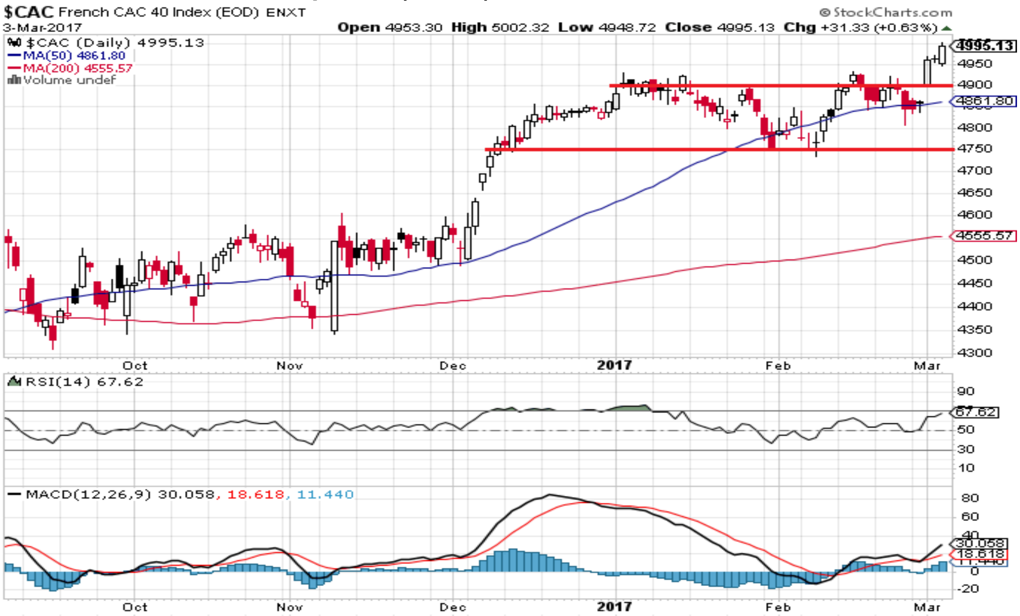


Intermediate trend remains Positive. $DAX closed above 12 000.

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

Short-term momentum indicators are Positive.

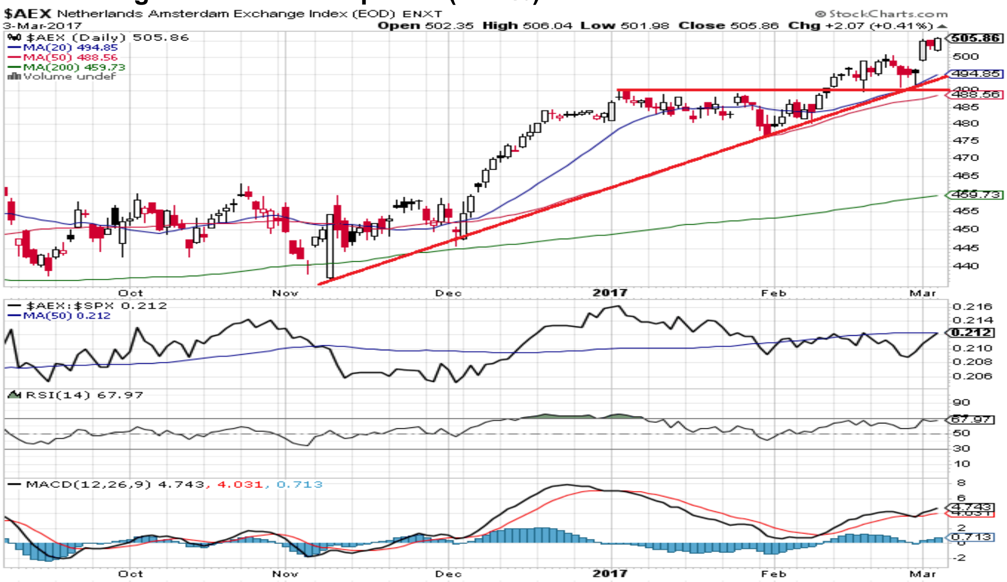
The CAC 40 added 149.89 points (3.09%) last week.



Intermediate trend changed from Neutral to Positive. $CAC broke out of the channel and made a new high.

Short-term momentum indicators are Positive.

The AEX 25 gained 10.96 4.18 points (2.21%) last week.



Intermediate trend remains Positive. Index rebounded from the lower trendline/20 day moving average once again.

Short-term momentum indicators are Positive.

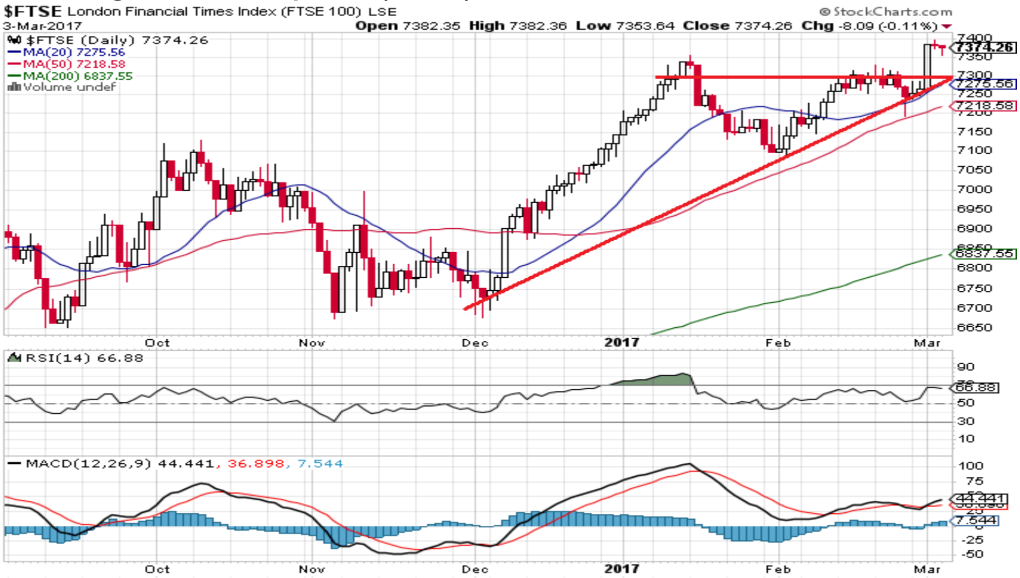
The IBEX 35 added 345 points (3.65%) last week.

$IBEX broke out of the channel and made a new high. Strength relative to the S&P 500 changed from Negative to Neutral.

The Index remains above the 20-day moving average.

Short-term momentum indicators are Negative.

The FTSE gained 130.56 points (1.80%) last week.



Intermediate trend changed back to Positive.
Index broke the 7300 resistance and made a new high.

Short-term momentum indicators are Negative.

Europe iShares added $0.66 (1.35%) last week.

Intermediate trend changed back to Positive. Strength relative to the S&P 500 remains Negative.
$IEV retraced back into the channel.
Units closed above the 20-day moving average.
Short-term momentum indicators are rolling over.

Fixed income markets weekly charts

International Bonds

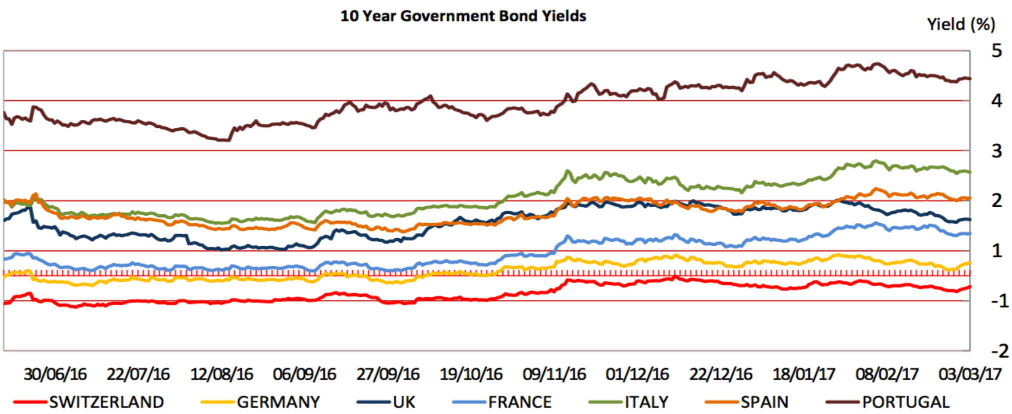
As per our 2017 Q1 Global Investment Strategy Outlook for 10-Y government bonds, US 10-Year government bonds have not fully reached our 2017 price targets yet, and we see yields to continue to move lower towards 2.15%

Ten year government bond spreads

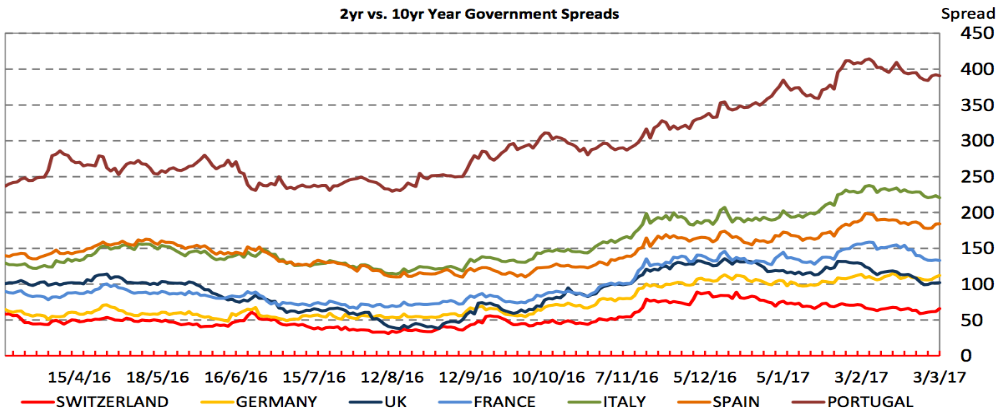
Country	Latest yield	Spread vs bund	Spread vs T-notes
Australia	2.81%	+2.48	+0.33
Austria	0.52%	+0.19	-1.96
Belgium	0.81%	+0.48	-1.67
Canada	--	--	--
Denmark	0.34%	<0.01	-2.15
Finland	0.45%	+0.12	-2.04
France	0.95%	+0.62	-1.53
Germany	0.33%	--	-2.15
Greece	7.09%	+6.75	+4.60
Ireland	1.05%	+0.71	-1.44
Italy	2.11%	+1.78	-0.38
Japan	0.07%	-0.26	-2.41
Netherlands	0.43%	+0.09	-2.06
New Zealand	3.32%	+2.99	+0.83
Portugal	3.93%	+3.60	+1.45
Spain	1.70%	+1.37	-0.78
Sweden	0.68%	+0.35	-1.80
Switzerland	-0.13%	-0.47	-2.62
UK	1.15%	+0.82	-1.34
US	2.47%	+2.14	--

Data delayed at least 15 minutes, as of Mar 06 2017 10:25 GMT.

We continue 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

Yield on 10 year Treasuries added 1.75 basis points (7.55%) last week.

Intermediate trend changed back to Neutral. $TNX rebounded from the 23 support. $TNX moved above its 20-day moving average.

Short-term momentum indicators are rolling over.

The long term Treasury ETF dropped 2.43 points (1.99%) last week.

Intermediate trend changed back to Neutral.
TLT is struggling to remain inside the triangle. TLT moved below the 20-day moving average.

Short-term momentum indicators are Positive.

Currency markets weekly charts

The Euro added 0.42 points (0.40%) last week.

Intermediate trend remained Neutral. $XEU rebounded from the 105 support again.

The $XEU moved above the 20-day moving average.

Short-term momentum indicators are Mixed.

The US$ added 0.46 points (0.45%) last week.

Intermediate trend remains Neutral. $USD is forming the right shoulder of the H&S pattern. The US$ moved below its 20- day moving average.

Short-term momentum indicators are rolling over.

The Japanese Yen dropped 1.64 points (1.83%) last week.

Intermediate trend changed back to Neutral. XJY is now in a well-formed rectangle. $XJY moved below the 20-day moving average.

Short-term momentum indicators are Mixed.

The Canadian Dollar lost 0.97 points (1.28%) last week.

Intermediate trend changed from Neutral to Negative. $CDW broke downward through the moving averages.

Short-term momentum indicators remain Negative.

Commodity markets weekly charts

The CRB Index dropped 1.22 points (0.64%) last week.

Intermediate trend remains Negative. Strength relative to the S&P 500 Index remained Negative. $CRB moved towards the 200-day moving average.

The $CRB remained below its 20-day moving average.

Short-term momentum indicators are Negative.

Copper stood put at $2.70 per lb. last week.

Intermediate trend remains Positive. Strength relative to the S&P 500 Index remains Neutral. Copper remains closely following the 20-day moving average.

Copper closed on the 20-day moving average.

Short-term momentum indicators are Negative.

Lumber added $3.10 (0.84%) last week.

Intermediate trend changed from Positive to neutral. Strength relative to the S&P 500 Index changed from Positive to Neutral. If the price retraces to the 360 support it will create a double top.

Lumber remains above the 20-day MA. Short-term momentum indicators are Negative.

The Grain ETN gained $0.55 (1.88%) last week.

Intermediate trend is Positive.
Units failed to break the 29.50 support.
Price remained above the 20-day MA. Short-term momentum indicators are Positive.

The Agriculture ETF added $0.24 (0.45%) last week.

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

Units closed below the 20-day moving average.

Short-term momentum indicators are Mixed.

Gold & precious metals markets weekly charts

Gold dropped $31.80 (2.53%) last week.

Gold failed to break the 200-day moving average and broke the bullish trendline.

Gold moved below its 20-day moving average.

Short-term momentum indicators are Negative.

Silver lost $0.67 per ounce (3.62%) last week.

Silver corrected below the 200-day moving average.

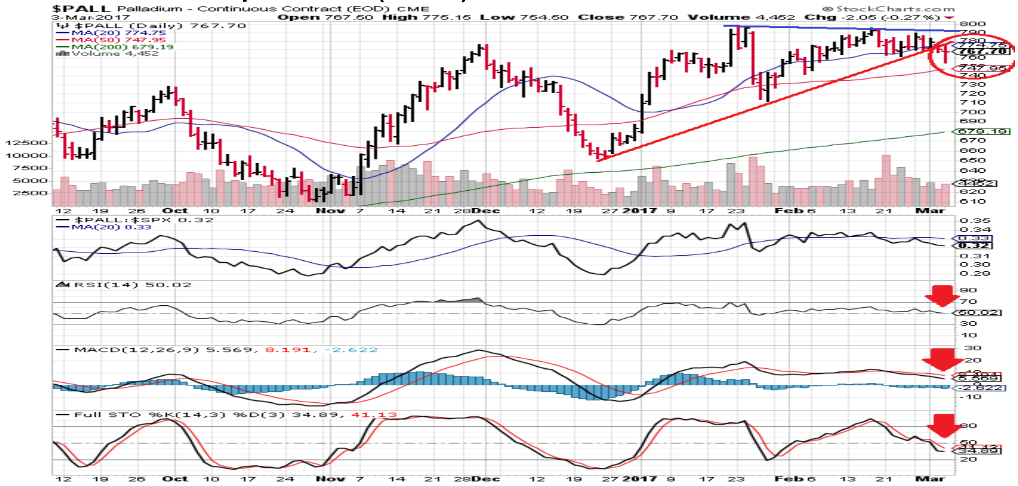
Silver moved below its 20-day moving average.
Short-term momentum indicators have rolled over to Negative.

Platinum dropped $34.60 per ounce (3.36%) last week.

Intermediate trend changed from Positive to Neutral. Strength relative to the S&P 500 Index changed from Neutral to Negative. $PLAT broke the lower trendline.

$PLAT trades below its 20-day Moving Average. Momentum indicators are Negative.

Palladium lost $5.25 per ounce (0.97%) last week.



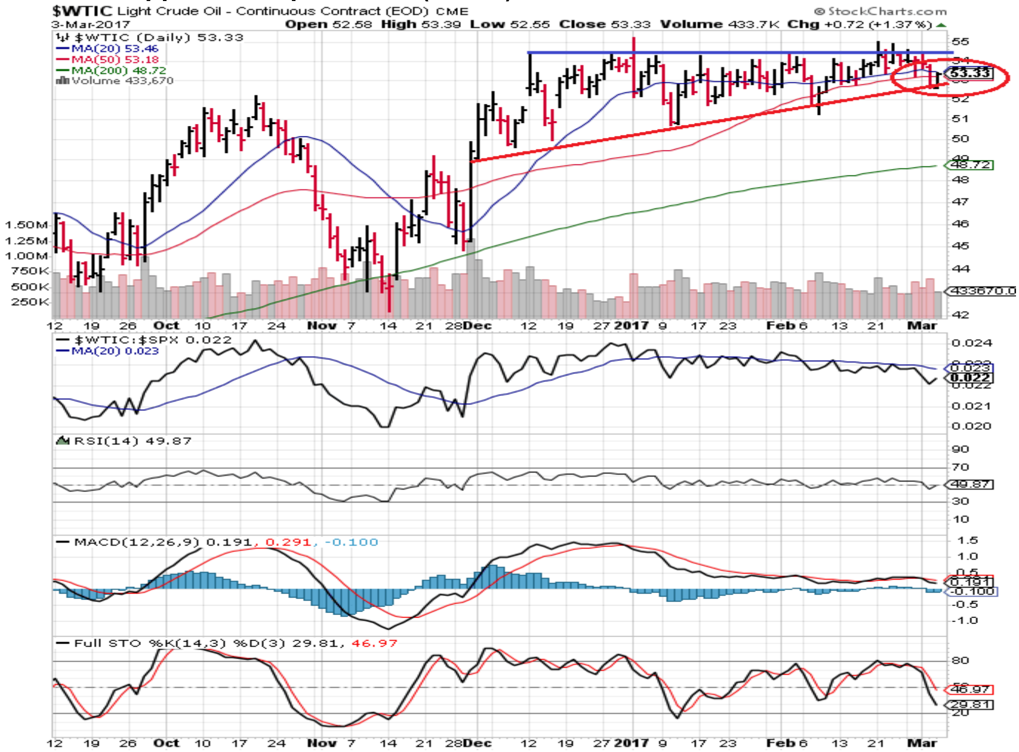
Intermediate trend changed from positive to Neutral. Strength relative to the S&P 500 Index changed from Neutral to Negative.

$PALL moved below its 20-day moving average.

Short-term momentum indicators have rolled over to Negative.

Oil, gas & energy markets weekly charts

Crude oil dropped $0.66 per barrel (1.22%) last week.



Intermediate trend remains Positive. Strength relative to the S&P 500 Index is Negative $WTIC rebounded from the lower trendline again.

Short-term momentum indicators are Mixed.

Gasoline lost $0.08 per gallon (4.80%) last week.

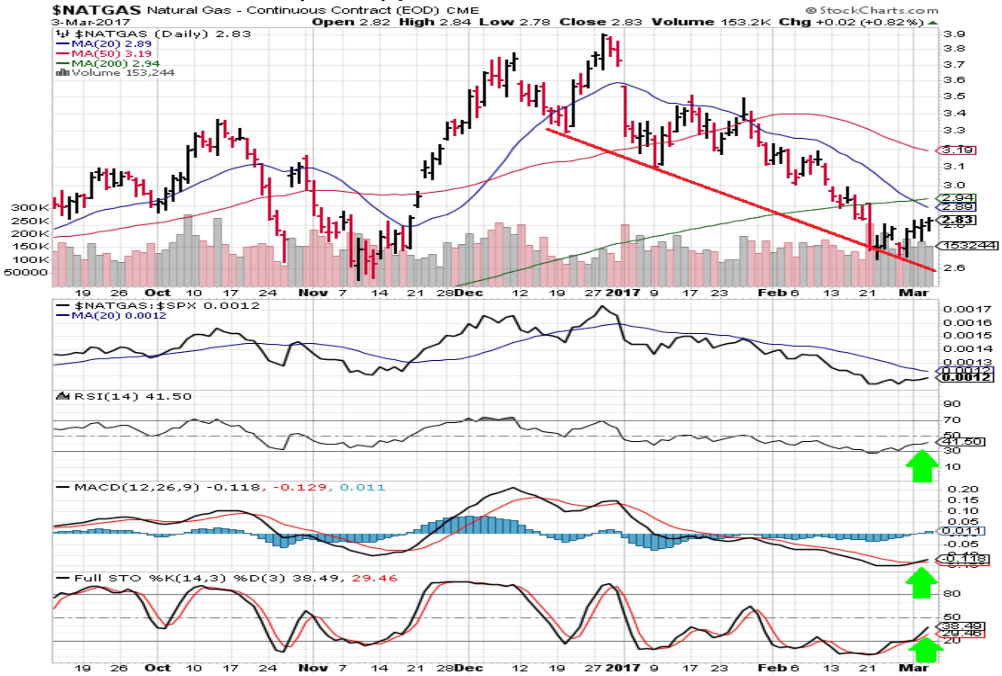
Intermediate trend remains changed from Positive to Neutral. Strength relative to the S&P 500 Index flipped to Negative. $GASO has closed the breakout gap.

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

Intermediate trend changed from Negative to Neutral. Strength relative to the S&P 500 Index remains Negative. $NATGAS is slowly retracing towards the moving averages.

$NATGAS remains below the 20-day moving average. Short-term momentum indicators are Positive.

Natural Gas added $0.04 (1.44%) per MBtu last week.



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