Creative Global Investments

Morning market commentary & weekly charts

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Objectivity

Integrity

Creativity

Global Macro Commentary

Global macro slowdown continues

The global economy is heading for a storm as faith in policymakers dwindles, according to a stark warning from one of the world's most respected financial institutions. The uneasy calm in financial markets last year has given way to turbulence, the Bank for International Settlements, known as the central bank for the world's central banks, said in its latest quarterly report.

In **Asia,** China's National People's Congress has confirmed the government's priority of sustaining growth in the face of painful structural change. However, with little new information released so far this week there has been nothing said that might push markets higher. This is reflected in weaker industrial metal prices this morning, although oil continues to recover from its recent lows." Over the weekend, China outlined plans for an expansion of between 6.5% to 7% for this year, down from last year's target of around 7% and weaker than last year's 6.9% rate.

In Europe, this week's focus will be on the ECB's rate announcement and ensuing press conference on Thursday. Investors' expectations are once again running high ahead of the meeting but some caution is warranted. Financial markets' are pricing in a 13 basis points facility cut, a six-month extension of quantitative easing and a EUR10bn increase in the pace of QE. The ECB could possibly announce additional liquidity easing measures such as an extension of the existing TLTROs and/or further TLROs. These term liquidity measures could ease some of the pressures on the European banking system but are unlikely to be hugely significant as the refinancing pressures on the European banking system are not particularly elevated at present and banks need to maintain market access and issue 'bail-in able' debt from a regulatory perspective.

In the US, the Bureau of Labor Statistics reported that 242,000 jobs were added last month, well above the consensus estimate that implied an increase of 190,000. Stripping out seasonal adjustments, payrolls increased by six-tenths of one percent, or 850,000 positions, exceeding the average increase for February of 0.4%. The y-t-d change is now down only -1.5%, which is above the average decline through the second month of the year of -1.8%.

While the change in employment for transportation, business services, and energy related industries continues to lag the average trend, an above average change remains apparent in a number of components, including food services, retail, and construction. But despite the strong headline print, the point that generated a lot of chatter across the media was the decline in average hourly earnings, which fell by a non-seasonally adjusted 0.1%. The average change for February is an increase of 0.2%. While showing a notable divergence versus the gain charted last year at this time, the year-to-date change is inline with the average change through the end of February at 0.9%. Overall, this is a solid report that doesn't suggest that equity market volatility in the first two months of the year had any impact on employment, and perhaps on economic data as a whole. The week ahead is rather quiet for economic data and it is not until the third week in the month that reports for February will be disseminated, providing further insight as to the strength of the economy leading into the spring rebound.

The Bureau of Economic Analysis announced last week that the US GDP grew at a 1% annualized rate in Q4 (vs. the 0.7% previously reported). According to the BEA, growth in Q4 GDP reflected positive contributions from personal consumption expenditures, residential fixed investment and federal government spending. Those were partly offset by negative contributions from exports (stronger dollar), nonresidential fixed investment, state and local government spending (expected to be solid in 2016) and private inventory investment. This was coming off of 2% GDP growth in Q3.

The economy actually got off to an ok start in 2016, which is why were experiencing a correction (market activity becoming disconnected from fundamentals). Consumer spending rose at the fastest pace in eight months for January (+0.5%) and personal incomes increased (+0.5%), the largest increase since June.

The Bureau of Labor Statistics reported that the core inflation reading rose at a 1.4% annual rate in January, which is the fastest rate of growth reported in two years. Excluding energy and food, inflation grew at a healthy 2.2%, based on reports signaling price increases in health care and retail.

Low or no inflation is a major concern over time signaling that liquidity and demand have been drained from the economy and it nudges investors to save more, anticipating prices will fall further. In an environment where the Fed is tightening, the last thing investors want to see is a string of deflationary readings. Raising interest rates only will make matters worse. A big factor I think will come into play as 2016 unfolds is the absence of the energy drag on core consumer price index [CPI]. As crude prices level off and find a bottom, their downward pressure on inflation should subside as well.

We believe that investors are still too complaisant towards the positive macro news outweighing the negative, creating a recessionary or bear market environment. Investors have been slow to see the global macro economic deterioration happening since spring of 2015, and most have been in denial with regards to the global slowdown impacting the US negatively.

There are still (after 5 years of not happening) economists out there, believing the US could go back to a 3,5% annual GDP growth rate. And for now, the majority (as consensus is showing) is still having the belief that the US economy will grow in excess of 2.5% in 2015. Again, we keep our 1.6% GDP growth rate for the US for now, but are seeing increasing macro data points showing a further slowing in the near term.

Currencies Commentary

One of the catalysts that has supported the recent rise in commodity prices is the decline in the US$ since the year began. Strength in the US$ from its low in early 2014 has pressured a wide array of commodity prices, impacting economic activity in the process. Since peaking at the end of 2015, the $USD has charted a series of lower-lows and lower-highs and is now testing it's 200-day moving average.

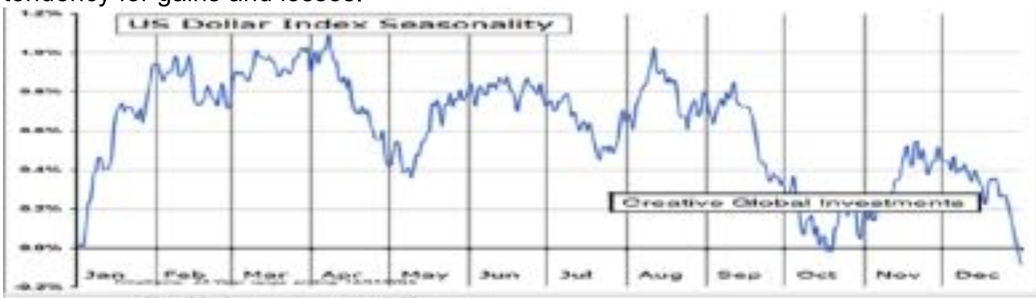
We see three things conspiring to bring down the US$:

- the president of the NY Fed being doubtful on the interest rate outlook
- the price of oil having bottomed and continuing to rally
- the US services sector PMI continuing to deteriorate

The US$ was sold off with the Pound suffering in the rush to buy Euros (the quick and easy exit route for those keen to sell US$) and commodity and energy related currencies benefiting (higher oil prices encourage risk-appetite).

The US$ ended lower on Friday, seemingly unfazed by the employment report, which would be expected to be accompanied by a higher probability of a rate increase in 2016. The FOMC will hold its 2-day meeting starting on March 15th. In a world where the US is on a path towards tightening monetary policy while others continue to loosen, it appears reasonable to expect the longer-term trend of the US$ to remain positive. The $USD has been consolidating above previous resistance around 93 for the past year, and we are seeing more short-term technical indicators leading the US$ towards more downside.

The move in the currency index so far in 2016 is inverse to seasonal tendencies, which typically result in a stronger US$, on average, in January and February. Seasonally, direction of the $USD in the month of March is generally mixed, showing a fairly equal tendency for gains and losses.



Monthly Averages over past 43 years:

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
% Return	0.9%	-0.2%	0.2%	-0.5%	0.4%	-0.1%	-0.1%	0.1%	-0.4%	-0.2%	0.3%	-0.5%
Gain Frequency	65%	44%	56%	40%	63%	49%	53%	49%	35%	40%	58%	47%
Max Return	5.4%	4.4%	6.4%	4.0%	4.9%	4.8%	3.9%	4.7%	5.8%	8.7%	6.8%	3.1%
Min Return	-3.2%	-7.0%	-4.9%	-4.9%	-6.6%	-3.7%	-4.6%	-2.9%	-4.5%	-4.8%	-3.6%	-4.6%

The $USD is set up for a short-term downtrend, confirmed with lower highs and lower lows. As we have written in past notes, we see technical evidence of a US peak at 100,71 since last year. The one asset class that has to give foremost, in order for "reality" based valuations and prices to be restored is the US$.

A $USD at 100 does not make any sense to the macro world, and has distorted various asset classes, most of all commodities in excess of reason based investing. It is imperative for the US$ to decline back from its parabolic heights towards normal levels around 85 to 90, for the US economy to have a shot to compete in a much less expensive global environment.

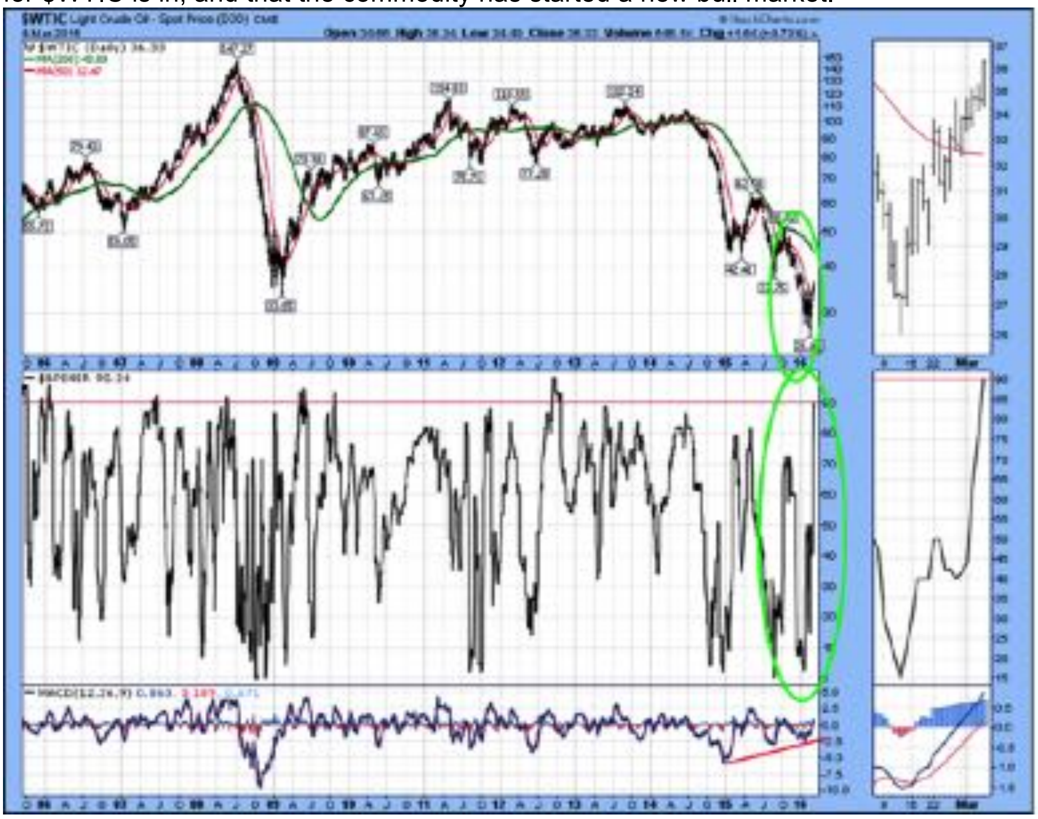
Commodities Commentary

Commodities have also rallied, some of which are trading at the highs of the year. The price of copper jumped almost 3% on Friday, maintaining a trend of outperformance versus the equity market that has been apparent since December, following seasonal norms through the start of the year. Much like everything else, copper is back testing its 200-day moving average, a level that has resisted every rebound attempt over the past 3 years. Reaction to this level could be interesting. Seasonally, the price of copper tends to rise through the end of April, but pivot points around the quarterly futures expiration date in mid-March are not uncommon.

$COPPER made a parabolic and totally unsustainable move lower towards $2 over the past 12 months. While presently at its 200-day moving average, it is still well below trend line resistance, which is closer to $2.70. The short-term head-and-shoulders bottoming pattern point to $2.35, just slightly above the Friday's high of the day.

The Bottom is in for $WTIC!

The Bullish Percent Index for Energy ($BPENER) broke out to the highest level since the price of oil topped. This level is extreme, which leads us to conclude that the bottom for $WTIC is in, and that the commodity has started a new bull market.



Baker Hughes's weekly US oil rig count revealed a drop of 8 active rigs targeting oil to 392, the least since December 2009.

Equities Commentary

In last week's commentary, we were looking at one simple way to define if equities are in a bull or bear market is to evaluate the relationship of the daily 50-MA and 200-MA. **When the daily 50-MA is below the 200-MA, as it has been since January 13, we deem equities to be in a bear market.**

The monthly PMO has been a fairly reliable indicator for identifying market tops and bottoms. PMO direction changes are the first indication that price may be preparing to reverse direction, but clearly this results in a lot of false signals. A less frequent event is when the PMO crosses down through its signal line (10EMA), and this is what we use to confirm the primary indicator. We especially like to see relatively smooth crossovers following overbought tops, such as occurred in 2007 and 2015.

The chart below shows about 85 years of the monthly PMO performance, and for the most part the historical PMO movement confirms the general rule that, when the monthly PMO is below its signal line and falling, a bear market is in progress. For now, we advise for Investors to rely on history and take the lead from the declines from the 2000 and 2007 market tops, and monitor the monthly PMO likely to continue downward and possibly cross down through the zero line before a long-term price bottom forms.

This week, we emphasize on four additional simple technical tools to evaluate if a market is in a bull or bear phase:

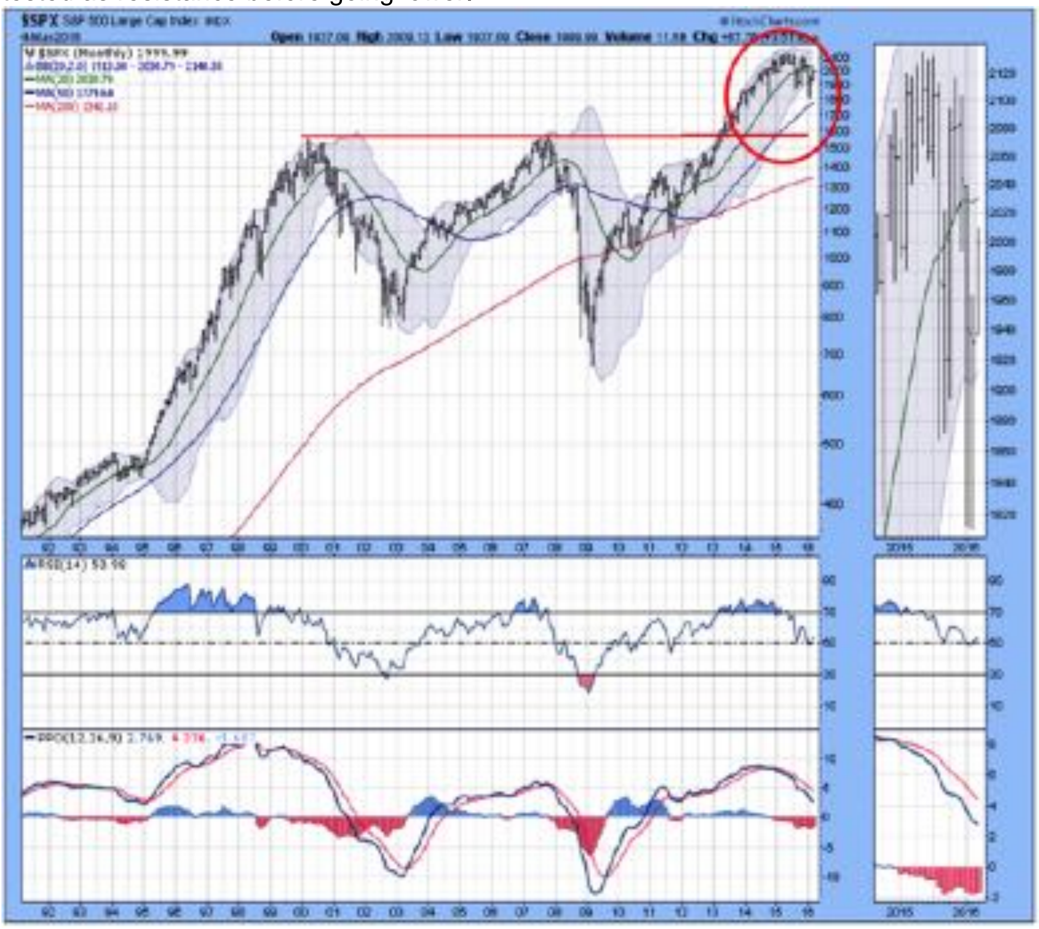
- The RSI
- Bollinger Bands
- PPO

When the RSI stays above 50, it is a bull market. When it dips below, it is a bear market. The data point is based on a month end close, and we have had a huge rally so far in March. January closed at 49.94, February closed at 49.40. Bear market signals. The March close will be determining if the $SPX is indeed in a bear market.

Another signal might be shown using the Bollinger Bands (BB) shown in Blue. This is a measure of Standard Deviation. When you reach the top BB line, you are definitely in a bull market until the next time the price moves to the lower BB. When the market starts dipping down and touching the lower BB line, you have started a bear market. That rule would handle the 1995 example where it went below the 20 MMA but did not touch the lower BB. It would also deal with the 2011 price action. Both January and February violated the lower Bollinger Bands.

The down sloping PPO is bearish. The histogram is a good signal. Until it starts to go positive, you have to respect that you are probably in a bear market.

The signals that we have highlighted for the last 2 weeks end to look bearish to us. If March 'closes' above the center of the Bollinger Bands at 2030, this could be pivotal move for the $SPX to rise back into bullish territory. Until then, the January and February closes below 50 on the RSI, the $SPX closing 2 months in a row (look in the zoom box for clarity) below the 20 MMA after touching the lower BB, and a down sloping PPO all make my rules for a bear market. The next few weeks will be important to see if we can test and hold above 2030. In both 2000 and 2008, the 20 MMA was tested as resistance before going lower.



Looking at the short-term picture, stocks ended mixed on Friday as investors mulled the possibility of a more aggressive Fed rate hike cycle following a series of better than expected economic reports. GDP for Q4, consumer sentiment, and personal income & spending all beat expectations, raising the chance of a FED funds rate increase to 25% for June and 44% for December, according to Fed funds futures.

Last Monday morning, we detailed in our Equities Commentary on how to play the "bear hunt" relief rally, looking for support around S&P 1935 and gaining momentum all the way up to 2040. The $SPX got up to 2009 Friday after the jobs report gave further confidence to the idea of "no rate hike" in March.

And because there is no upward wage pressure, there is no rational for the FED to hike at current times. The FED needs that kind of data to justify raising rates again when all other appearances of inflation are missing in action. So they have "an out" for next week and all the angst likely shifts forward to the June FOMC meeting.

The FED clearly missed the economy's sweet spot in 2014 in order to raise rates, and now with economic momentum globally, but for sure also in the US weakening, they do not want to be the "straw that broke the camel's back" i.e. raise rates into a strong macro headwind, be it due to the inherent strength of the US$, and the negative macro implications, or be it due to parts of the US economy (materials and energy) already being in a recession, and one or two more rate rises would for sure spook the consumer enough for the remainder of the US economy to slow and likely go negative.

"Don't fear the reaper" (bear market)

There have actually been 25 bear market drops of 20% or more the last 87 years. And most of the world and its investors are today in a better place than ever. So, whilst we see a prolonged bear market looming, followed by a US recession, there are still many ways to make money, albeit not necessary in US stocks.

S&P 500 bear markets of -20% drop in value, without a 20% rally

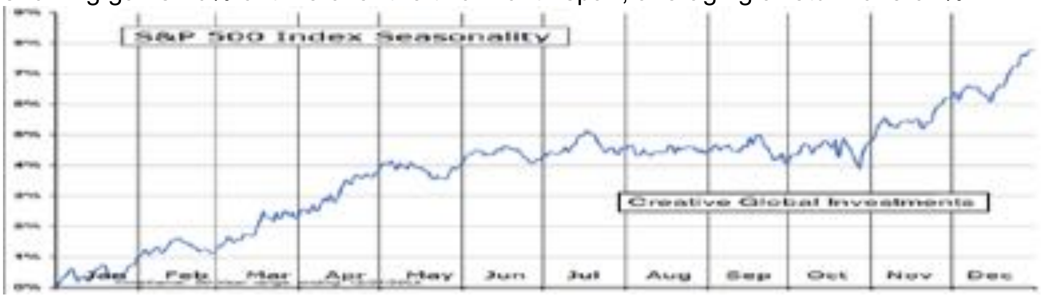
Market Trend	Start	End	# of Months	Start Price	End Price	% Change
Bear	16-Sep-29	13-Nov-29	1.9	31.86	17.66	-44.57%
Bear	10-Apr-30	16-Dec-30	8.3	25.92	14.44	-44.29%
Bear	24-Feb-31	2-Jun-31	3.3	18.17	12.2	-32.86%
Bear	26-Jun-31	5-Oct-31	3.4	15.36	8.82	-42.54%
Bear	9-Nov-31	1-Jun-32	6.8	11.52	4.4	-61.81%
Bear	7-Sep-32	27-Feb-33	5.8	9.31	5.53	-40.60%
Bear	18-Jul-33	19-Oct-33	3.1	12.2	8.61	-29.43%
Bear	6-Feb-34	14-Mar-35	13.4	11.82	8.06	-31.81%
Bear	10-Mar-37	31-Mar-38	12.9	18.67	8.5	-54.47%
Bear	9-Nov-38	11-Apr-39	5.1	13.79	10.42	-24.44%
Bear	25-Oct-39	10-Jun-40	7.6	13.21	9.42	-28.69%
Bear	7-Nov-40	28-Apr-42	17.9	11.39	7.47	-34.42%
Bear	29-May-46	19-May-47	11.8	19.25	13.77	-28.47%
Bear	15-Jun-48	13-Jun-49	12.1	17.06	13.55	-20.57%
Bear	2-Aug-56	22-Oct-57	14.9	49.74	38.98	-21.63%
Bear	12-Dec-61	26-Jun-62	6.5	72.64	52.32	-27.97%
Bear	9-Feb-66	7-Oct-66	8.0	94.06	73.2	-22.18%
Bear	29-Nov-68	26-May-70	18.1	108.37	69.29	-36.06%
Bear	11-Jan-73	3-Oct-74	21.0	120.24	62.28	-48.20%
Bear	28-Nov-80	12-Aug-82	20.7	140.52	102.42	-27.11%
Bear	25-Aug-87	4-Dec-87	3.4	336.77	223.92	-33.51%
Bear	24-Mar-00	21-Sep-01	18.2	1527.46	965.8	-36.77%
Bear	4-Jan-02	9-Oct-02	9.3	1172.51	776.76	-33.75%
Bear	9-Oct-07	20-Nov-08	13.6	1565.15	752.44	-51.93%
Bear	6-Jan-09	9-Mar-09	2.1	934.7	676.53	-27.62%
AVERAGES			10.0			-35.43%
Medians			8.3			-33.51%
Maximums			21.0			-61.81%
Minimums			1.9			-20.57%

Short and intermediate technical indicators are overbought, but have yet to show significant signs of peaking. Historically the S&P 500 changes course when the Percent of stocks are trading above their 50-day moving average moved above 80%; such was the case also last week. We are expecting the Percent to drop to below the 80% levels, hence triggering a short-term correction.

$TSX stocks are also trading above their 50-day moving average. Most turning points for the $TSX occur when the index move above 70% levels.

The S&P 500 Index faces considerable intermediate overhead resistance at a time when short-term momentum indicators are overbought. Upside potential remains, but likely will be minimal.

The seasonal outlook for the $SPX is favorable from mid February to the end of April. While the last half of February doesn't exactly have a favorable track record for the S&P 500 Index with 56% of periods recording a loss over the past 25 years, averaging a decline of -0.83%, the month of March is quickly approaching. March and April are two of the strongest consecutive months for equity benchmarks with the S&P 500 Index showing gains 76% of time over the two-month span, averaging a return of 3.07%.



Weekly Investment Conclusion

Economic and international focus this week is on news from the European Central Bank on Thursday that is expected to bolster monetary stimulus.

Asian (Japanese and Chinese indices in particular), Emerging markets and European and equities (EAFE) also are more attractive from a chart technical perspective and from a seasonality aspect than US equities. Seasonal influences are positive for most equity markets and economic sensitive sectors between now and mid-May. Strength was most notable last week in equity markets outside of North America.

The focus in the US this week week is on the FOMC Meeting on March 15th and 16th. Consensus currently is anticipating no change in the Fed Fund rate. US equities' indices current intermediate uptrend is short term overbought. From lows set on January 21st, the Dow Jones Industrial Average has gained 10.1%, the S&P 500 Index has added 10.4% and the TSX Composite Index has advanced 14.6%.

Prudent strategy is to hold short term trading positions with a view to taking profits when short-term technical indicators roll over and to add to investment positions on weakness. Short and intermediate technical indicators are overbought, but have yet to show significant signs of peaking. Percent of S&P 500 stocks trading above their 50 day moving average moved above 80% last week. Historically, a return by Percent to below the 80% level has triggered at least a short-term correction. Technical action by S&P 500 stocks remained bullish last week: 77 stocks broke resistance and 10 stocks broke support. Almost all stocks breaking support were Utilities stocks.

Earnings news this week is not expected to have a significant impact on North American equity markets. Only two S&P 500 companies are scheduled to report. Consensus earnings estimates for S&P 500 companies continue to decline. EPS on a y-o-y basis are expected to decline -8.0% versus a decline of -7.4% reported in last week's report. Going forward, Q2 earnings are expected to decline -2.0%, but Q3 earnings are expected to increase 4.3% and Q4 earnings are expected to increase 9.1%. Revenues are expected to be down -0.6% in Q1, down -0.5% in Q2, up 2.1% in Q3 and up 4.7% in Q4, all this leaves a lot of room for disappointment in our view.

We continue advising to add towards economically sensitive equity markets as for the past 3 weeks (e.g. Japan, China, German, Australian, Canadian), and towards commodities (e.g. energy, oil services, mines & metals) and sectors, and believe now is a good time to line up equities to be purchased when favored seasonal trades primarily in economically sensitive sectors:

- **Automotive stocks**
- **Industrials**
- **Consumer Discretionary**
- **Financials**
- **Materials**
- **Energy**
- **Technology**

US equity markets weekly charts

Intermediate trend remains down.

The Index remains below its 20-day moving average. Short-term momentum indicators are trending down and are oversold.

The $VIX dropped another 2.85 (14.45%) last week.

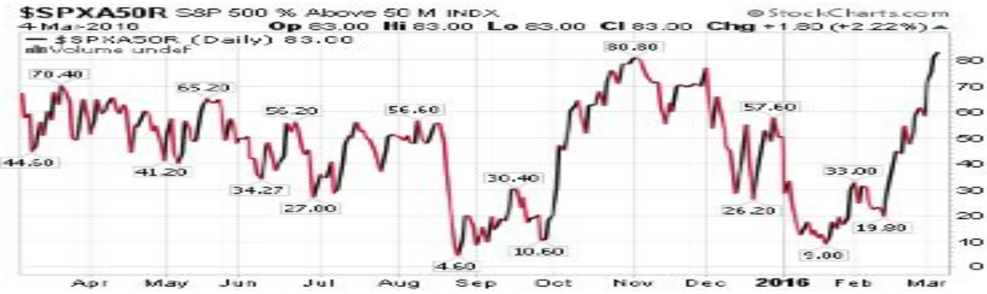
Intermediate trend remains up. The Index remains above its 20-day moving average.

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

The S&P 500 Index gained 51.94 points (2.67%) last week.

The index remains in an intermediate uptrend and is overbought, but signs of a peak have yet to appear.

Percent of S&P 500 stocks trading above their 50-day moving average rose last week to 83.00% from 61.60%.



The index remains in an intermediate uptrend.

Percent of S&P 500 stocks trading above their 200-day moving average increased last week to 48.60% from 37.20%.

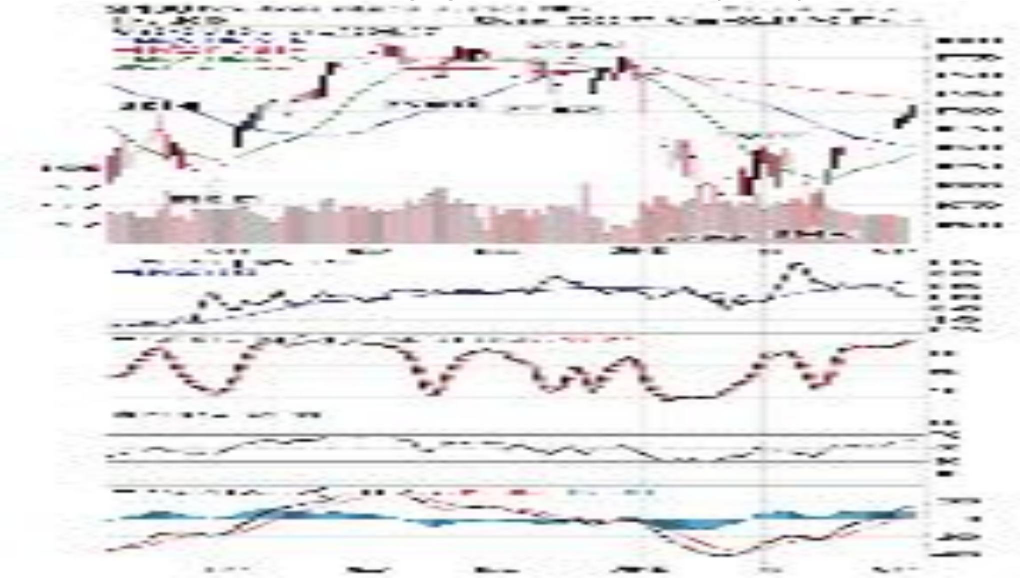
The Index remains in an intermediate uptrend and is overbought. However, signs of an intermediate peak have yet to arrive.

Bullish Percent Index for S&P 500 stocks increased last week to 70.60% from 57.40% and remained above its 20-day moving average.

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

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

The Dow Jones Industrial Average gained 366.80 points (2.20%) last week.



The Index remains in an intermediate uptrend.

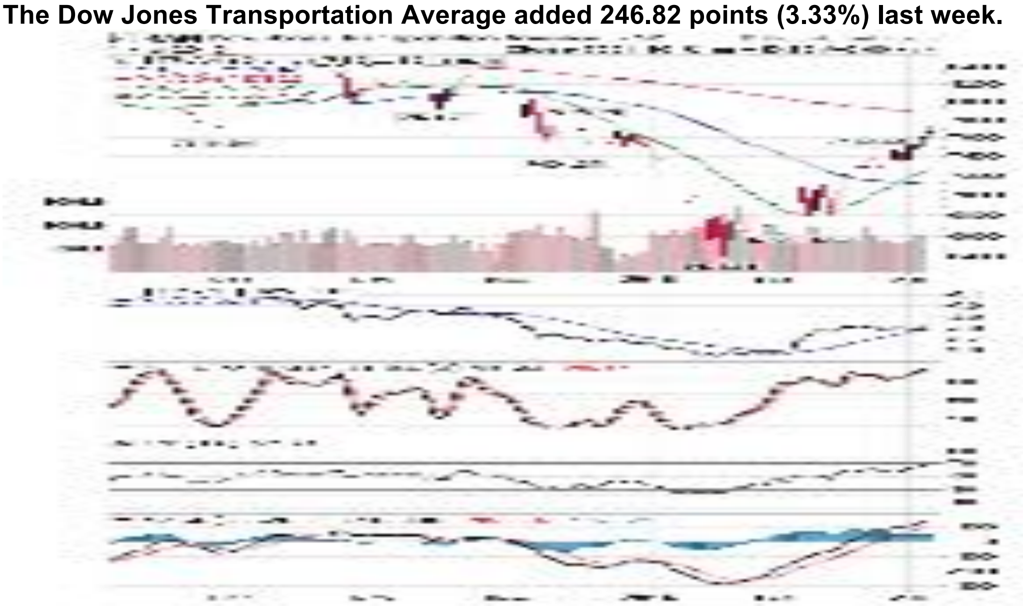
Bullish Percent Index for Dow Jones Industrial Average stocks increased last week to 76.67% from 66.67% and remained above its 20 day moving average.

Intermediate trend remains down. Strength relative to the S&P 500 Index remained Positive.

The Average remains above its 20-day moving average.

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

The Dow Jones Transportation Average added 246.82 points (3.33%) last week.



Bullish Percent Index for NASDAQ Composite stocks increased last week to 44.42% from 36.80% and remained above its 20-day moving average.

The Index remains in an intermediate uptrend.

The NASDAQ Composite Index gained 126.55 points (2.76%) last week.

Intermediate trend changed to Neutral from Down on a move above 4,636.93. Strength relative to the S&P 500 changed to Positive from Neutral.

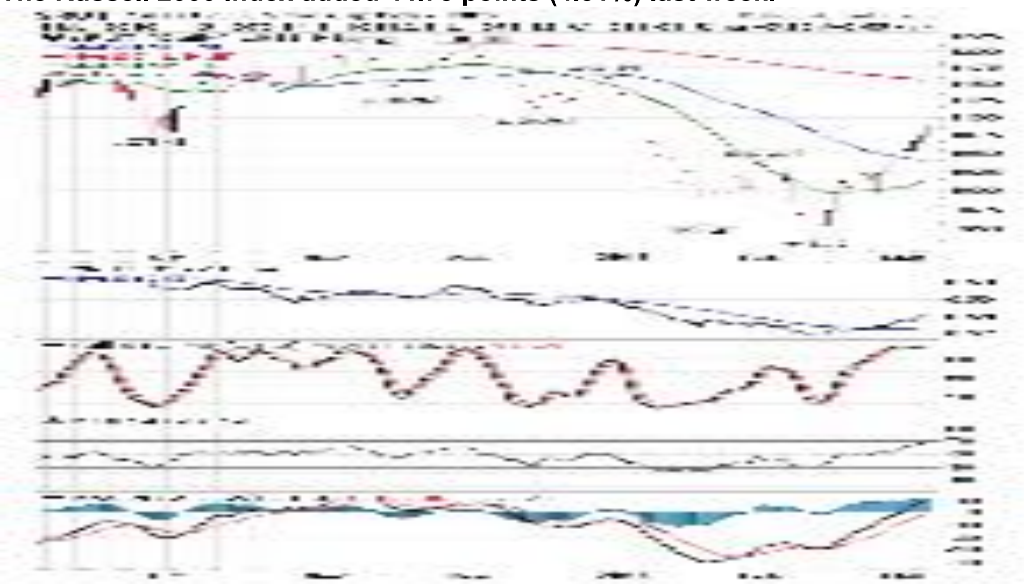
The Index remains above its 20-day moving average.

Short-term momentum indicators are trending up.

The Russell 2000 Index added 44.75 points (4.31%) last week.

Intermediate trend remained Neutral. Strength relative to the S&P 500 Index remained Positive.

The Index remains above its 20-day moving average. Short-term momentum indicators are trending up, but are overbought.

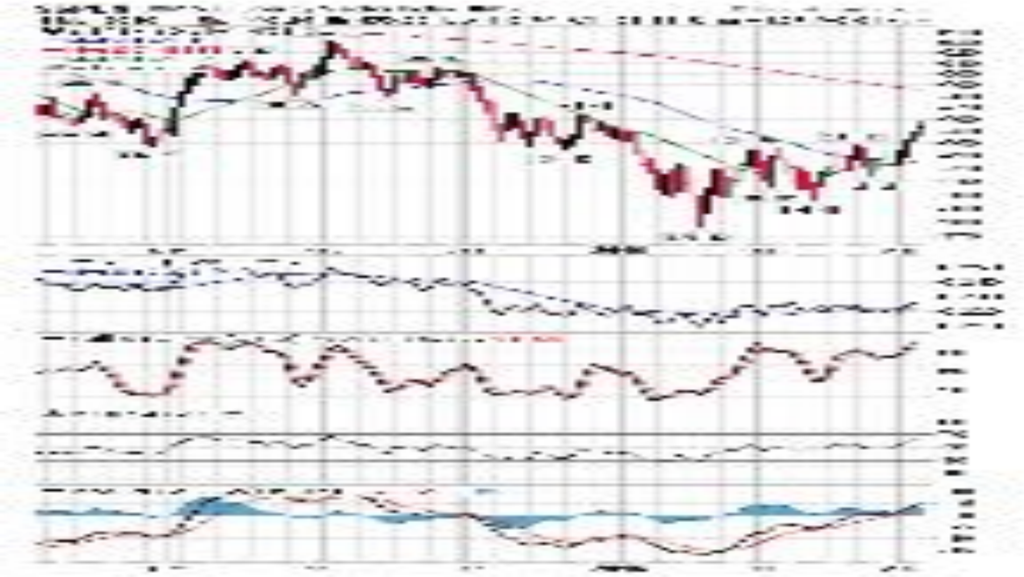


The S&P Energy Index added another 24.82 points (5.79%) last week.

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

The Index remained above its 20-day moving average.

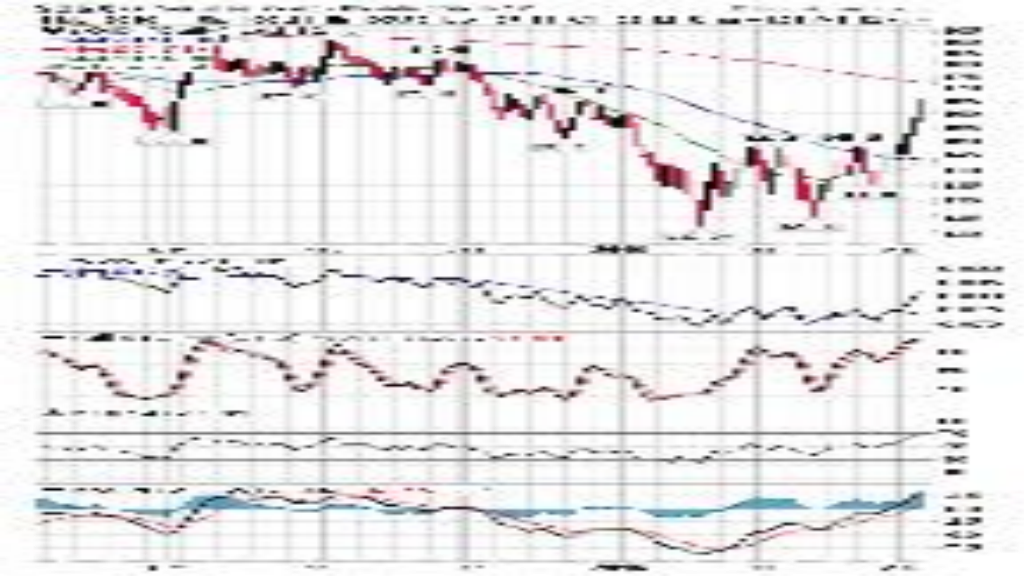
Short-term momentum indicators are trending up, but are overbought.



The Philadelphia Oil Services Index jumped 19.19 points (13.36%) last week.

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

The Index remains above its 20-day moving average. Short-term momentum indicators are trending up, but are overbought.

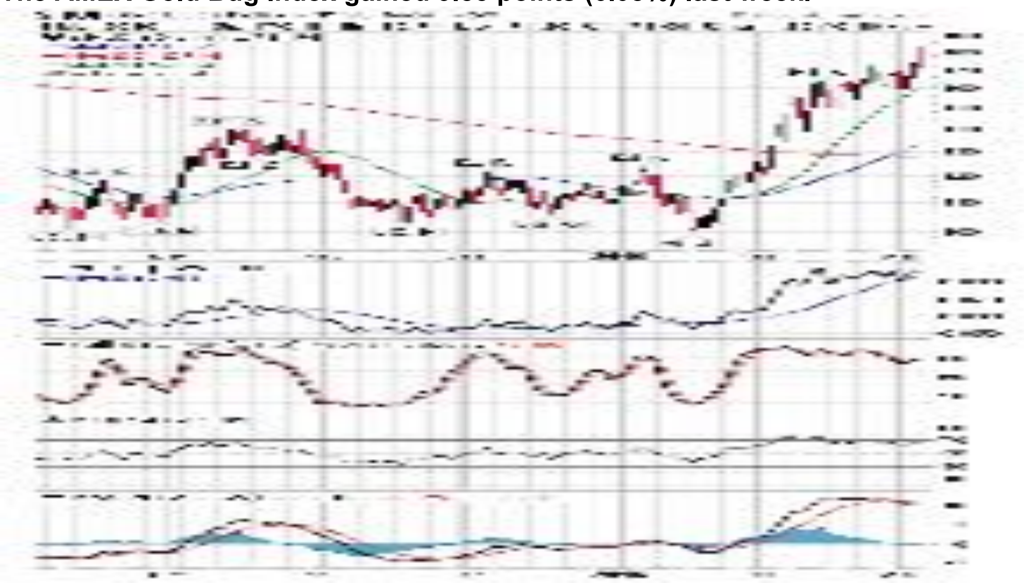


The AMEX Gold Bug Index gained 9.85 points (6.08%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index remained Neutral.

The Index remained above its 20-day moving average.

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



Latam Equity markets commentary & weekly charts

The BOVESPA gained 6,088 points last week.

Intermediate trend changed upwards.

Short-term momentum indicators are moving higher and are tremendously oversold, and have bottomed.

The Mexican Bolsa gained 1,148 points last week.

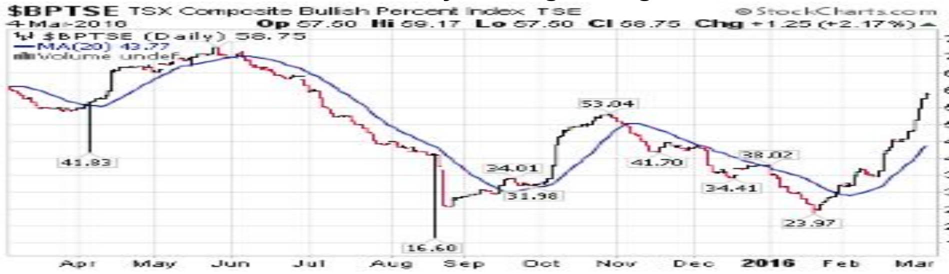
Intermediate trend changed positive.

Short-term momentum indicators are oversold, and reversed to positive and have bottomed.

Canadian equity markets commentary & weekly charts

Bullish Percent Index for TSX stocks increased last week to 58.75% from 47.92% and remained above its 20-day moving average.

The Index remains in an intermediate uptrend and is overbought.

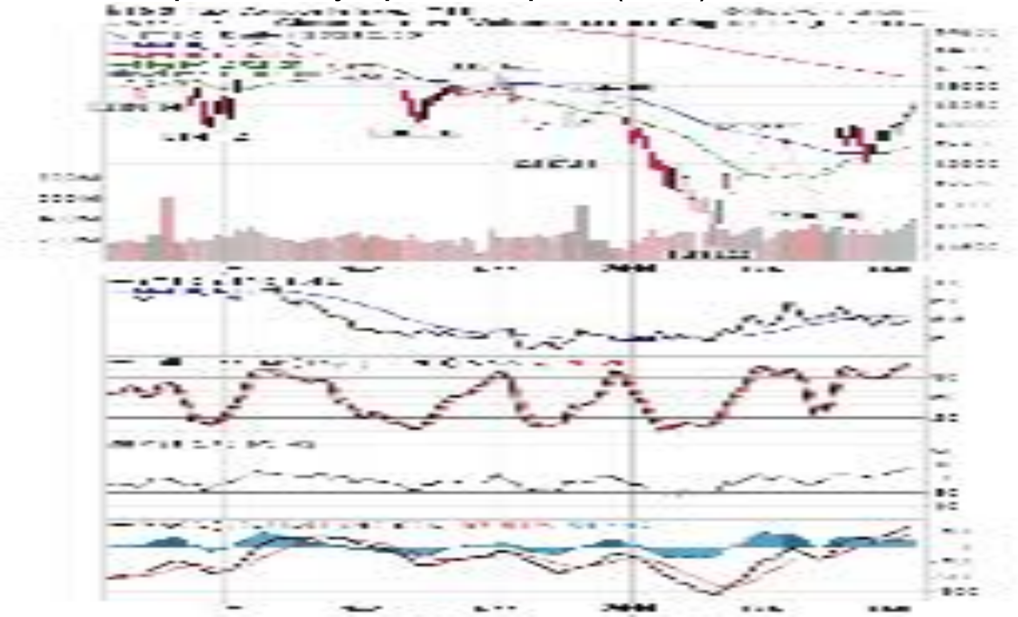


The TSX Composite Index jumped 414.05 points (3.24%) last week.

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

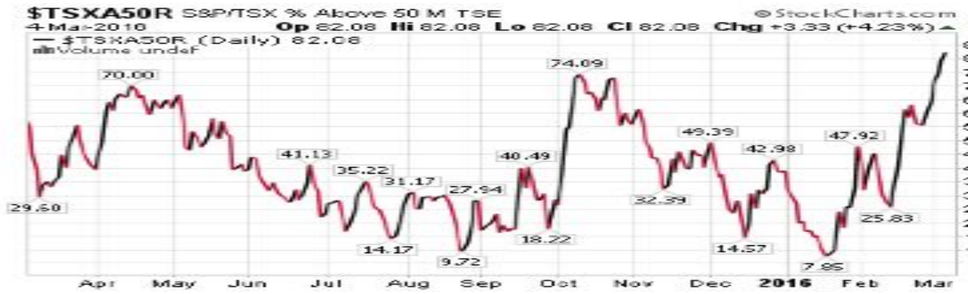
The Index remained above its 20-day moving average.

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



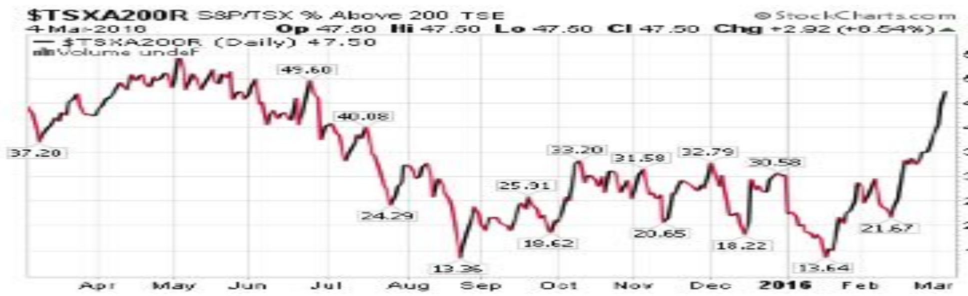
Percent of TSX stocks trading above their 50-day moving average jumped to 82.08% from 60.83%.

Percent remains in an intermediate uptrend and is overbought. However, signs of a peak are at historic levels.



Percent of TSX stocks trading above their 200-day moving average jumped to 47.50% from 35.00%.

Percent remains in an intermediate uptrend.



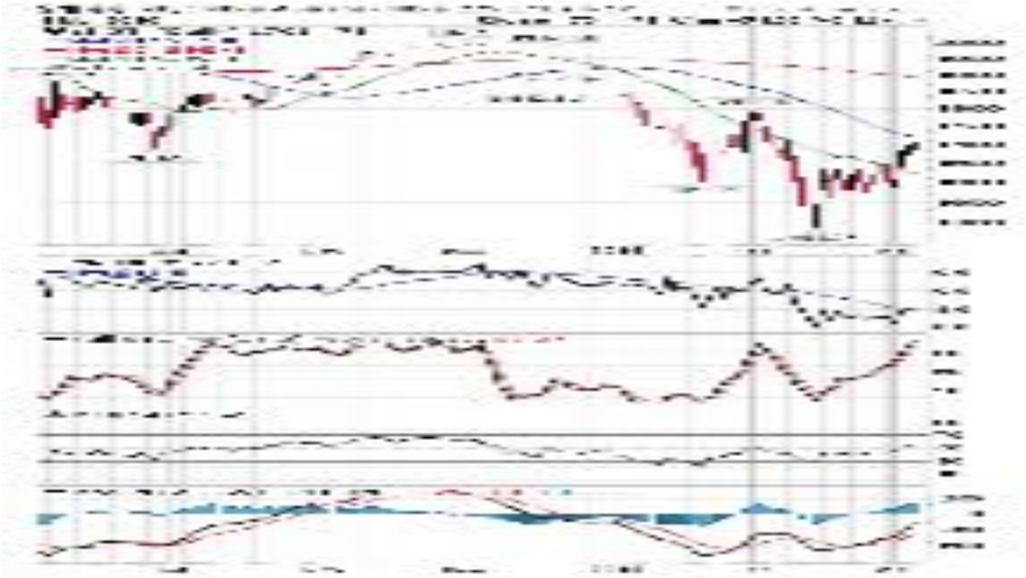
Asian equity markets commentary & weekly charts

The SENSEX 30 gained 1,558 points last week.

Intermediate trend changed to positive.

Short-term momentum indicators continue to be oversold and are yet to show signs of bottoming.

The Nikkei Average jumped 826.37 points (5.10%) last week.



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

The Average moved above its 20-day moving average.

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

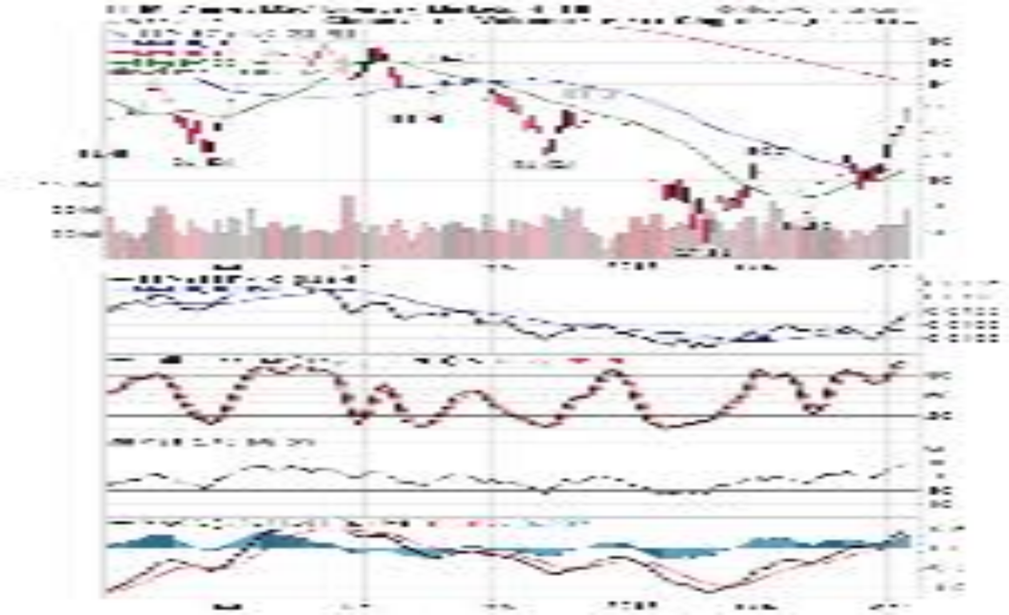
The Shanghai Composite Index added 106.94 points (3.86%) last week.

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

The Index moved above its 20-day moving average.

Short-term momentum indicators are trending up.

Emerging Markets iShares jumped $2.76 (9.18%) last week.



Intermediate trend remained up. Strength relative to the S&P 500 Index changed to Positive from Negative.

Units remained above their 20-day moving average. Short-term momentum indicators are trending up, but are overbought.

The Australia All Ords Composite Index gained 206.00 points (4.17%) last week.

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

The Index moved above its 20-day moving average.

Short-term momentum indicators are trending up.

European Equity markets commentary & weekly charts

The DAX 30 added 106 points last week.

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

The $DAX moved above its 20-day moving average.

Short-term momentum indicators are oversold and are showing signs of bottoming.

The CAC 40 gained 52 points last week.

Intermediate trend changed to positive.

The $CAC moved above its 20-day moving average.

Short-term momentum indicators are trending up and are oversold, and are showing signs of bottoming.

The AEX 25 gained 4 points last week.

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

The $AEX moved above its 20-day moving average.

Short-term momentum indicators are oversold, but are showing signs of bottoming.

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

The $IBEX broke above its 20-day moving average.

Short-term momentum indicators are trending up and are oversold, but are showing signs of bottoming.

The IBEX 35 gained 343 points last week.

Intermediate trend is neutral.

The $FTSE broke above its 20-day moving average.

Short-term momentum indicators are trending down and are oversold, but are showing signs of bottoming.

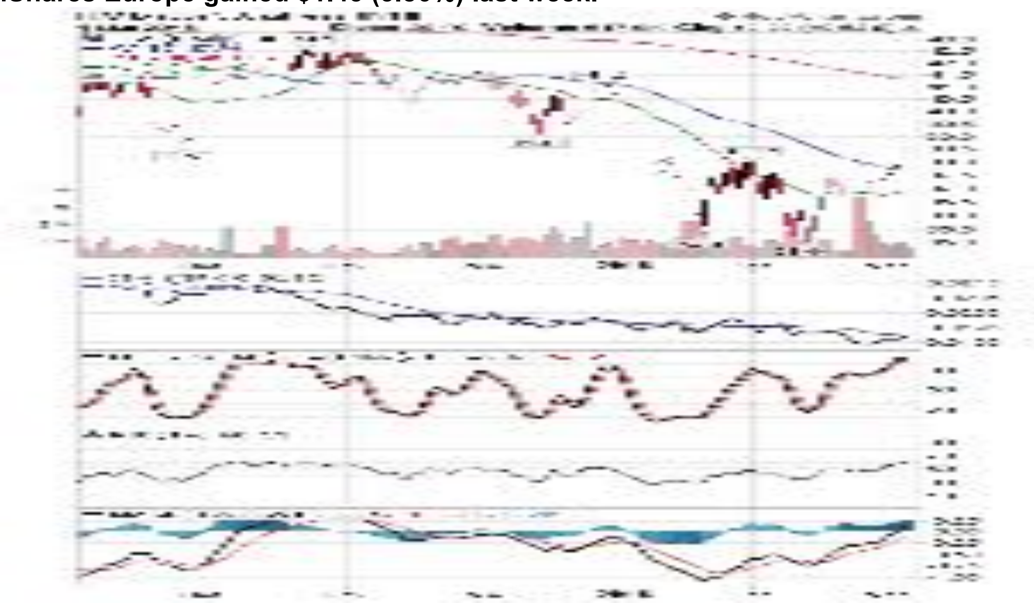
The FTSE added 7 points last week.

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

Units remain above their 20-day moving average.

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

iShares Europe gained $1.45 (3.86%) last week.

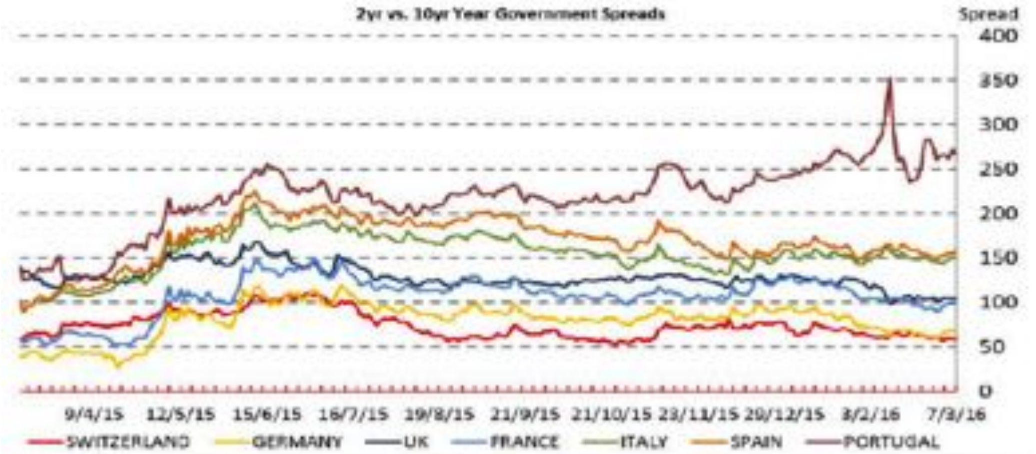


Fixed Income markets commentary & weekly charts

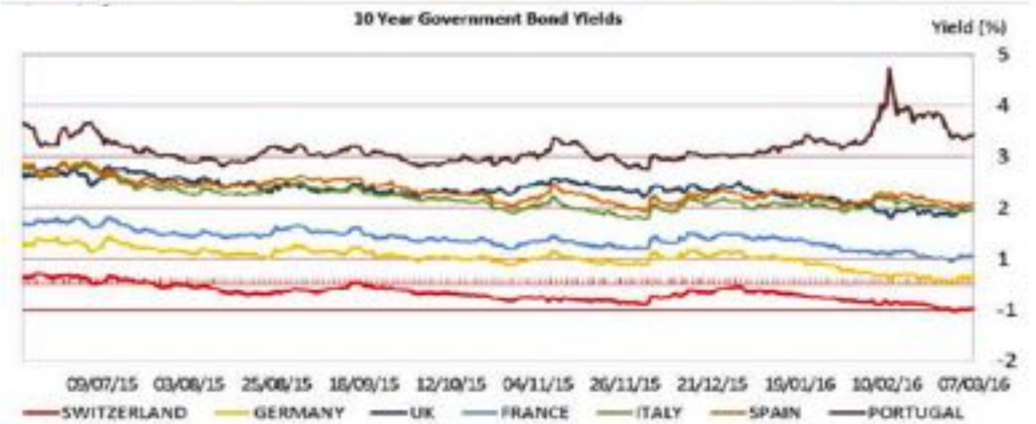
EURO Bonds

Country	Latest yield	Spread vs bund	Spread vs T-bonds
Australia	2.69%	+2.39	+0.70
Austria	0.49%	+0.29	-1.39
Belgium	0.52%	+0.32	-1.37
Canada	1.25%	+1.05	-0.63
Denmark	0.57%	+0.37	-1.31
Finland	0.47%	+0.27	-1.42
France	0.54%	+0.34	-1.35
Germany	0.20%	—	-1.68
Greece	9.95%	+9.75	+8.07
Ireland	0.92%	+0.72	-0.97
Italy	1.43%	+1.23	-0.45
Japan	-0.05 %	-0.25	-1.93
Netherlands	0.34%	+0.13	-1.55
New Zealand	3.09%	+2.89	+1.21
Portugal	2.91%	+2.71	+1.03
Spain	1.53%	+1.32	-0.36
Sweden	0.81%	+0.61	-1.07
Switzerland	-0.41 %	-0.61	-2.29
UK	1.46%	+1.26	-0.42
US	1.88%	+1.68	—

As per our 2016 Global Investment Strategy Outlook for 10-Y government bonds, European 10-Year government bonds have not fully reached our 2016 price targets yet.



We are recommending continuing to invest in French, Spanish, Italian 10-Year government bonds currently, However, we are 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.

Major European 10 year benchmark bonds: average price and yield (11:00 UK Time)						
Issuer	ISIN	Coupon	Maturity	11:00 Price	11:00 Yield	Yield daily Δ
SWITZERLAND (GOVT)	CH0184249990	1.5	2025-07-24	119.040	-0.481	-0.008
GERMANY(FED REP)	DE0001102382	1	2025-08-15	107.943	0.151	-0.005
UK(GOVT OF)	GB00BTHH2R79	2	2025-09-07	104.752	1.462	-0.008
FRANCE(GOVT OF)	FR0012938116	1	2025-11-25	104.274	0.547	-0.018
ITALY(REP OF)	IT0005127086	2	2025-12-01	105.106	1.436	-0.029
SPAIN(KINGDOM OF)	ES00000127G9	2.15	2025-10-31	105.153	1.570	0.004
PORTUGAL(REP OF)	PTOTEKOE0011	2.875	2025-10-15	99.433	2.942	0.041
Issuer	ISIN	Coupon	Maturity	11:00 Price		Price daily Δ
GREECE(REP OF)	GR0128013704	3	2026-02-24	61.598		-0.240

US Bonds

Yield on 10 year U.S. Treasuries gained 12.1 basis points (6.87%) last week.

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

Short-term momentum indicators are trending up.

The long term Treasury ETF dropped $1.81 (1.59%) last week.

Price fell below its 20-day moving average.

Short-term momentum indicators are trending down.

Currencies commentary & weekly charts

The Euro added 0.67 (0.61%) last week.

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

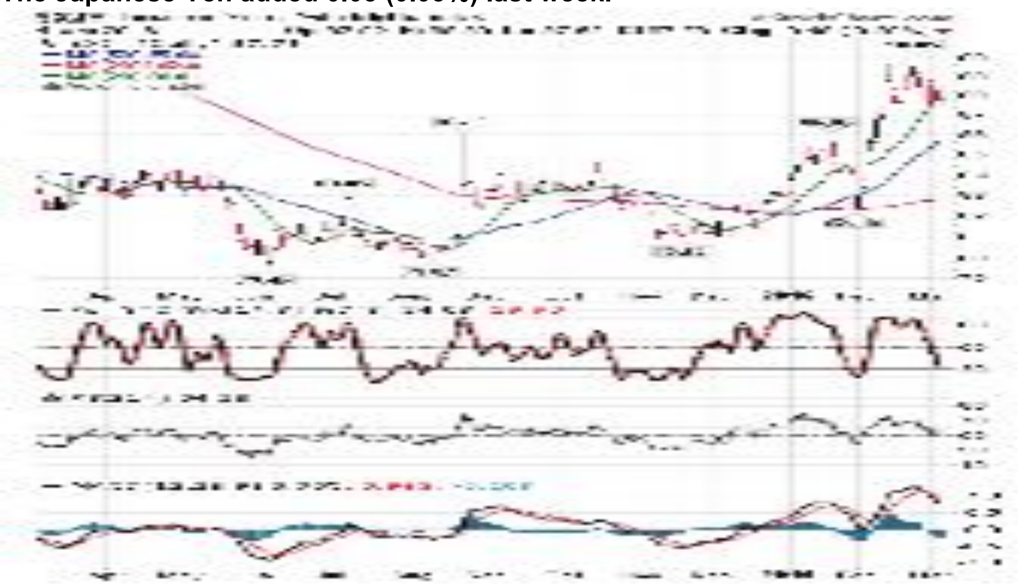
Short-term momentum indicators are oversold and have started to trend up.

The US$ Index dropped 0.77 (0.78%) last week.

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

Short-term momentum indicators have just rolled over and are trending down.

The Japanese Yen added 0.03 (0.03%) last week.



Intermediate trend remains up. The Yen dropped below its 20-day moving average on Friday.

Short-term momentum indicators are trending down.

The C$ gained another US 1.09 cents (1.47%) last week.

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

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

Commodities commentary & weekly charts

The CRB Index gained 6.88 points (4.26%) last week.

Intermediate trend changed to Up from Down on a move on Friday above 166.46.

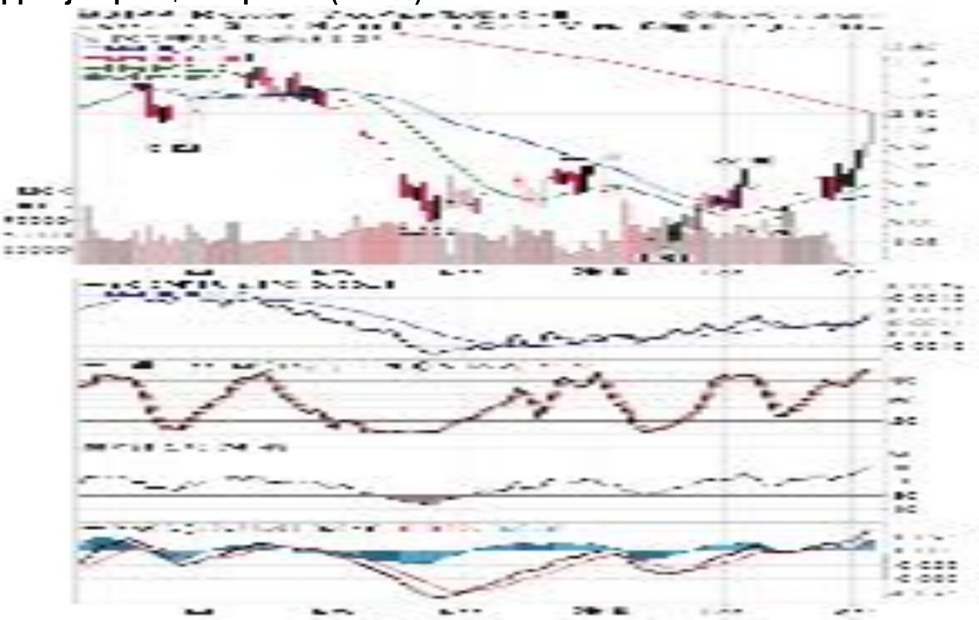
Strength relative to the S&P 500 Index changed to Neutral from Negative. The Index remained above its 20-day moving average. Short-term momentum indicators are trending up.

Copper jumped $0.15 per lb. (7.08%) last week.

Intermediate trend changed to Neutral from Down on a move above $2.148.

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

Copper remained above its 20-day moving average. Short-term momentum indicators are trending up.



Lumber jumped $21.60 (8.54%) last week.

Trend turned Positive on Friday on a move above $271.50.

Relative strength turned Positive. Momentum has turned Positive.

The Grain ETN added $0.33 91.11%) last week.

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

Units remain below their 20-day moving average. Short-term momentum indicators have started to trend up.

The Agriculture ETF gained $1.76 (3.94%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index turned Positive.

Units remain above their 20-day moving average.

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

Gold & precious metals commentary & weekly charts

Gold gained $50.30 per ounce (4.12%) last week.

Gold extended its intermediate uptrend on Friday on a move above $1,263.90.

Strength relative to the S&P 500 Index remained Neutral. Gold remained above its 20-day moving average.

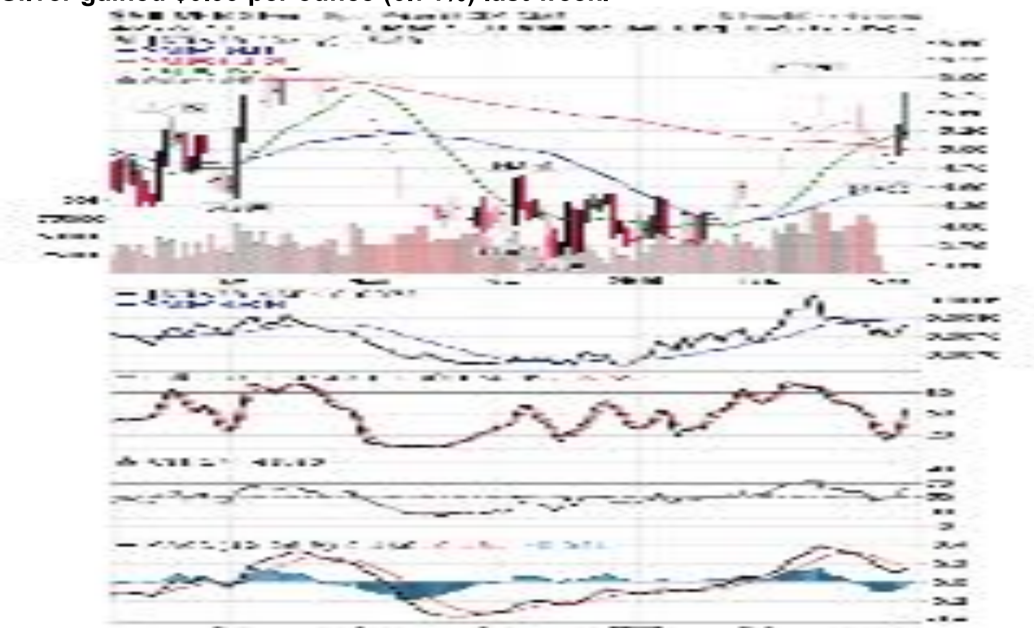
Short-term momentum indicators are trending up.

Silver gained $0.99 per ounce (6.74%) last week.

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

Silver moved back above its 20-day moving average on Friday.

Short-term momentum indicators are trending up.



Platinum jumped $71.20 (7.78%) last week.

Trend changed on Friday to Up from Neutral on a move above $970.80 per ounce.

$PLAT Strength remains Neutral, but moved above its 20-day moving average.

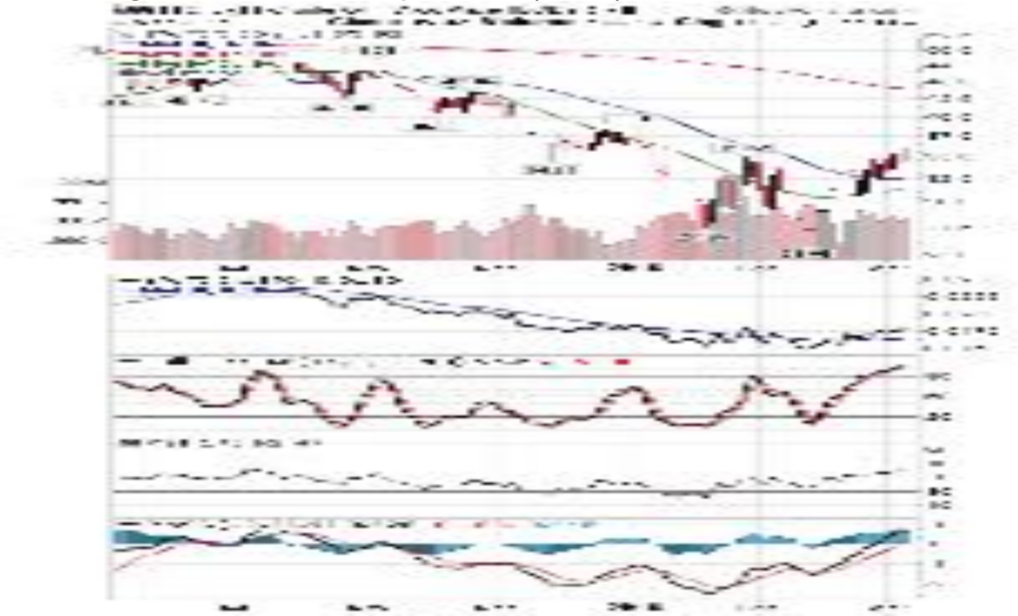
Palladium jumped $81.00 per ounce (16.80%) last week.

Intermediate trend changed to up from down on a move above $531.40.
Strength relative to the S&P 500 turned Positive from Neutral. $PALL moved above its 20-day moving average.

Short-term momentum has turned up.

Oil, gas & energy commentary & weekly charts

Crude Oil gained another $3.14 per barrel (9.58%) last week.

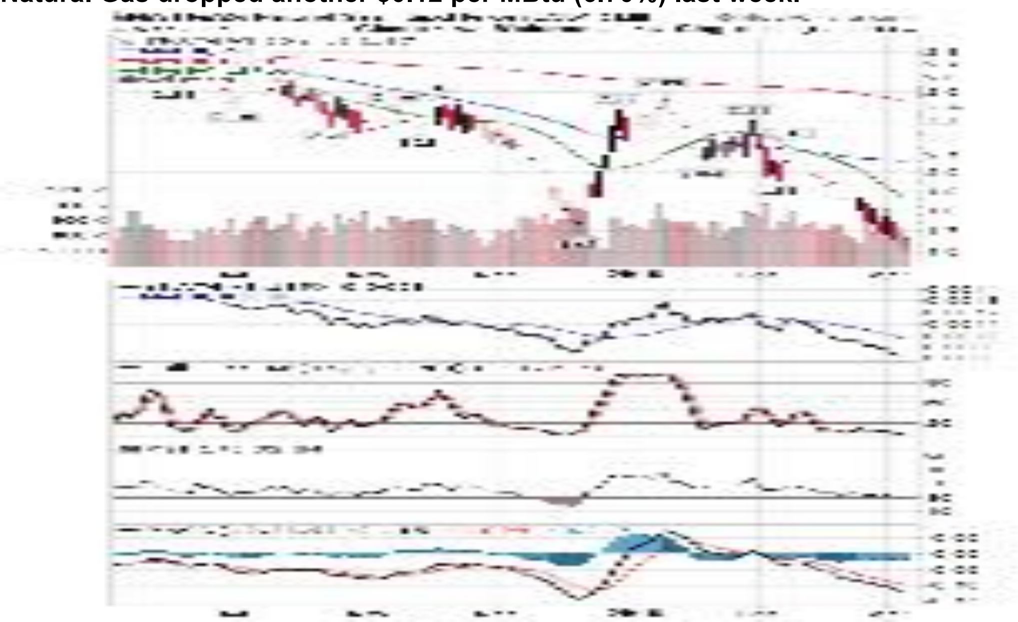


Intermediate trend changed to Neutral on a move above $34.82.

Strength relative to the S&P 500 Index remained Positive. $WTIC remained above its 20-day moving average.

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

Natural Gas dropped another $0.12 per MBtu (6.70%) last week.



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

$NATGAS remains below its 20-day moving average.

Short-term momentum indicators are trending down, but are oversold.

Gasoline gained $0.03 per gallon (2.31%) last week.

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

$GASO remains above its 20-day moving average.

Short-term momentum indicators are trending up.

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