



Creative Global Investments

Weekly global equities strategy & charts

Monday, March 19th, 2018

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Objectivity

Integrity

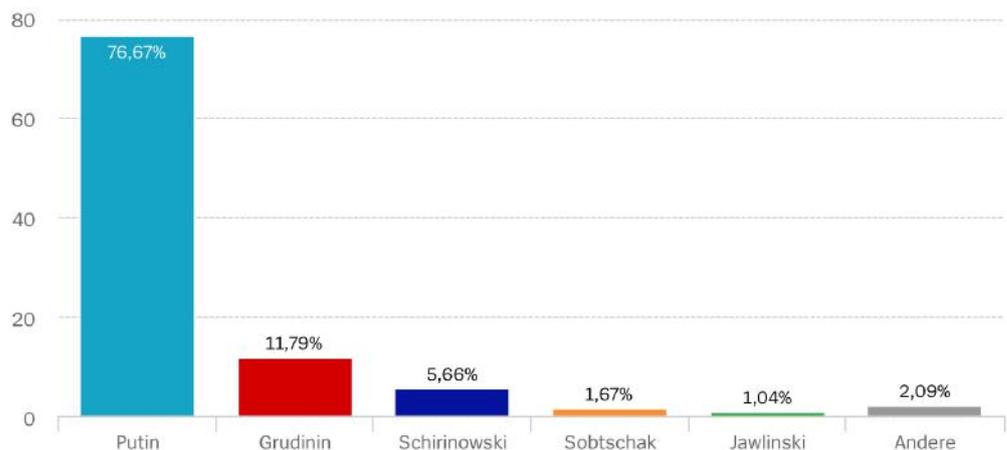
Creativity

Geo-political Commentary

“Political stability around the world”

Voters in Germany, China, and Russia all kept their prior leaders in place

In Russia, to no surprise, yesterday Vladimir Putin got reelected by a 76% majority of Russia’s total electorate.



In Asia, last week, China’s President Xi Jinping took a decisive step to becoming the most powerful Chinese leader in decades following the National People’s Congress’ decision to scrap the two-term presidential limit from the constitution on 11 March. The NPC meeting unveiled the economic targets for the year, which are broadly unchanged from last year’s goals, and disclosed further economic reforms. The congress this year was partially overshadowed by fears of a global trade war following US President Donald Trump’s decision to impose tariffs on steel and aluminum imports on March 1st.

Xi will have now the chance to continue with the implementation of his “New Era” for China beyond 2023, when his 2nd term ends. His vision includes deep economic reforms and a greater role for market forces in the economy, but always under the control of the Communist Party of China. Xi will continue to strengthen China’s presence outside the country’s borders through, for example, the One Belt One Road initiative, and seek a more prominent role in the global political arena.

The strengthening of China’s military capabilities will remain among Xi’s top political priorities. On the downside, the promotion of Xi as China’s undisputed paramount leader could fuel political infighting within the party in the long run. The 2-term limit had been China’s main institutional mechanism to ensure peaceful power transitions. The decision to end term limits gathered unprecedented support among deputies, with only 2 dissenters out of the 2,980 members of the legislative body. The NPC has a largely ceremonial role and is fully controlled by the government, the revision received the strongest backing among recent constitutional changes, signaling Xi’s strong grip on power, with the NPC strengthening the party’s dominance over the state. The sentence referring to the leadership of the Communist Party of China as the most fundamental characteristic of Chinese socialism was moved from the preamble of the constitution to its main body.

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Global Macro News

In Asia, the BoJ holdings of Japanese government debt rose to a record in October-December under its QE program, underlining concerns about the sustainability of monetary policy, totaling JPY 449 Trn (\$4.2 Trn) in government debt, up 6.8% y-o-y central bank data showed today (41.1% of all government debt at the end of December). Insurance companies and pensions were the 2nd largest holders with 21.6% of all bonds outstanding. Overseas investors' holdings of Japanese government debt rose to a record of JPY 122 Trn at the end of December. The BOJ has slowed the pace of government debt purchases since it switched its policy benchmark in September 2016 to targeting interest rates from the size of the monetary base.

In Europe, **Olaf Scholz, German Finance Minister is "seriously concerned" about a trade stand-off with the US, and that free trade is being put at risk, and that protectionism is not the answer to the difficulties of our time.** The situation is serious, and that Germany would continue talks to dissuade the US from imposing planned punitive steel and aluminum tariffs."

Economic growth in the UK will remain at the bottom of the G7 group of advanced countries until at least the end of the decade, the British Chambers of Commerce has warned, however, it upgraded its GDP forecast for this year from 1.1% cent to 1.4% and raised its outlook for 2019 from 1.3% to 1.5%.

In the Americas, **45 US trade associations representing some of the largest companies in the country are urging President Donald Trump not to impose tariffs on China, warning it would be "particularly harmful" to the US economy and consumers.** The organizations said in a letter sent to Trump on Sunday that potential tariffs on China would raise prices on consumer goods, kill jobs and drive down financial markets. The letter marks the latest in a growing rift between Trump and the business community on trade policies, as the president has begun to take more aggressive steps he says are needed to protect domestic industry.

The Philadelphia Fed Business Outlook Survey came in at 22.3, just under the consensus for 23.0. But analysts noted that "rarely in its 50-year history has the Philly Fed's manufacturing report shown such unusual strength and with it, unusual capacity stress". They went on to point to the surge in new orders and unfilled orders, further characterizing it as "enormously strong". Further underscoring those sentiments was the Empire State Manufacturing Survey, which jumped up to 22.5 from last month's 13.1 and views for 15.0. Friday, **the JOLTS labor market survey for January revealed that the number of American's counted as not in the labor force dropped by 653,000 in February**, while the labor force itself increased by 806,000. The unemployment rate has been at 4.1% since October, lowest since December 2000.

US homebuilding fell more than expected across America last month as a dive in the number of multi-family housing units being started offset a second consecutive monthly increase in single-family projects, according to a reading on US housing starts and permits from the Commerce Department. Housing starts declined -7% to a seasonally adjusted annual rate of 1.23Mn, and data for January was revised up to a groundbreaking increase of 1.329Mn instead of the previously reported 1.326Mn.

US industrial production rose the most it had in the last 4 months in February thanks to strong output gains in the manufacturing and oil and gas sectors, with total industrial production, which includes that from factories, mines and utilities across the nation, expanding by 1.1% during the month, topping analysts expectations for a more reserved 0.4% gain, the FED said on Friday.

US consumers confidence hit a 14-year high in March, as lower-income households were said to feeling more optimistic about the nation's economy, according to the University of Michigan, which said the preliminary result of its consumer-sentiment index came in at 102.0 for March (vs. 99.7 posted in February).

Equities commentary & charts

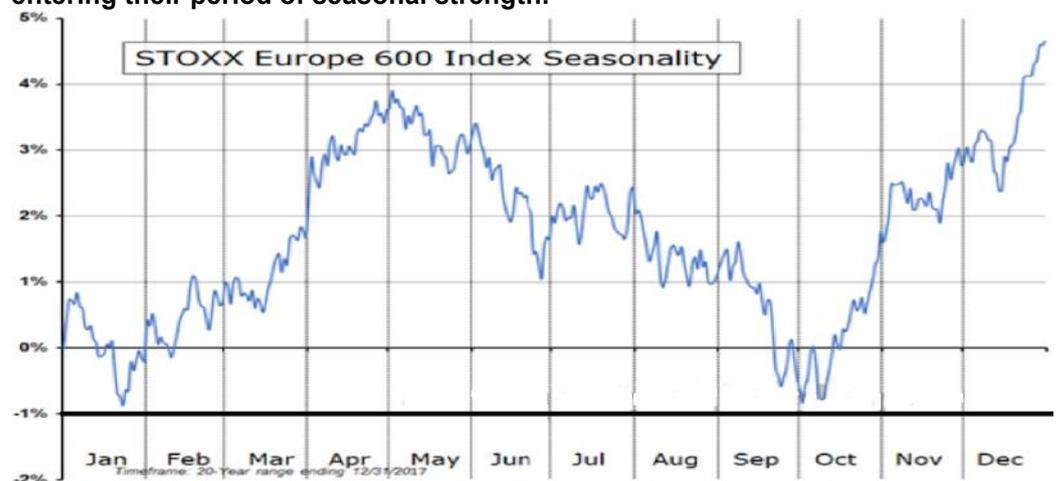
Y-t-d, \$9.8Bn has flowed into tech stocks, and \$7.3Bn into financials, while \$41Bn has flowed into emerging markets and \$31Bn into Japan. Nevertheless, shares around the world were stuck on their worst run since November earlier today, as caution gripped traders in a week in which the Federal Reserve is likely to raise US interest rates and perhaps signal as many as three more hikes lie in store this year. A near 1% drop for Europe's main bourses, amid a flurry of gloomy EU company news and weaker Wall Street futures meant MSCI's World index was down for a fifth day running.

Japan's Nikkei-225 ended down almost 1% in Asia as its exporters were hit again by broad-based strength in the JPY, which was up for 3 out of 4 days. The USD was off -0.3% at 105.69 JPY and not far from its recent trough at 105.24. It was a fraction firmer against a basket of currencies at 90.303, while the Euro eased -0.2% to \$1.2264

Concerns about the US budget and current account deficits, political chaos at the White House, better growth in competing countries, particularly Europe, and the risk of a US-led trade war, all weigh on investors dedicating new amounts of money into any asset classes. At the two-day G-20 meeting starting later on today in Buenos Aires, investors will monitor the talks on trade, and any signs of escalating stress between the US and China could make investors in Asia nervous.

World equity markets and economic sensitive sectors entered on schedule their second strongest period of seasonal strength in the year from the beginning of March to the first week in May. (Strongest period is from mid-October to the first week in January). Seasonal influences on a wide variety of European, US and Canadian equity indices and economic sensitive sectors tend to show strength starting near the beginning of March and continuing to early May. The March to May period is supported by encouraging CEO comments at annual meeting (coinciding with release of Q1 reports) combined by seasonally strong economic news related to the spring buying season (e.g. autos, homes spring clothing). **This year the March to May season for US stocks will be helped by strong gains in corporate sales and earnings triggered by changes in US tax laws.**

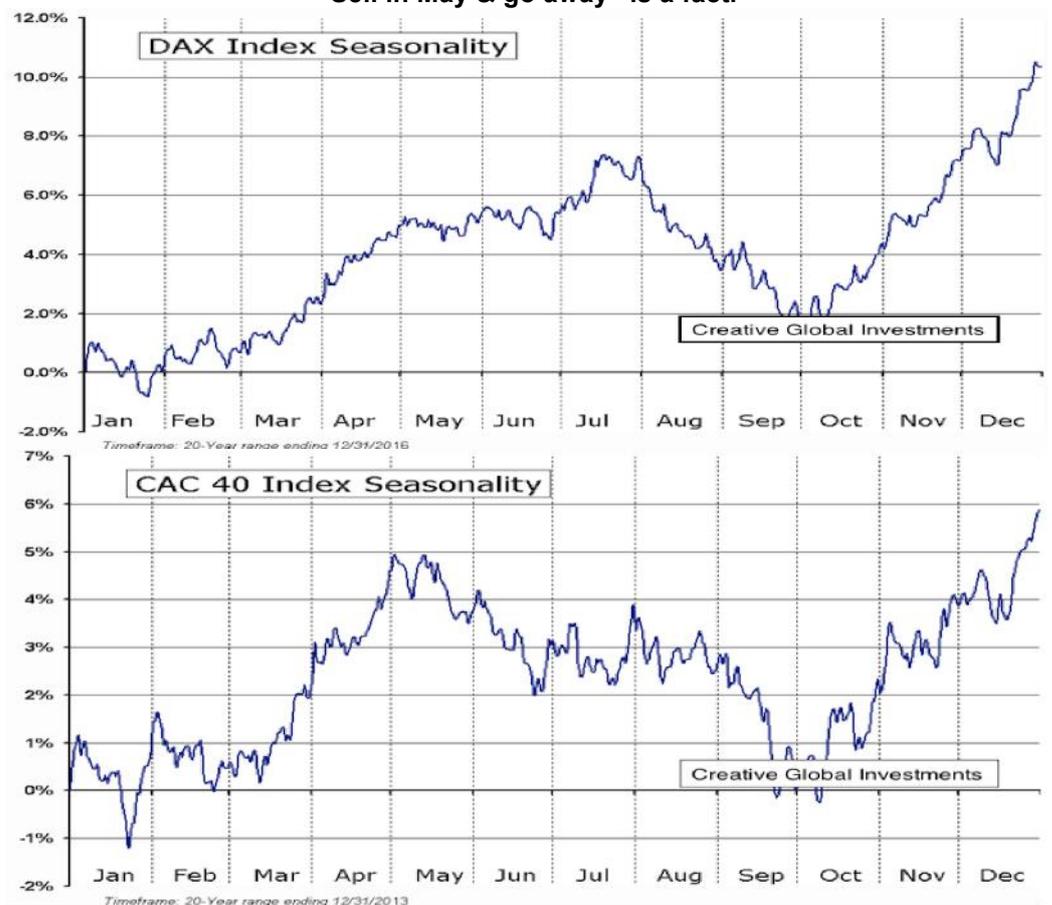
One of the reasons we see why international markets keep having more current troubles to recover is the fact that the respective currencies (EURO, Yen, Yuan, GBP, BRL, AUD, CAD) all have gained significantly over the past 18 months against the USD, and hence, earnings for 2018 and 2019 are going to be somewhat mitigated by the currency affect. Seasonally, European stocks tend to rise through to the start of May. We see any current weakness in European equities to provide investors with a buying opportunity for a seasonal trade in these sectors into spring. Energy and oil service stocks began showing technical signs of outperformance late last week, an encouraging technical sign prior to entering their period of seasonal strength.



However, we expect to see the USD weakness to resume due to the “Trump trade tariffs” and that could hurt European equities further. If bond yields keep rising however, we could see more declines for European equities, despite weakness from the Euro and Pound. Longer term, the seasonal affects for EU equities remain positive until early May. Again, this is due to the fact that most companies in Europe are paying out their prior year’s dividends after their announcements of full year results starting in February and lasting for some until the end of May. (The original causes of “Sell in May & Go Away”).

European high dividend-yield stocks have historically outperformed over the period of November to May, as fund managers are looking at the upcoming annual dividend payout season to own the high yielding stocks. Once post pay-out of the annual dividends, balanced fund managers tend to sell those stocks and “park” their clients money in either government bonds, currencies, or alternatives until October.

Hence, why there is such a seasonal performance disparity in those sectors: “Sell in May & go away” is a fact.



In the US, economic news this week will focus on the Federal Reserve announcement on monetary policy on Wednesday. Short term political uncertainties remain, including struggling NAFTA negotiations, rising trade war fears following proposed tariffs on aluminum and steel and increased scrutiny by special council on Russia’s influence on the Presidential election

Technical action by individual S&P 500 stocks remained bullish last week. Number of stocks breaking resistance totaled 40 while number of stocks breaking support totaled 4. The Up/Down ratio increased last week to (238/184=) 1.29 from 1.09. Medium term technical indicators in the US & Canadian Equity indices moved higher to neutral from oversold levels. Short term technical indicators for US and Canadian equity markets, commodities and most sectors (20 day moving averages, short term momentum) generally moved higher last week, notably in the energy sector.

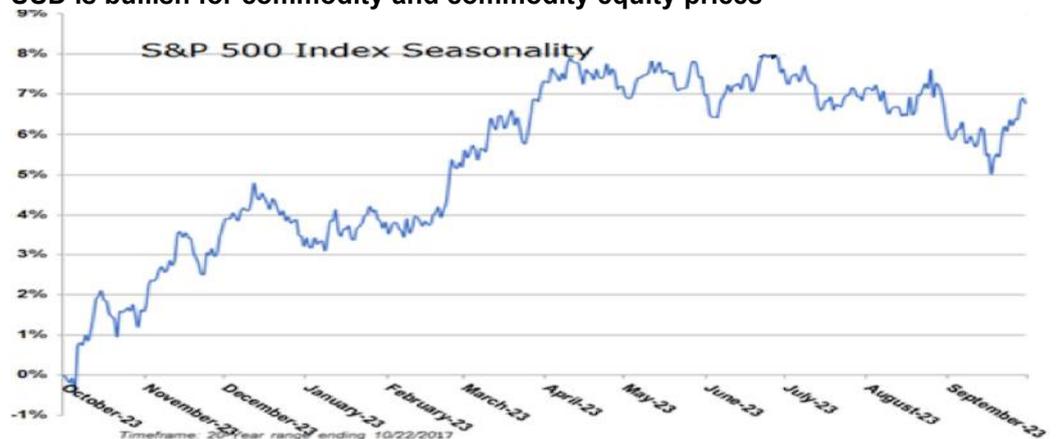
The outlook for S&P 500 earnings and sales remains very positive:

- 2018 Q1 earnings are expected to increase 17.0% on a 7.2% increase in sales.
- 2018 Q2 earnings are expected to increase 19.0% on a 7.5% increase in sales.
- 2018 Q3 earnings are expected to increase 20.8% on a 6.2% increase in sales.
- 2018 Q4 earnings are expected to increase 16.7% on a 5.4% increase in revenues.
- 2018 FY earnings are expected to increase 18.4% on a 6.6% increase in sales.
- 2018 earnings and revenue prospects for US based companies with international exposure remain good. Consensus for S&P 500 y-o-y earnings is expected to increase 18.4% in 2018. Earnings will benefit significantly from y-o-y weakness of the USD. Revenues and earnings from international operations are translated into USD's, such as a US based company with 50% of its earnings and revenues coming from international operations will see earnings and revenues increase by 6.8% from foreign currency translation alone following the current 13.5% fall in the USD from its high at 103.82 in January 2017. The USD averaged 100 in Q4 of 2016 and 101 in Q1 of 2017.

The USD peaked in November 2016 and has consolidated since January 2018. We do not think that this proves to be the final trough for the USD since its 14-month bear market started. All long-term technical and fundamental indicators continue to point south, so we keep our bearish stance and stick with our low-price-target of 80 for 2018 for the USD.



Commodities and commodity equity prices historically to move higher to at least early May (strongest period of strength) Strength is related to weakness in the USD and rising demand for commodities, most notably from China. Expected weakness in the USD and additional weakness in the Canadian \$ relative to the USD is bullish for commodity and commodity equity prices



Investors Sentiment Indicators

As per the latest **sentix** survey, the sentiment of investors is surprisingly neutral across all asset classes. The reason for this is increasing uncertainty, creating an area of tension, which should become apparent in the form of a trend movement in the short term. On the strategic level, however, the negative signs for equities and increasingly positive signals for bonds continue to dominate.

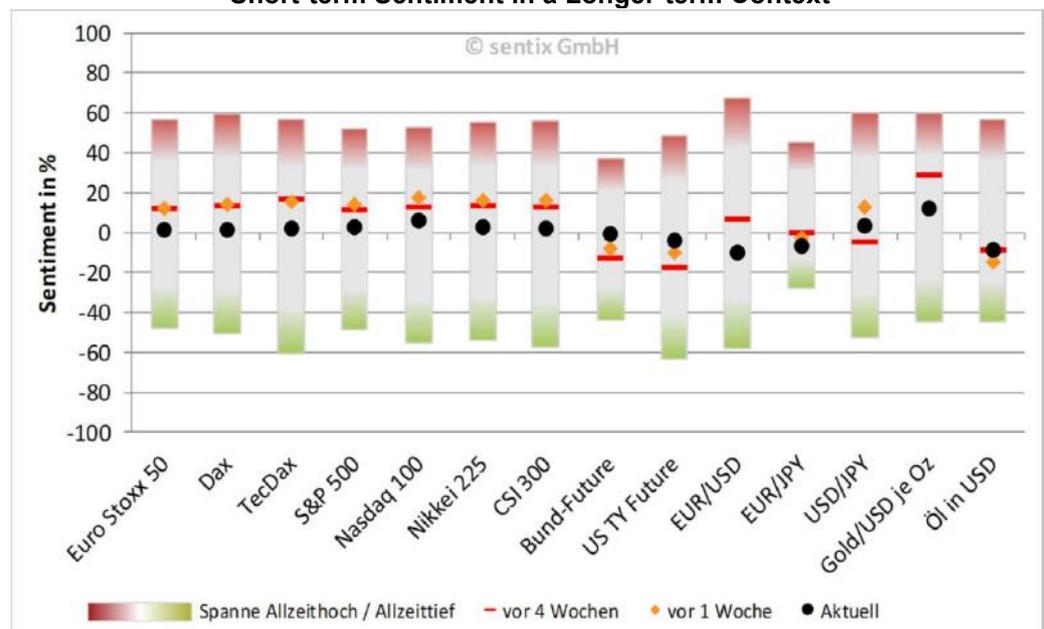
- **Investors are showing improvement in strategic bias towards bonds**
- **Investors are continuing to show a decline in bias towards Commodities, particularly Oil bias**
- **Investors are showing short-term bias towards Equities to decline, although investors have become modestly optimistic on the near-term prospects for equities, though at the same time they remain deeply downbeat on the medium-term outlook, as gauged by their strategic bias on indices such as the EuroSTOXX. Monthly survey questions on investors' views on sectors also point to underlying caution, with pessimism on defensive sectors such as**
 - **Telecoms**
 - **Utilities**
 - **Food & Beverages**

Signals from the sentix data universe / statistical highlights*

	DAX	TecDAX	ESX50	S&P 500	Nasdaq	Nikkei	CSI 300	Bunds	T-Bonds	EUR-USD	EUR-JPY*	USD-JPY	Gold	Rohöl
Sentiment														
Strategic Bias	X	X	X					X	X					X
Neutrality Index				X		X				X			X	X
Overconfidence Index														

* highlights markets for which the sentix indicators display extreme values

Short-term Sentiment in a Longer-term Context



source: sentix

Asian equity markets weekly charts

The BSE lost 131.14 points (0.39%) last week.

\$BSE looks to retest the 200-day MVA. Price remains below the 50-day MVA.

Short-term momentum indicators are Negative.



The Nikkei Average added 207.31 points (0.97%) last week.

Intermediate trend remains Neutral. Strength relative to the S&P 500 Index is Negative. \$NIKK might retest the 200-day MVA.

The \$NIKK remains below its 20-day MVA. Short-term momentum indicators are Neutral.



The Shanghai Composite Index lost 37.28 points (1.13%) last week.

Intermediate trend remains Neutral. \$SSEC remains ranging around the 200-day MVA. Strength relative to the S&P 500 Index is Negative.

The \$SSEC moved below the 20-day MVA. Short-term momentum indicators are rolling over.



The Hang Seng gained 505.76 points (1.63%) last week.

Intermediate trend remains Neutral. \$HSI could test the 32000 resistance.

The \$SSEC remains above the 20-day MVA. Short-term momentum indicators are Mixed.



European equity markets weekly charts

The DAX 30 added 42.90 points (0.35%) last week.

Intermediate trend changed from Negative to Neutral. \$DAX remains above the 20-day MVA. Strength relative to the S&P 500 Index is Negative. Short-term momentum indicators are Positive.



The CAC 40 gained 8.35 points (0.16%) last week.

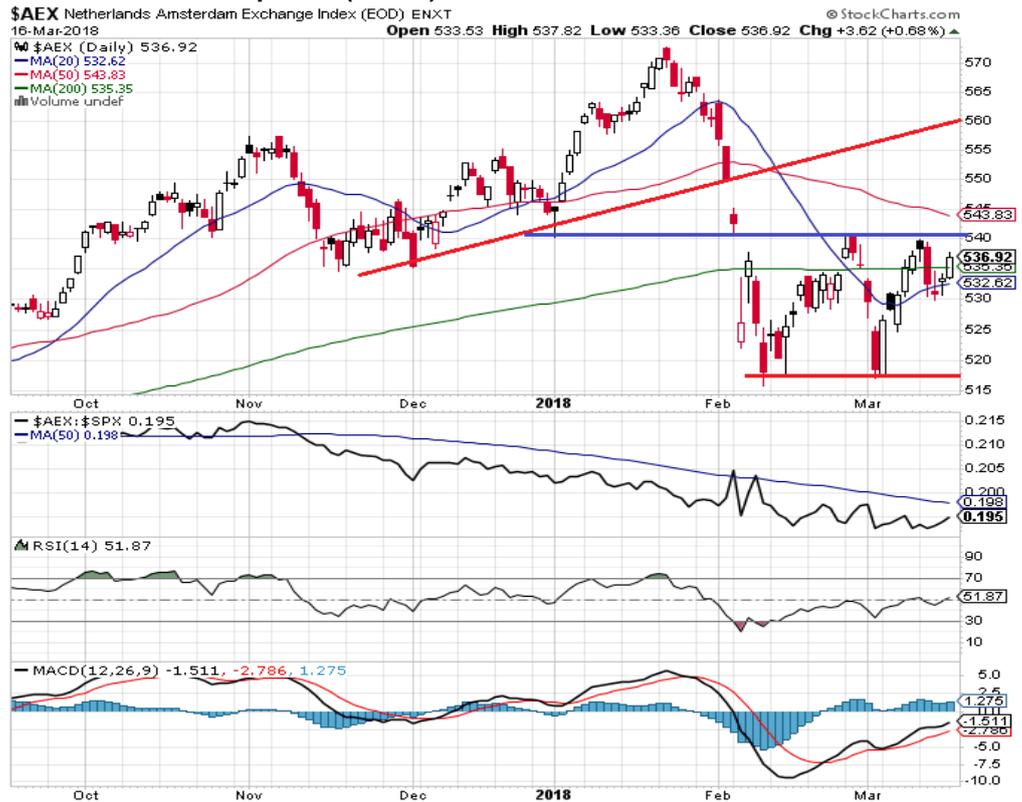
Intermediate trend remains Negative. \$CAC keeps rejecting from resistance /200-day MVA. Short-term momentum indicators are Neutral.



The AEX 25 lost 0.22 points (0.04%) last week.

Intermediate trend remains Neutral. \$AEX is ranging around the 200-day MVA.

Short-term momentum indicators are Positive.



The IBEX 35 gained 74.90 points (0.77%) last week.

Intermediate trend changed from Negative to Neutral. Strength relative to the S&P 500 remains Negative. Index might retest the 9900 resistance.

The Index moved above the 20-day MVA.

Short-term momentum indicators are Positive.



The FTSE lost 60 points (0.83%) last week.

Intermediate trend is Neutral. FTSE remains range-bound and close to support.
50-MVA crossed 200-MVA from above.

Short-term momentum indicators are Positive.



The RTSI dropped 29.65 points (2.31%) last week.

Intermediate trend changed from Neutral to Negative. RTS rebounded from the lower trendline but closed below the support.

Short-term momentum indicators are Negative.



The SMI lost 49.32 (0.55%) last week.

Intermediate trend changed from Neutral to Negative. SMI is forming a bearish channel. Price remains below the 50-day MVA.

Short-term momentum indicators are Neutral.



US equity markets weekly charts

The VIX Index added 1.16 (7.92%) last week.

Intermediate trend changed back to Neutral. The Index remains below the 20-day MVA. VIX rebounded from the lower trendline.



The S&P 500 Index lost 34.56 points (1.24%) last week.

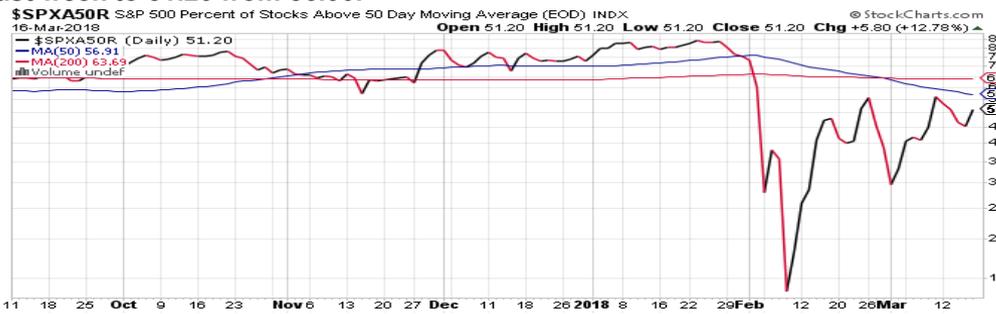
Intermediate trend remained Positive. The Index remains above the 20-day MVA. \$SPX failed to break the 2800 level.

Short-term momentum indicators are Neutral.



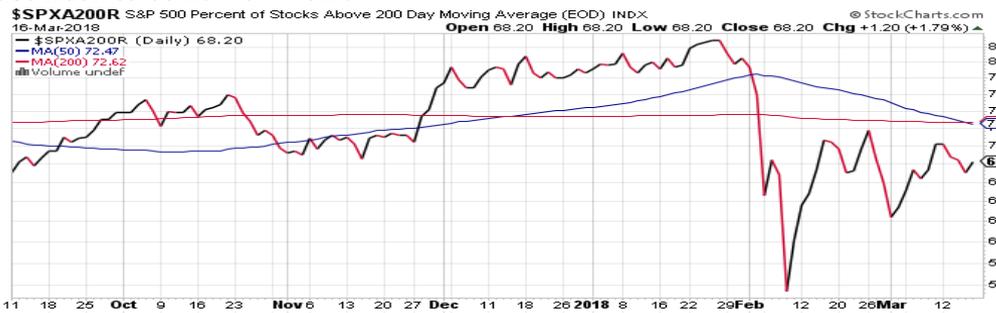
Percent of S&P 500 stocks trading above their 50-day moving average dropped last week to 51.20 from 56.00.

The Index remains below the 50-day MVA.



Percent of S&P 500 stocks trading above their 200-day moving average dropped last week to 68.20 from 70.20.

The Index remains below the 50-day MVA.



Bullish Percent Index for S&P 500 stocks rose last week to 61.60 from 59.40 and remained below the 50-day moving average.

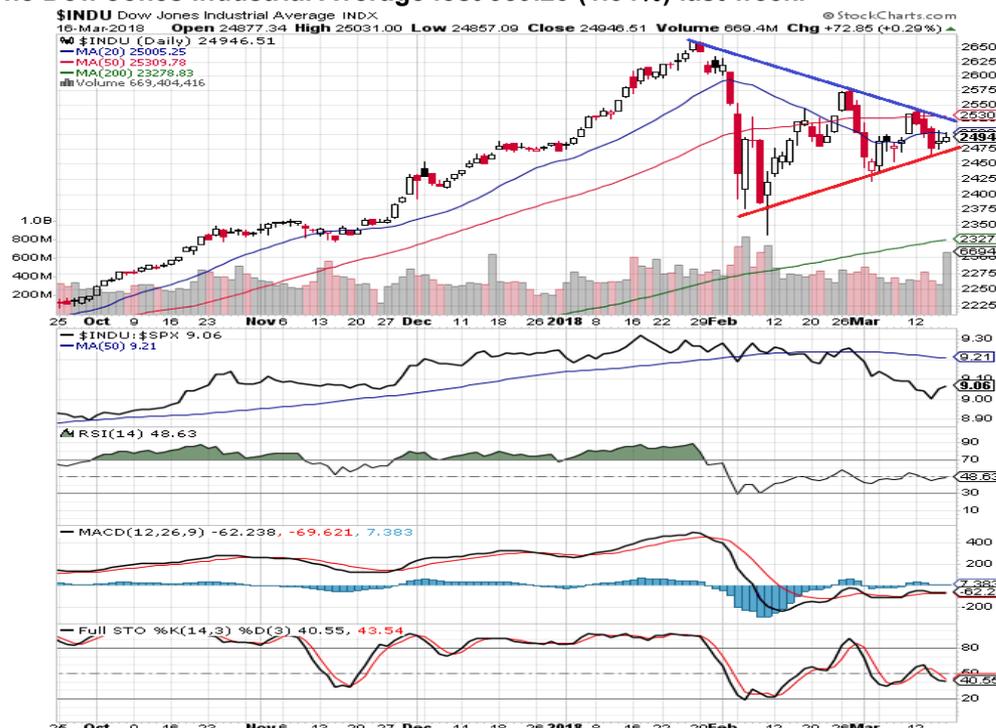
The Index remains below the 200-day MVA.



The Dow Jones Industrial Average lost 389.23 (1.54%) last week.

\$INDU is now in a fully formed Coil. Strength related to the S&P 500 is below the 50MVA.

The INDU moved below its 20-day MVA. Short-term momentum indicators are Neutral.



Bullish Percent Index for Dow Jones Industrial Average rose last week to 63.33 from 56.67 and moved below its 20-day moving average.

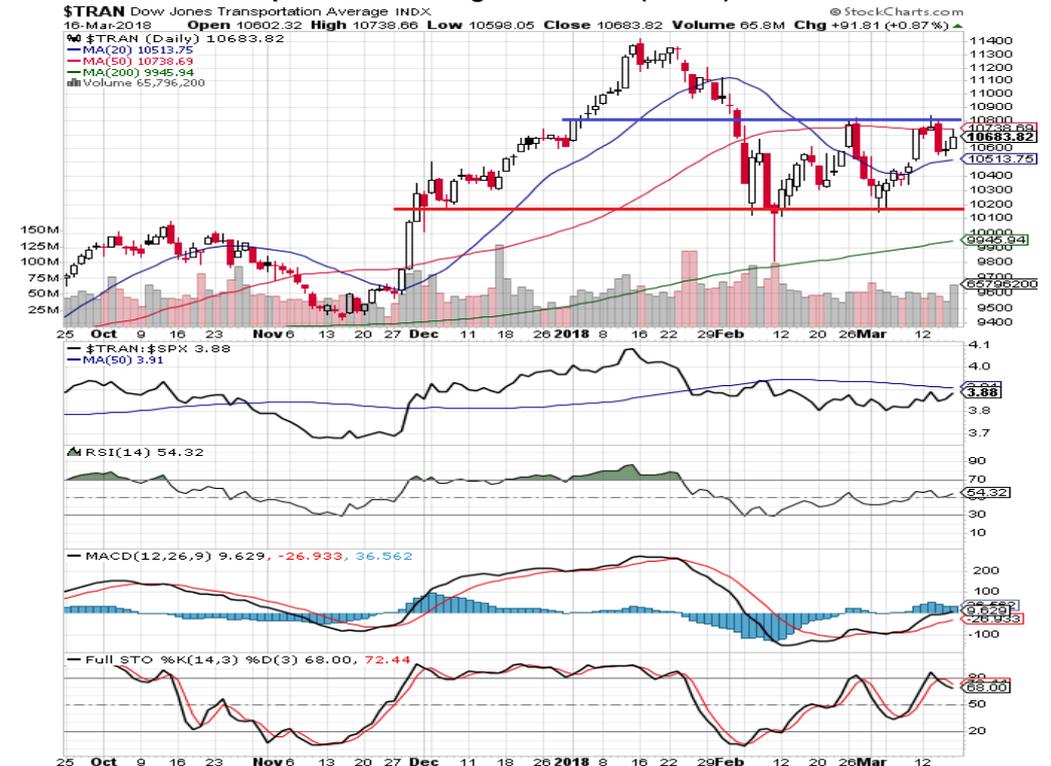
The Index remains below the 50-day MVA.



The Dow Jones Transportation Average lost 56.09 (0.52%) last week.

Dow Jones Transportation Index failed to break the 50-day MVA. Strength relative to the S&P 500 is Negative. The \$TRAN remained above its 20-day MVA.

Short-term momentum indicators are Positive.



Bullish Percent Index rose last week to 62.83 from 61.09 and remained above its 20-day moving average.

The Index moved above the 200-day MVA.

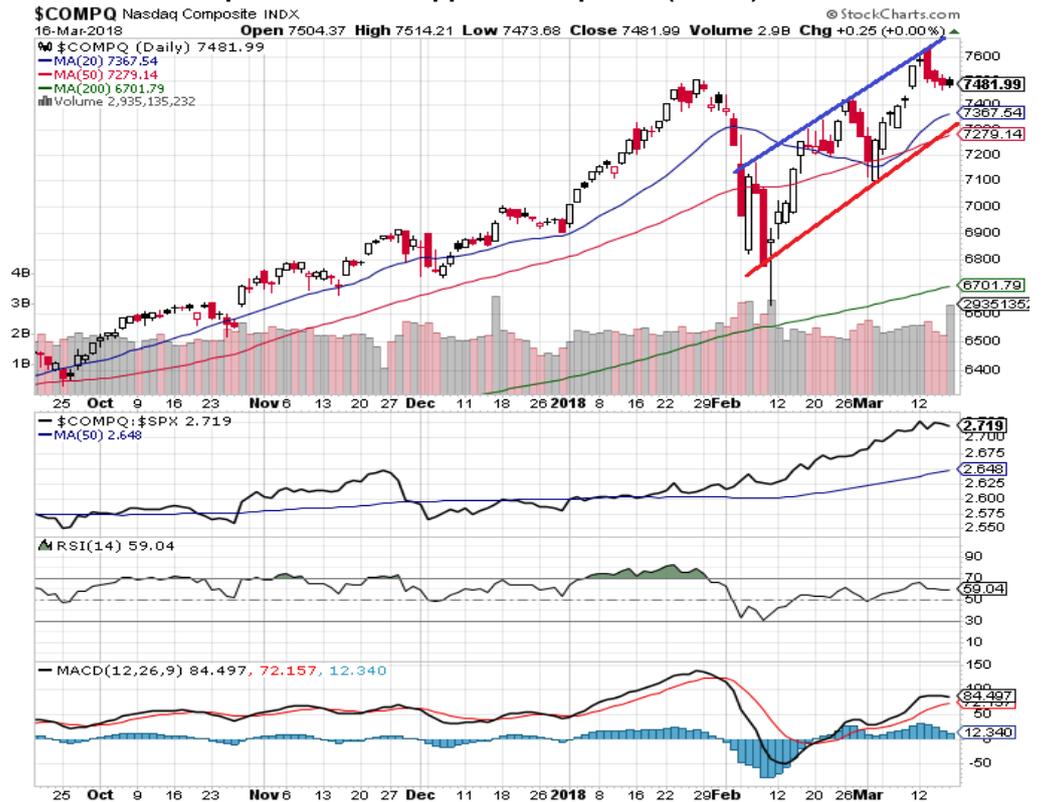


The NASDAQ Composite Index dropped 78.82 points (1.04%) last week.

Intermediate trend remains Positive. \$COMPQ rebounded from the upper trendline. Strength relative to the S&P 500 Index remains Positive.

The Index remains above the 20-day MVA.

Short-term momentum indicators are Mixed.



The Russell 2000 Index lost 11.09 points (0.69%) last week.

\$RUT is forming a bullish channel. Strength relative to the S&P 500 Index is Positive.

The Index remained above the 20-day MVA. Short-term momentum indicators are Positive.



The S&P Energy Index dropped 4.25 points (0.85%) last week.

Intermediate trend remains Neutral. \$SPEN is in a descending triangle. Strength relative to the S&P 500 Index remains Negative.

The Index remains above the 20-day MVA. Short-term momentum indicators are Positive.



The Philadelphia Oil Services Index lost 2.17 (1.56%) last week.

Intermediate trend is Neutral. \$OSX recaptured the 200-day MVA. Strength relative to the S&P 500 is Negative.

The Index moved above its 20-day MVA. Short-term momentum indicators are Positive.



The AMEX Gold Bug Index dropped 1.76 points (1.02%) last week.

\$HUI keeps close to the lower trendline. Strength relative to the S&P 500 Index remains Negative.

The Index remains below 20-day MVA. Short-term momentum indicators are Negative.



Americas equity markets weekly charts

The BOVESPA lost 1484 points (1.72%) last week.



\$BVSP remains close to the support and is forming a descending triangle.

BVSP remains above the 20-day MVA.

Short-term momentum indicators are Negative.

The Mexican Bolsa dropped 1078 points (2.22%) last week.



Intermediate trend remains Negative. **\$MXX** is retracing back to the important support. **\$MXX** remains below the 50-day MVA.

Short-term momentum indicators are Negative.

Bullish Percent Index for TSX Composite rose last week to 58.80 from 58.40 and moved above its 20-day moving average.

The Index remains below the 50-day MVA.



The TSX Composite Index gained 133.52 points (0.86%) last week.

Intermediate trend changed from Neutral to Positive. The Index failed to break the 50-day MVA.

The Index remains above the 20-day MVA. Short-term momentum indicators are Positive.



Percent of TSX stocks trading above their 50-day moving average rose last week to 41.39 from 36.73 % and remained below the 200-day moving average.

The index moved above the 50-day MVA.



Percent of TSX stocks trading above their 200-day rose last week to 47.13% from 45.71%

The index remains below the 200-day MVA.



EM equity markets weekly charts

Emerging Markets iShares lost \$0.54 (1.09%) last week.

Intermediate trend changed back to Neutral. Strength relative to the S&P 500 Index is Neutral. EEM rebounded from the 50.0 resistance.

Units remained above the 20-day MVA. Short-term momentum indicators are Neutral.



The Australia All Ordinaries Index dropped 14.20 points (0.23%) last week.

Intermediate trend remains Neutral. Strength relative to the S&P 500 Index is Negative. \$AORD is coming to an apex of the Coil.

The \$AORD moved below the 20-day MVA. Short-term momentum indicators are Neutral.



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Report completed: 03/19/2018 07:15 EST
Report first disseminated: 03/19/2018 07:20 EST

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