



Creative Global Investments

Morning market commentary & charts

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Objectivity

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Macro Commentary

Yesterday, it took just a few simple words from Fed Chair Janet Yellen to flip the "on" switch for risk-on assets yesterday. "Global developments have increased the risks" to the outlook and "given the risks, I consider it appropriate for the FOMC to proceed cautiously."

This does not come as a surprise to us. We had been forecasting for 2 years now, (aside the obvious December FED policy mistake) that there are currently no macro-economically based reasons for the FED or any major global central banks to feel pressured to raise rates, and we do not see any pressures to do so rising in the 6 – 12 months time horizon.

But is it really the global economy that worries Ms. Yellen and the dovish disciples within the FED?

Let's focus on one major data point which a lot of investors did not pay sufficient attention to last week, when the Atlanta Fed's real-time GDP tracking model with inputs from the Durable Goods report and the estimate for Q1 dropped from +1.9% to +1.4%.

That trend continued Monday after Personal Income & Spending squeezed the rest of the air out to just 0.6% growth. The problems are not outside the US economy, but well within it to

Whilst there are still outspoken hawks at the Fed feel that the US economy is ready now for more rate hikes (before they fall behind the inflation curve) we are differing vehemently, and apparently Ms. Yellen and the other dovish members of the FOMC remain also terribly afraid of derailing the current expansion.

We have been advising our clients to buy aggressively into global equities since the trough in February 2016, and as

But why do the doves feel they are so backed into a corner by what's going on in Europe, Japan, and China/Emerging Markets? Shouldn't Fed policy be focused just on the US outlook?

Global growth has slowed dramatically in the past year and it doesn't look any more promising now and for the next 6 months. That's why the European Central Bank (ECB) and the Bank of Japan (BOJ) opted for negative interest rates this year.

We would not exclude for Ms. Yellen to jump on the bandwagon of central bank chiefs to also push for negative rates, even within 2016, as she views moving away from the ECB and BOJ as suicide because hiking rates would re-launch strength in the US\$ and put further pressure on the domestic economy.

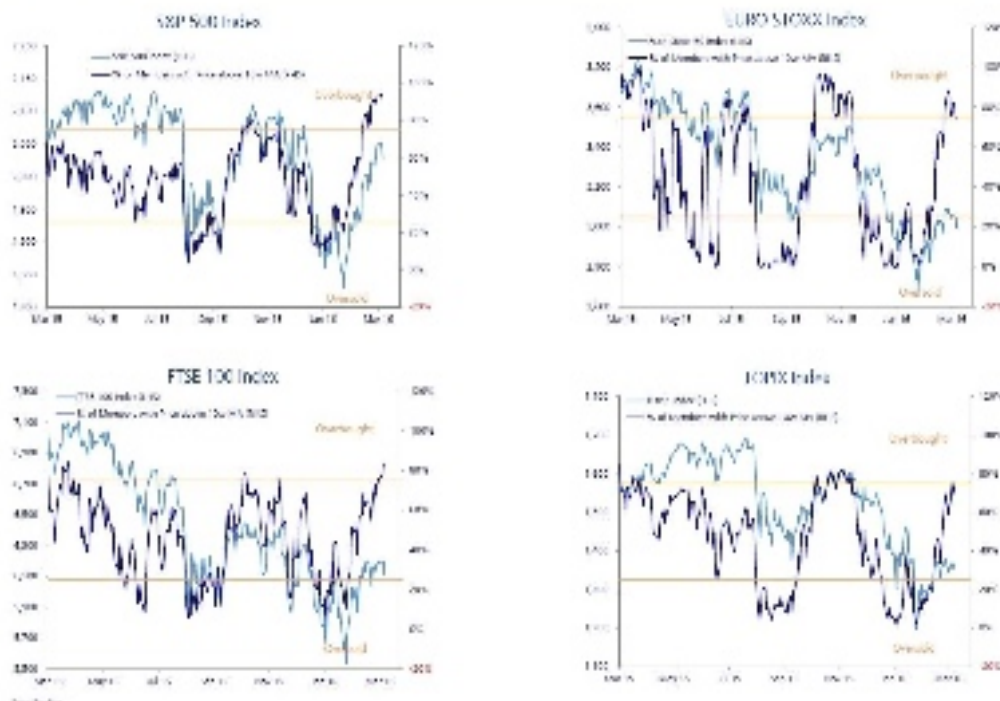
What Yellen definitely doesn't want right now is a stronger US\$ that kills exports and makes it harder for US companies to compete in a world of falling prices. **That's why we are convinced that she will remain steadfastly dovish this year and probably into 2017, which implies that the "risk-on trade" for investors is back on, and why we are advising to increase global equity weightings at current price levels.**

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Equities Commentary

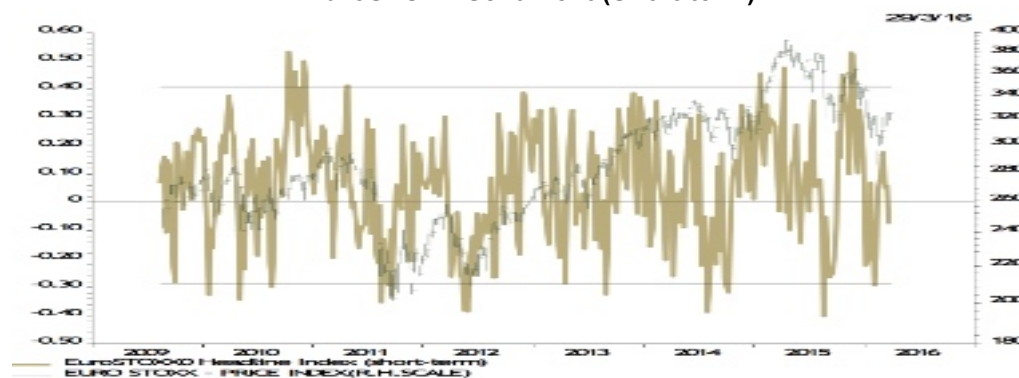
Are global equity indices overbought?

When looking at the major indices from S&P 500 to the EUROSTOXX, to the FTSE 100 to the TOPIX, it appears that relative to their 10 week moving averages, they are indeed at very extended levels.

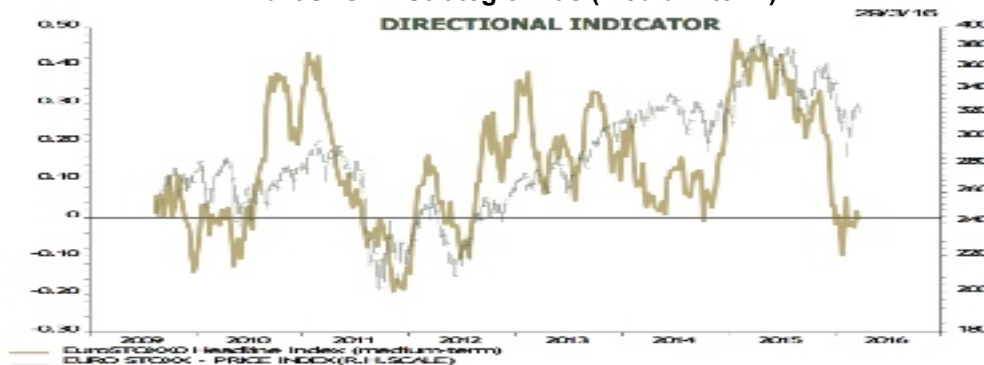


However, when looking at investors' sentiment, according to the latest **sentix** survey, investors are less downbeat on global equities, and particularly on Eurozone equities than they were in late-January/early-February, albeit survey participants continue to run with below average levels of over-investment in European equities.

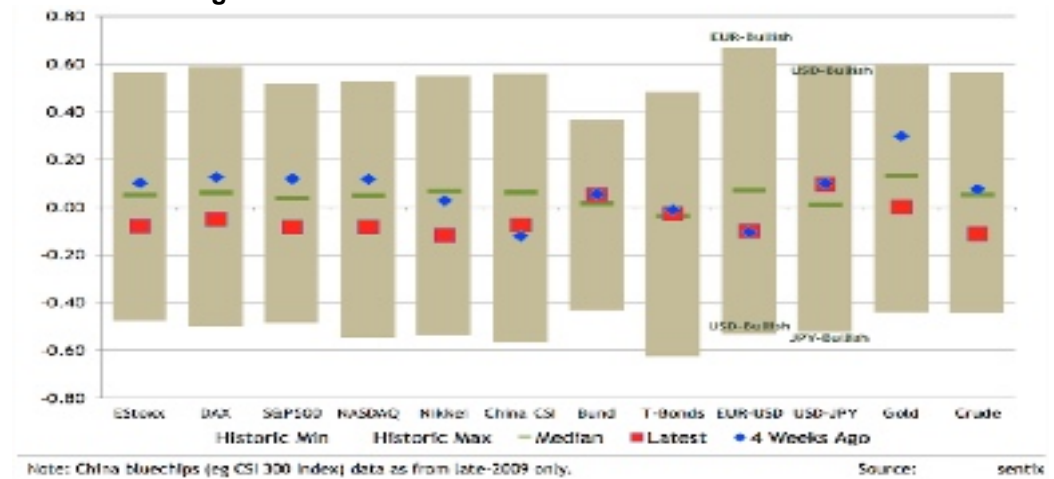
EuroSTOXX Sentiment (Short-term)



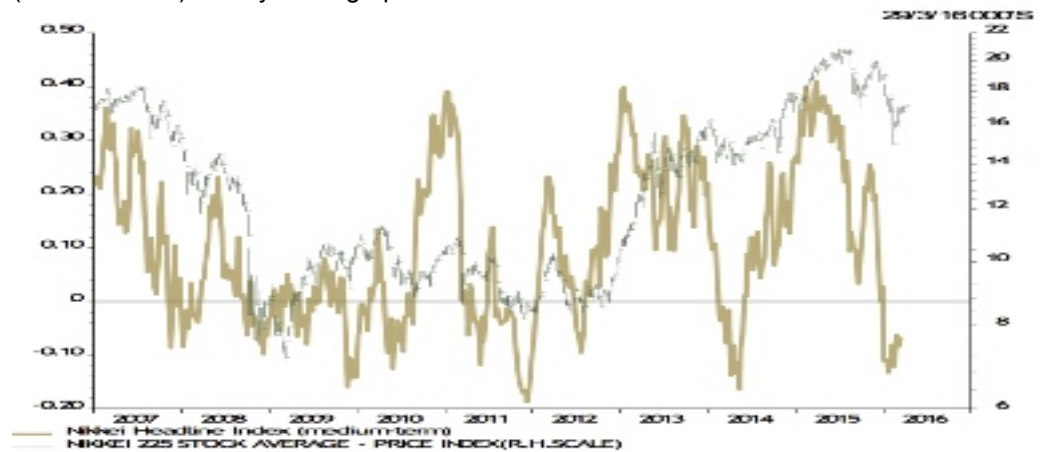
EuroSTOXX Strategic Bias (medium-term)



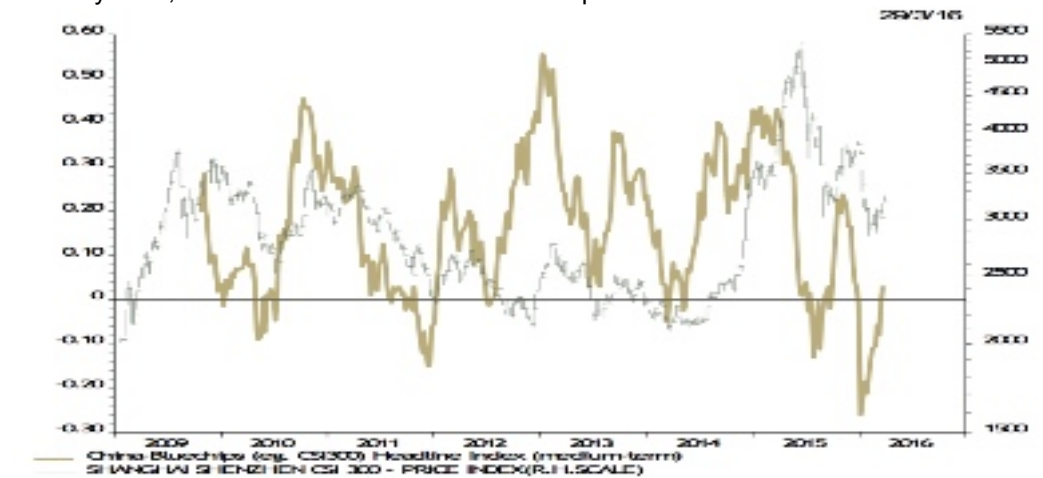
Investors' views on commodities, and implicitly on EM equity markets have also become less negative on the medium-term outlook in recent weeks.



Survey respondents have also become a little less downbeat on Japan from a medium-term strategic perspective, though Nikkei readings remain low in a historic context, with the medium-term strategic outlook for the Japanese Nikkei 225 Strategic Bias (medium-term) clearly turning up.

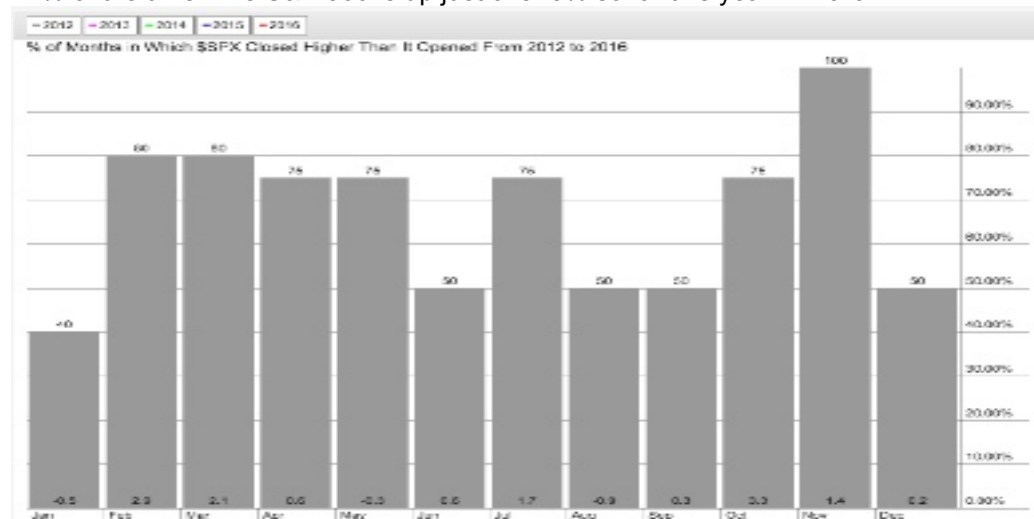


Similarly, survey readings on Chinese equities have swung sharply back from their January lows, in a move that chimes with a less pessimistic view on commodities.



Looking at global equity markets from a seasonal perspective, there seems to be another 3 – 6 weeks before that the US, European and Japanese and Chinese equities are hitting their highest levels of their period of seasonal strength.

The seasonal patterns for the S&P 500 over the last twenty years as shown in the chart below are very positive for the month of March and April. The bars show the percent of months that the S&P 500 closed positive and the numbers at the bottom show the average change. In the months of April, November and December the S&P 500 was up 74% of the time. The S&P 500 is up just over 5% so far this year in March.



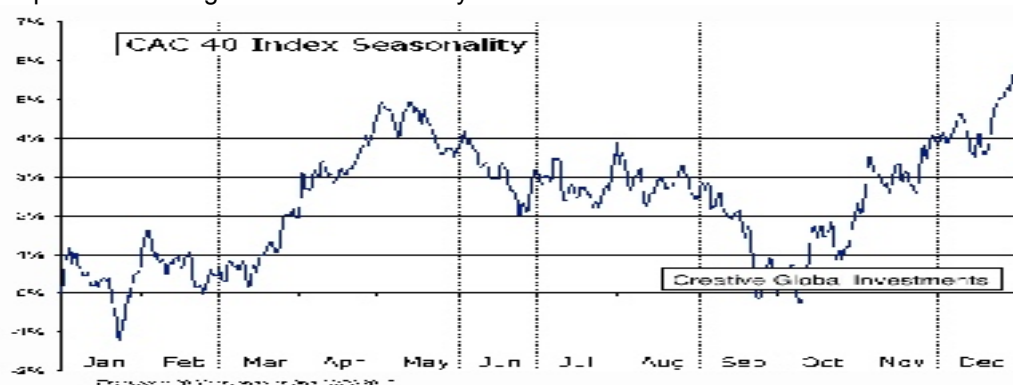
We believe the April bullish pattern with an average gain of +2.1% will likely be repeated, and possibly exceeded this year.



Seasonal influences of European equity markets turn higher at this time of year. Their strength relative to the S&P 500 Index is starting to turn positive.



The CAC 40 index has a similar seasonal pattern of strength as the DAX 30 index and its' period of strength lasts until mid-May.



Same for the IBEX 35 index's period of seasonal strength, which lasts until May.



UK equities represented in the FTSE 100 index traditionally have one of their best performances from a seasonality aspect in the month of April & May.



Some Asian equity markets are in the midst of their period of seasonal strength, such as the NIKKEI 225 index and the Shanghai Composite Index



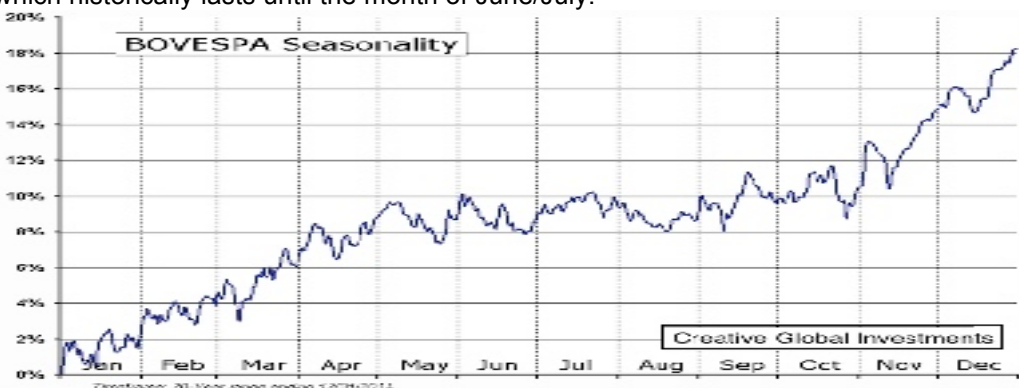
The SHANGHAI Composite index also experiences its strongest period in the month of March, due to Chinese fiscal year end phenomenon being March 31st.



The HANG SENG index is in the midst of its period of seasonal strength until early May.



One of our favorite equity markets for 2016 as recommended in our 2016 Global Investment Strategy Outlook has been the Brazilian BOVESPA index, which is up 16,7% y-t-d. The BOVESPA is only now entering its period of seasonal strength, which historically lasts until the month of June/July.



Looking at global equities from a technical perspective, the FTSE All World Stock Index (\$FAW) starting to find support at its 2011 peak.

Previous resistance becomes new support. That earlier message also showed the 14-week RSI line (top of chart) forming a "double bottom" near oversold territory at 30, which provided a "positive divergence" from the price action. It has since risen above 50-day MVA and broken a resistance line, suggesting that major momentum is now to the upside. The point of the earlier chart was to suggest the \$FAW was at a logical spot for global stocks to stop falling and start forming a new bottom. The FAW had lost -20% which skirted bear market territory. It has since regained more than half of its losses and is down less than -10%. Its shorter-term chart picture is also improving.



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