



Creative Global Investments

Morning Market Commentary & Charts

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Macro Commentary

Carlo R. Besenius
Chief Executive Officer
cbesenius@cg-inv.com



Creative Global
Investments/Europe
5, op der Heed
L-1709 Senningerberg
Luxembourg/Europe
Tel: +(352) 2625 8640
Mob: +(352) 691 106 969

Stjepan Kalinic
Market Strategist (CMT)
skalinic@cg-inv.com

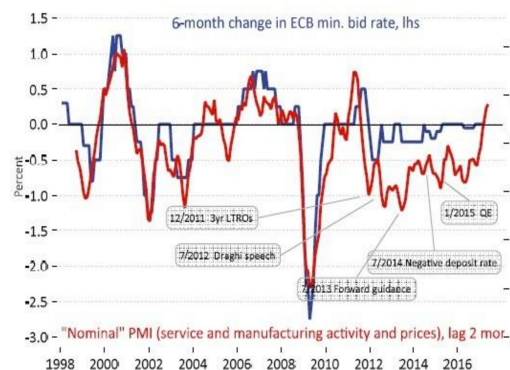


Creative Global
Investments LLC
115 East 57th Street 11th
Floor New York, NY 10022
Tel: 212 939 7256
Mob: +385 9152 95916

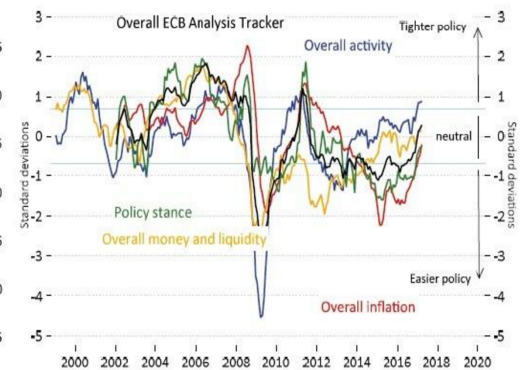
Objectivity
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In Europe, the ECB should start considering tightening policy as there is continuing evidence of stronger economic growth, a tightening labor market and a pickup in inflation, which implies that the ECB should now start considering tightening policy, signaled by the simple 'nominal' composite PMI index.

Change in ECB policy rate versus 'nominal' PMIs



ECB Analysis Tracker



We see this as a major factor, not priced in at all yet, and why there should be continued momentum building in the Euro against other currencies, and particularly against the US\$.



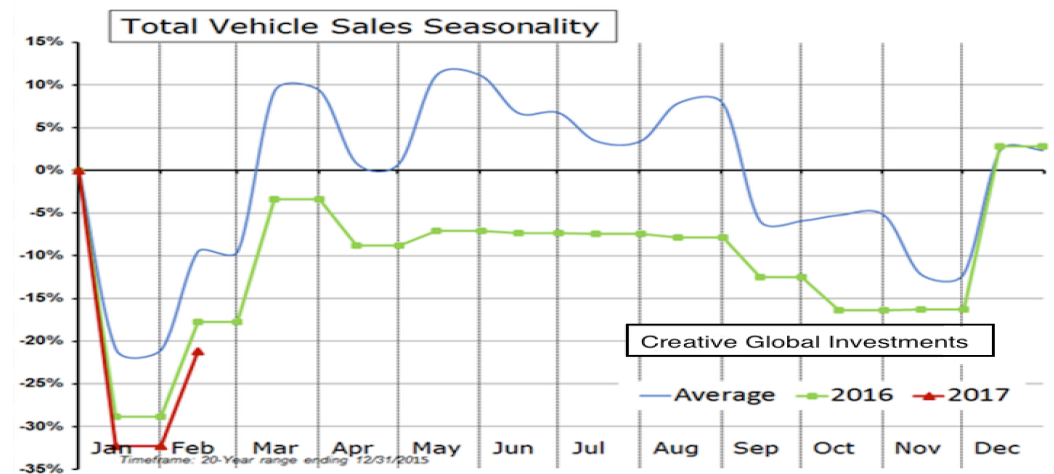
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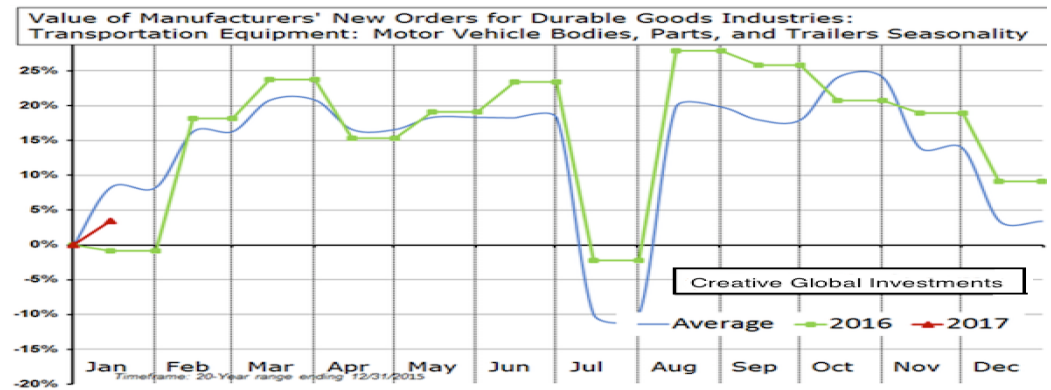


Whilst the opposite macro momentum is true for the US, where Markit's manufacturing purchasing managers' index fell to 53.3 in March from 53.4 a month earlier and below the 53.5 predicted. The ISM manufacturing index dipped to 57.2 in March in line with the consensus forecast, from 57.7 in February. US construction spending rose 0.8% in February, below the 1% consensus forecast. January's spending was revised up by 0.6%, but the net revision was only up 0.3%

More importantly, **US Consumer discretionary momentum is fading, evident by weak auto sales for the month of March, where the SAAR fell to an annual rate of 16.6 MN, a significant miss compared to the 17.4 MN forecast.**

As we were forecasting since the end of summer in 2015, yearly gains in auto sales had been declining consistently over recent years, leading now to more analysts to follow our call for "peak auto." New orders of motor vehicle parts have shown above average gains for the past few years as American consumers seek to maintain an ever aging fleet of automobiles, the average age of which is pushing towards 12 years.





US Equities Commentary

Consumer discretionary dragged upon the broad market benchmark as auto stocks fell under pressure following lackluster auto sales data for March. Total vehicle sales came in at an annual rate of 16.6 MN, a significant miss compared to the 17.4 MN forecast.

Shares of GM, Fiat Chrysler, and Ford recorded sharp losses on the day; auto parts companies fell in sympathy. Annual gains in auto sales have been declining consistently over recent years, leading more analysts to follow our call since January 2017 for "peak auto." The "big three" US auto OEM's shares are showing signs of resistance at their 20 and 50-day moving averages, Ford is forming a substantial bear flag pattern. The 3 stocks have seen momentum indicators negatively diverge from price since December, suggesting waning buying pressures even before Monday's weakness. **Seasonally, April has typically been the best month to sell the US OEM's.**





Tesla, (NASDAQ: TSLA \$297.65) the electric-vehicle OEM however, saw its stock jump over 7% to an all-time high on Monday, producing a market cap that exceeds that of Ford. Intra-day yesterday, TSLA stock had a total market capitalization of \$45.49 BN, versus Ford's \$45.45BN.

This is where the insanity has to stop.

Tesla had last year annual unit sales of 76,230. Ford had delivered over 6.6 MN units to customers in 2016.

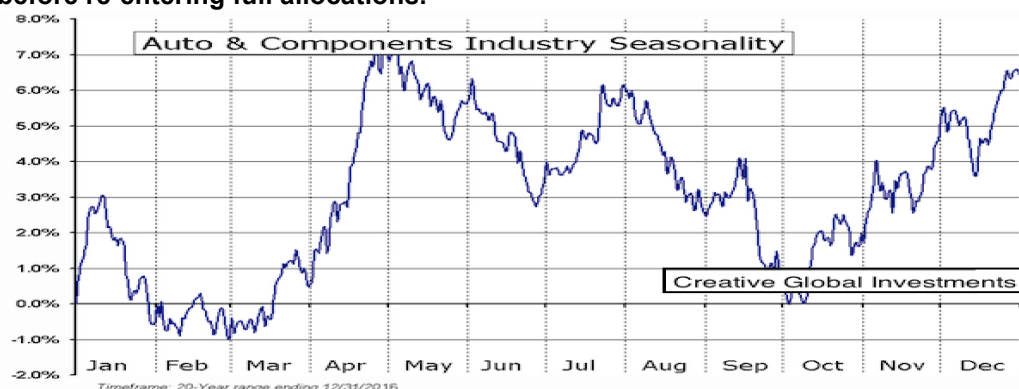
Another comparison of how ridiculously the market values TSLA is that one with BMW. Whilst BMW total electric vehicle sales were over 62,000 for 2016, only -18% short of TSLA's 76,230, BMW sold an additional 2,305,603 non-electric vehicles (total unit sales of 2,367,603 for 2016) last year. With the addition of the BMW 5 Series and the MINI Countryman plug-in hybrids in the coming months, the BMW Group will have nine electrified vehicles in its portfolio and is targeting electrified sales of 100,000 units in 2017. And BMW's market capitalization was EUR55.50 BN (\$59.15BN intra-day yesterday)?!@#

TSLA stock looks ridiculously expensive, and the chart technical outlook looks negative, with short term indicators at all time highs, and rolling over. **We see resistance just below \$300 and upside momentum will be constrained as it has for the past 3 years, and which is why we are advising investors to sell/short TSLA from current levels. Our 3-months price target for TSLA is \$220.**



New orders of motor vehicle parts have shown above average gains for the past few years as American consumers seek to maintain an ever aging fleet of automobiles, the average age of which is pushing towards 12 years.

Seasonally, the Auto & Components Industry tends to realize the strongest month of the year in April, benefitting from the uptick in sales into the spring. While yesterday's action warrants some caution, depending on the issue in question, some auto part companies, such as Magna, and Linamar, may have the fundamental backing to limit downside potential. **Positive seasonal tendencies for the parts manufacturers can stretch into the summer, however, with the US consumer toppling, we are expecting for the period of seasonal strength for the Auto & components Industry to come to an end earlier this year, hence why we are advising investors to sell/reduce all stocks on the sector and wait for -10% to -20% lower prices by mid summer before re-entering full allocations.**





Carlo R Besenius, CEO
Head of Global Strategy
cbesenius@cg-inv.com
office: +(352) 26 25 86 40
mobile: +(352) 691 106 969
Luxembourg/Europe
Stjepan Kalinic, Market Strategist/Technician
skalinic@cg-inv.com
office: 212 939 7256
mobile: +(385) 9152 95916
Kastel Sucurac, Croatia
Jennifer Crisman, COO
jcrisman@cg-inv.com
office: +(352) 26 25 86 40
Luxembourg/Europe
Gary Schieneman, Managing Director,
Global Accounting and Finance
gschieneman@cg-inv.com
office: 917-868-6842
New York, NY, USA

Steve Gluckstein, Global Strategist
sgluckstein@cg-inv.com
office: 212 939 7256
mobile: 732 768 8843
New York, NY, USA

Marc Peters, Head of Global Industrial Strategy
mpeters@cg-inv.com
office: +(352) 26 25 86 40
mobile: +352 621 36 44 50
Luxembourg/Europe
Allison M Cimon, Director of Sales & Technology
amcimon@cg-inv.com
office: 646 228 4321
Boston, MA, USA
Jennifer Crisman, COO
jcrisman@cg-inv.com
office: +(352) 26 25 86 40
Luxembourg/Europe

Sabine CJ Blümel, Head of Global Automotive
Research
sblumel@cg-inv.com
office: +44 (7785) 301588
London, UK

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