Creative Global Investments

Morning market commentary & weekly charts

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Objectivity

Integrity

Creativity

Global Macro Commentary

The Organization for Economic Cooperation and Development said its monthly leading economic indicator showed signs of stabilization in China, India and France. "The CLIs (composite leading indicators) continue to point to easing growth in the United States, the United Kingdom, and Japan, with a similar outlook now expected in Germany and Italy," it said in a statement. "In India and France, growth momentum is stabilizing. Signs of growth stabilization are also emerging in China and Canada," it said. On an index where 100 represents the long-term average, the OECD said the reading for OECD countries as a whole edged down to 99.6 in February from 99.7 the month before. The Eurozone economy remained at 100.5 in its latest review of conditions, with the indicator for France stable at 100.9 while it dipped for Italy from 100.8 to 100.7. The US reading edged lower, to 98.9 from 99.0, while the UK reading dipped to 99.1 from 99.2. Germany's indicator dropped to 99.7 from 99.8. China stood at 98.4, unchanged from the previous month. Brazil's reading remained at 97.7 while Russia stabilized at 98.2.

The World Bank lowered its 2016 growth forecast in the Asian region from 6.5% in 2015 to 6.3%, and 6.2% in both 2017 and 2018. The World Bank explained that the new forecast reflected China’s gradual shift to slower more, sustainable GDP growth growth of 6.7% this year, compared to 6.9% in 2015. In 2017 and 2018, the bank forecast a further slowdown to 6.5%. Excluding China, the region’s growth would accelerate from 4.7% in 2015 to 4,8% in 2016 and 4.9% in both 2017 and 2018.

In Asia, Chinese inflation came in worse than economists had expected, fuelling fears about the economy. China's consumer price index rose 2.3% y-o-y in March, falling shy of forecasts for 2.4% growth and remaining in line with the previous month. The producer price index fell 4.3% in March from a year ago, compared to analysts' estimates for a 4.6% decline and a 4.9% drop in February

In Europe, the German economic ministry said today that the economy had accelerated at the beginning of 2016 thanks to internal demand. “The German economy has picked up speed at the start of the year,” the country’s Federal Ministry for Economic Affairs and Energy said its monthly April report. However, the OECD leading indicators told a different story with the reading for Germany slipping to 99.7 from 99.8 in January.

In the US, wholesale inventories declined by 0.5% m-o-m in February (consensus: -0.2%), together with large downward revisions to the prior month's reading. Again to no surprise to us, the weaker than “expected” data led economists at Barclays, Goldman Sachs and JP Morgan to all pare their forecasts for US gross domestic product growth in Q1 of the year, to an annualized rate of just 0.2% from 0.7% in the case of the latter.

And yet, the Fed circus keeps making noises that it will raise interest rates several times this year, the markets are pricing in much lower odds of policy awakening from its slumber. While 75% of the economists (who are always the first to speak and the last to know) polled by the *Wall Street Journal* last week expect a June hike, the federal funds futures market puts the chances of the Fed moving at only 16% by June and 50% by December.

(Yet while the bond markets seems to be losing faith in the Fed, stock market investors remain calm. Every time "Mother Janet" promises to go slow, stocks move higher. If you want to jump off a cliff, why not make sure the cliff is as high as possible to inflict the most damage when you hit the ground?)

The Fed has covertly added a new mandate to its twin statutory mandates of containing inflation and promoting full employment.

The Fed's new and 3rd mandate is worrying about weak foreign economies and its fourth mandate is to make sure stock markets never goes down.

The Fed has far more power today than it did before the financial crisis. Some of this power was deliberately granted by Congress under Dodd-Frank to deal with the financial crisis, but much of this power was usurped by the Fed expanding its mandate without Congressional approval. The Fed is a complex institution that works in mysterious ways, but if Americans and their representatives don't come to better understanding that it is destroying their money and the economy, the consequences are going to be catastrophic. Investors have become slaves to the "Committee to Destroy the World".

One of the Fed's problems is to tackle remains lack of inflation. The Fed policy action is influenced by global uncertainty, and that warrants "caution" when raising interest rates. There were three exerts in the Minutes however that may pose a dilemma for the Fed's current cautious stance. These sections spoke to the following:

1. Asymmetry: "the Fed has little room to ease rates but could raise them quickly in case of an overheating economy."
2. Global data: "Weak foreign economic conditions, a persistently high exchange value of the US$ and tighter financial conditions—will continue to restrain US economic growth for a time and thus collectively imply a temporarily low level for the neutral rate of interest."
3. Central bank limit: "financial market turbulence provided an important reminder that the ability of central banks to offset the effects of adverse economic shocks might be limited, particularly by the low level of policy interest rates in most advanced economies."

The three issues suggest the Federal Reserve's dual mandate has a "third mandate", namely a global mandate. The global mandate consists out of global financial stability, global financial conditions and the global calendar of major economic releases. Although the dual mandate touts to be "data dependent", the Fed's global mandate is more "calendar based." In 2012-2014, calendar guidance by the Fed was explicit. Today, forward guidance re-entered the Fed's reaction function by way of global economic releases. If global uncertainty persist, the Fed's newly forward guidance by watching global economic events, may result in the "dot plot" to converge fully to market expectations. Those market expectations see Fed Funds currently below 1 percent by the end of 2018.

There is however another problem posed by the three listed issues. If the Fed were to proactively manage its dual mandate, it may come at the expense of its global mandate. If the Fed experiences "asymmetry ability" by having to raise rates quicker as the US economy now at full employment experiences a period of inflation overshooting, global financial conditions would tighten too quickly through the strength of the US$. This would adversely transmit through the global financial system by way of deeper negative rates in Europe and Japan, and distress in dollar denominated debt held in Emerging markets.

On the other hand, if the Fed manages the global mandate at the expense of the dual mandate, US interest rates are likely to fall more. This may spur capital flows from the US to seek alternative higher-yielding assets globally.

Although at first this capital flight may spark a "risk on rally", eventually global financial instability risks could reemerge as capital drives up global asset prices too quickly.

Managing a global mandate would also mean broader weakness of the US$ by way of lower US interest rates. The consequence of a weaker US$ is implicitly higher commodity prices, which may drive US and developed market inflation up quicker. Another effect from a weaker US$ is the strength of currencies such as Euro and Yen, which creates a perception of failure of ECB and BoJ policy.

Lastly a weaker US$ that helps stabilize the Chinese Yuan, may see a further increase Chinese FX US$ reserves. Such reserves are reinvested in liquid government bond markets, making it potent to lower global interest rates, compounded by Fed policy keeping US rates lower.

The dilemma the Fed faces is how to balance the dual mandate with a global mandate. The Fed can't go too fast raising rates or that could result in global turmoil. The Fed can't go too slow either or financial instability risks increase. What the Fed is left with is to provide an "automatic stabilizer" to global financial markets by way of lower long-term interest rates. This will keep the returns on Treasuries and Sharpe Ratios high by balancing Fed policy against global risk factors, and the process face potential inflation overshooting because of a weaker US$. The Fed's dilemma is global and the end result is global interest rates may post new record lows despite inflation may be rising.

Global yields & inflation

Source: monthly data & GDP IMF

About $10 TRN in stimulus by central banks globally has spurred many companies to misallocate capital. Investors have fled to safer investments such as US Treasuries and other assets, driving up the price of urban real estate and pushing down growth for companies doing business abroad.

The economy has decelerated partially due to “global overcapacity and increase of capital caused by cheap money from years of central banks’ stimulus -- a drug we should have been off of some time ago.

The Federal Reserve raised rates in December, ending years of near-record low interest rates. Officials have been debating how to tighten policy amid heightened global risks, and broadly agreed in a meeting last month to proceed cautiously.

We may see less-coordinated central bank policies with the Fed aiming to tighten but confounded by a strong US$ while the EU and Japan engage in continued monetary easing. Many emerging economies are suffering as well.

Central bank policies to stimulate growth following the financial crisis have in my judgment outlived their usefulness.”

So, consequently to failed central bank policies, one has to wonder if the Fed wants to be on purpose the first one to reverse course, in order to be able to unload some of its bloated $ 5TRN balance sheet in the form of bonds ahead of anyone else needing to do so. After all, first mover advantage might be the cautious reward.

Fixed Income Commentary

Continuation of low rates—then (2007) and now

What we can expect for the US is the continuation of low rates. The market (as expressed by the 30-day Fed Fund Futures prices) has discounted to less than 30% the possibility of any further rate increases in 2016. Treasury yields have dropped to new lows, more than reversing the December rate increase and taking rates down to new levels. High yield spreads continue to widen, causing some analysts to term the sell-off a “credit bear market.”

For investors, low rates are likely to continue for the next three years or more, but going forward, the context is different especially for non-bank credit alternative players who have been an important source of yield in a yield-starved market. It’s a good time to be more cautious than greedy in evaluating credit alternatives.

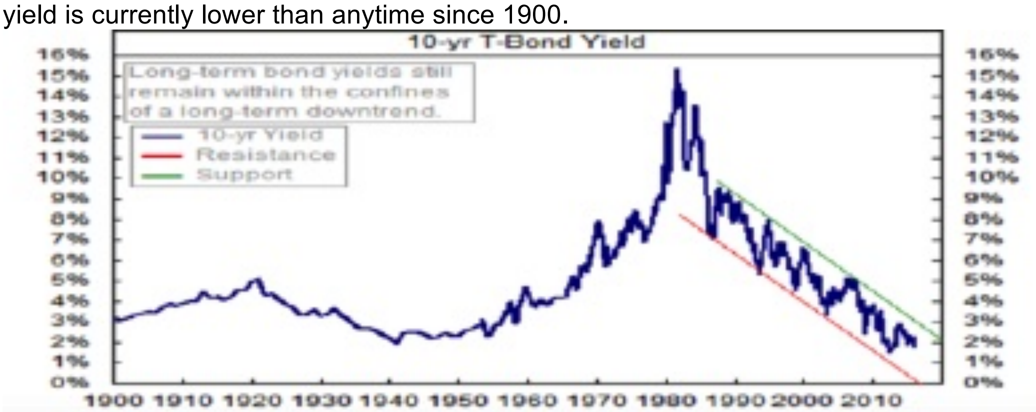
After the Global Financial Crisis, low base rates and QE fueled a 245% aggregate gain in major stock indices. The energy boom and strong M&A activity resulted in growing Fortune 500 profits. Credit alternatives firms including private debt and market place lenders stepped into the void left by banks–refinancing corporate debt, providing leverage to private equity transactions and pioneering new lending models to consumers and small businesses.

Eight years into a tepid recovery, equity valuations remain lofty, still only 10% below all-time highs. Global GNP growth is stalling within and outside the US, resulting in shortfalls in Fortune 500 earnings. Collapsing commodity prices have crushed the US energy industry. Corporate credit markets once again look a lot like they did in 2007: increasing leverage, widely syndicated participations, covenant-light documents, more subordinated and second-lien than senior secured loans.

Instead of sitting on bank balance sheets, these loans are being held by private debt firms, marketplace lenders and with retail investors via mutual funds/ETFs. They carry similar risks to pre-2007-era credits which nearly took down the U.S. banking system, but this time the risk is held in some new and unproven pockets that are both unregulated and uninsured. Pension funds and family offices alike need alternative low risk, yield products in the absence of attractive risk-reward returns in the corporate bond markets. Private debt firms, business development companies and marketplace lenders have emerged as the primary contenders to deliver a diversified source of cash yield via a scalable institutional-quality product. While these firms have done well since 2009 under favorable conditions, it’s an open question how they will perform in a period of extended turbulence.

Long-term interest rates are still trending down, as today's chart illustrates the 116-year trend of the 10-year Treasury bond yield (thick blue line). It is worth noting that the yield on the 10-year Treasury bond has been declining since the early 1980s. More recently, the 10-year yield has dipped below 2%.

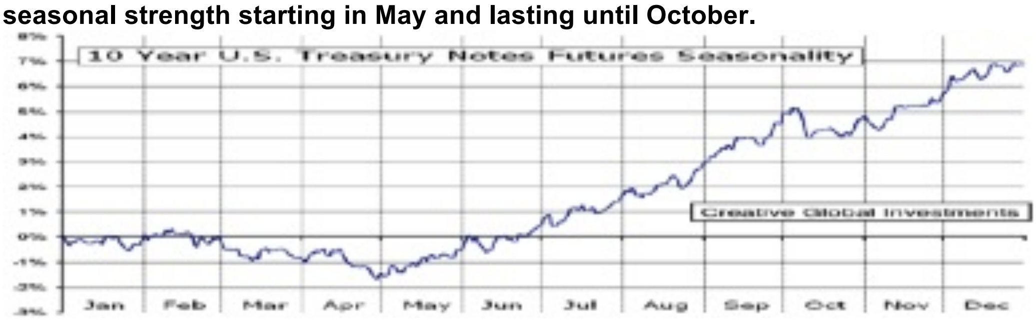
Except for a brief stint during the 2012-2013 time frame, the 10-year Treasury bond yield is currently lower than anytime since 1900.



The short term picture for the yield on the 10-year is negative, the $TNX is now half way to our Q2 yield target of 1.40%

Longer term, we still see global investors move into bond markets with the highest yield. The US 10-Year Treasury yield is much higher than Europe and Japan. That makes Treasuries attractive to global investors. As long as foreign yields keep falling, US treasury yields will continue to follow them lower.

We have been on record for 22 months, we see the 10-Year Treasuries yield drop to 1.40% in the coming 6 months, once that the $TNX will enter its period of seasonal strength starting in May and lasting until October.



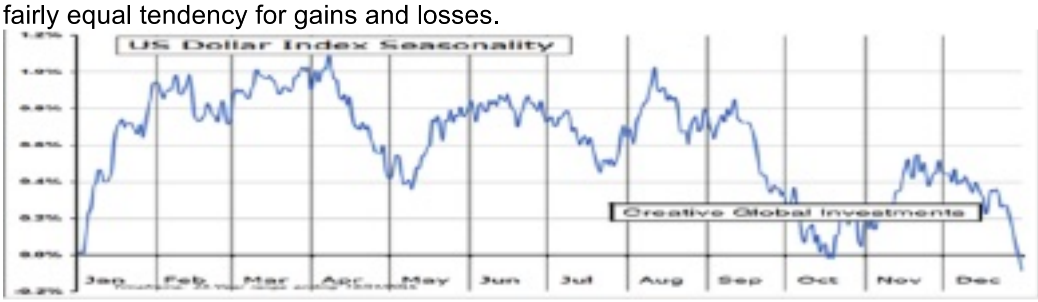
Currencies Commentary

The Yen was softer after Japanese finance minister Taro Aso said he might act against what he called one-sided yen rises, having surged to a 17-month high versus the US$ in the previous session. The drag from a declining spread between Japanese and US 10-year government bond yields, as US rates fall back, is the main reason behind recent Yen strength.

The next chart on the US$/YEN shows that the short term technical are still negative on the US$. However, the YEN is tremendously overbought, and we can see a "short covering-rally" on the US$/YEN to drive the price back towards the 112 levels.

In the meantime, the $USD is continuing its downtrend to likely retest the past 12 months established lower levels of its trading range between 92 and 100. **Again, we believe that the longer term trend for the US$ is clearly down from current levels. Our 6-months price target for the US$ remains at 88.**

Seasonally, direction of the $USD in the month of March is generally mixed, showing a fairly equal tendency for gains and losses.

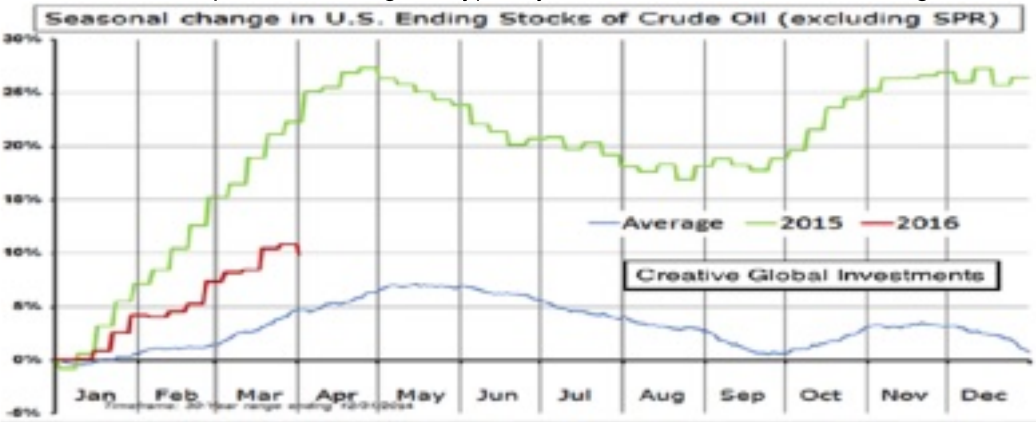


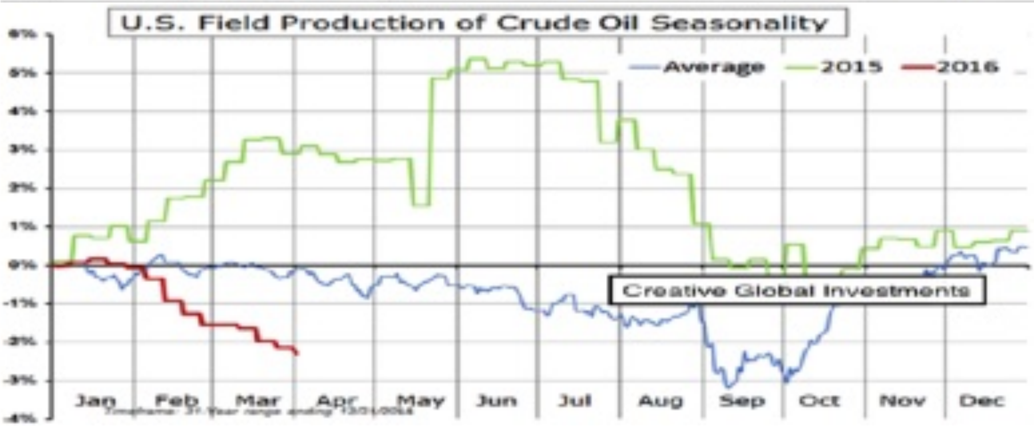
Commodities Commentary

The price of WTI surged by 5.68% as investors speculate that inventories are close to peaking as supply and demand fundamentals converge as we near the summer driving season. West Texas intermediate continues to solidify support at $35, a level that previously acted as resistance.

Crude inventories typically peak at the end of April/beginning of May, bringing an end to the peak period of strength for the price of the commodity. However, given the focus on inventory levels, don’t be surprised if the confirmed peak in storage levels brings upon further gains in the price given that domestic production continues to fall. US oil drillers cut the number of rigs in operation by eight to 354 - a 13-year low - in the week ending on 8 April, the latest weekly tally from Baker Hughes revealed

A second smaller period of strength is typically realized between June and August.





The price of WTI broke out above a long-term declining trend line on Thursday. WTI is up 53.4% for the year, and 19.1% so far this month alone, while Brent (the London equivalent) is up 34.5% for the year and 15.3% for the month. With prices above the psychological $40 level now, although the short term technicals are overbought, and in need to correct back towards $ 37 levels, we see upside risks for $WTIC towards $45 in the coming 4 – 6 weeks.

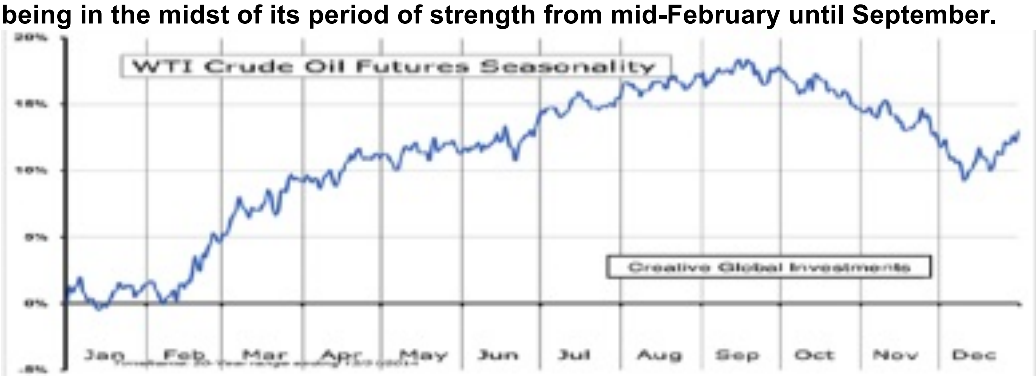
The American shale oil boom was good to investors. However, the shale boom has gone bust. There's still plenty of oil in the ground, to be sure, but oil's long bear market means American oil companies are in deep trouble.

During the boom times, shale extraction companies operated on loans, not revenue. So they depend on the ability to roll over their debt to keep operating. That worked just fine when oil was far more than $70 a barrel, but now these companies are seeing the value of their reserves - the collateral on offer in their loan deals - plummet.

Creditors have less and less collateral in case of default, so they're demanding higher yields. There's just no way these firms can roll over the billions in increasingly expensive debt - effective interest on this debt can be as high as 20% APR. Of course this is an unsustainable situation, and the reckoning is already well underway. We're on the verge of a lucrative wave of mergers and consolidation. The thing is, this "collapse boom" could be as big an opportunity as the shale boom - possibly even bigger.

Again, we have seen both the fundamental side (supply/demand+inventory adjustments) plus the chart technical side play out pretty much as we highlighted in our 2016 Global Investment Strategy Outlook. Both $WTIC and $BRENT have moved steadily higher since Q1 2016 as we were anticipating. We clearly have seen the bottom for $WTI has been set 3 months ago, and we are looking for higher prices in Q2 and Q3 to come.

We see the current trend for $WTI to continue, as the following chart shows $WTI being in the midst of its period of strength from mid-February until September.

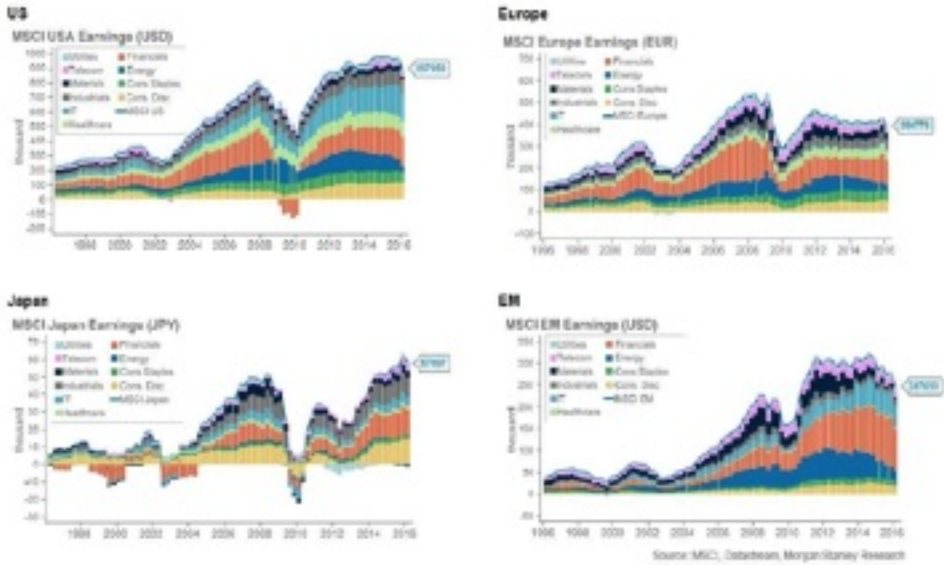


Equities Commentary

As per our 2016 Global Investment Strategy Outlook, we see sufficient macro economic and market technical evidence that we can comfortably say that we are in a "bear market" for equities.

Classical symptoms for identifying all prior bull markets, are the following phenomenon:

- ***Economic data turning lower*** (US GDP and Output data is lower than when the S&P 500 last made new highs with near recession level GDP estimates for Q1-2016).
- ***Corporate earnings growth slowing or going negative*** (in the US EPS for the S&P 500 have gone negative, and other parts of the world seem to follow)



- ***Valuations (as the charts below show) for US stock markets are above historical valuation norms*** (as the chart below shows), giving little reason, other than Ms. Yellen and her "tag-team" (Volker; Greenspan; Bernanke, all "coming-out" and saying "the US economy and stocks are fine" which means to us "take the money & run….. for the hills….) to rise more. The trailing P/E for the S&P 500 Index at 18.3, at the top of the post-recession range, the market certainly isn't cheap, which may re-ignite the valuation argument for sending stocks lower unless signs of growth re-emerge.

One additional concern we have with US equities is that the CAPE for US equities is at all-time highs, and also at close to all-time highs versus much better value European equities, as shown in the following chat, applying a CAPE valuation method.

- ***Duration of the current bull market***. This is currently the 3rd longest of the past 25 bull markets, and when looking at various technicals (erosion of breadth, lack of sectorial leadership, fewer stocks above 20-and 50-and day MVA's, VIX spiking/finding a bottom more often) it is very long in the tooth. The S&P 500 is showing the same topping formations discovered in the charts of the last 5 bear markets.

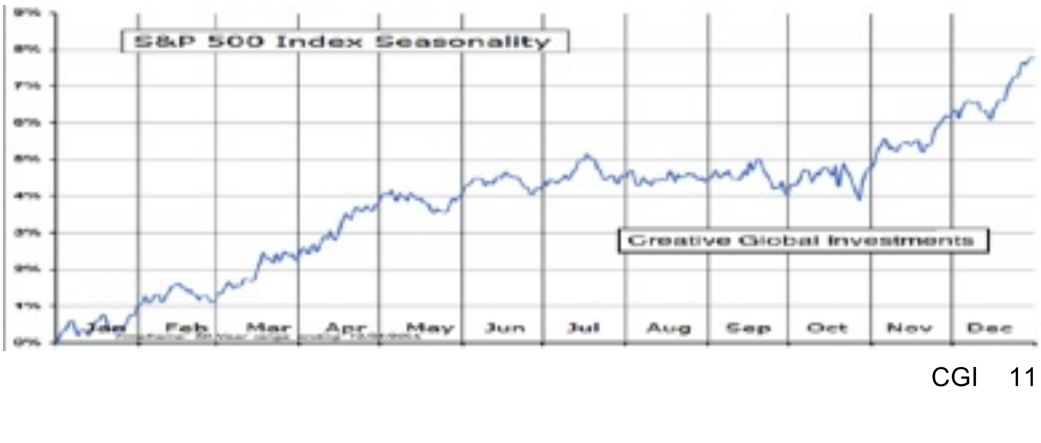
The S&P 500 Index, ended marginally higher by 0.28%, closing around the 20-day moving average that we've discussed exhaustively over the past few weeks. With earnings season set to begin, investors will be watching closely for a catalyst to fuel a break up above resistance between 2080 and 2100, or below support between 2020 and 2040; until then, a range-bound trade should be expected.

Momentum indicators continue to roll over, indicating declining buying pressures.

Momentum indicators have been trending lower for almost two years, although the strength of the latest rally does muddy the outlook somewhat. Where previous long-term declines in the equity benchmark have found resistance at the 50-week moving average, recently this has been tested as a level of support following the breakout in the middle of March. While the perspective between the weekly and the daily chart may differ, the conclusion remains the same, which is that we are waiting for that catalyst to either break overhead resistance or bust through underlying support.

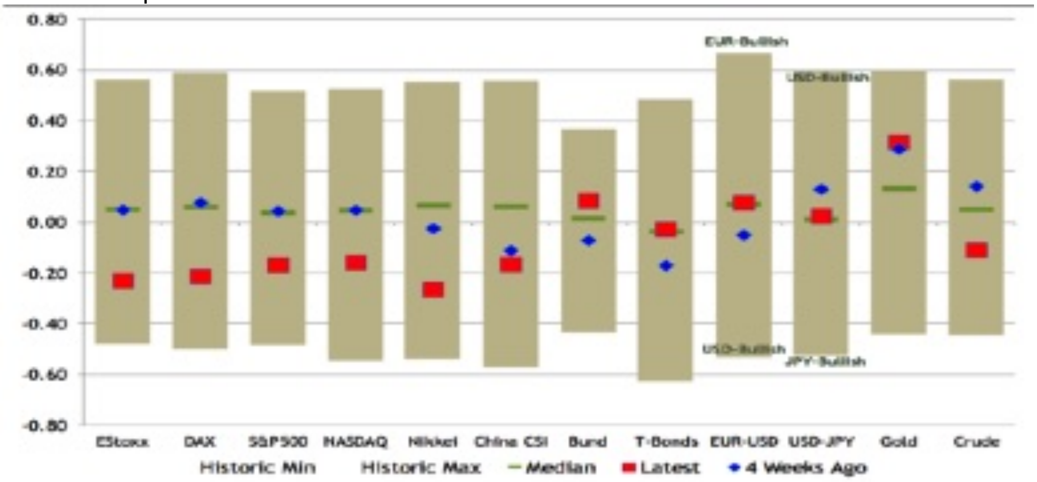
Stocks in the US are expensive, and interest rates on 10-year Treasuries are near historic lows as well. The easy money is now behind us, which changes the risk-reward of the market. The S&P 500 Index closed lower by 0.04%, led by the financial sector following the downgrade of benchmark constituent Wells Fargo. For the week, the $SPX charted its first weekly loss since early February as signs of waning buying pressures becomes apparent. Momentum indicators are starting to show early signs of rolling over, hinting that sell signals may be soon to follow. The benchmark tested the previously broken range of resistance between 1990 and 2020, bouncing firmly from this newly defined level of support into Thursday's closing bell.

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%. Seasonal strength for the broad market concludes in just over one month's time.



Weekly Investment Conclusion

The "safe heaven buying" of 10-Year Bonds and falling bond yields hurt the banking sector globally. Investors should become increasingly cautious and should be buying of Gold and commodities and foreign currencies. The latest ***sentix survey*** points to increased pessimism on the near-term outlook for US and Eurozone equities.



This is coherent with a reversal in opinion on the prospects for the Banks sector, based on the latest monthly questions on investors' views on the medium-term outlook for sectors relative to the European market. After a brief respite in March, investors' pessimism on Banks versus the market has returned to the fore this month, with sentiment readings dropping back to the low-end of their historic range. However, this does not appear to be part of a wider upsurge in sector risk aversion. Survey readings on Food & Beverage were little changed versus a month ago, while despite a modest pick-up over the month. Healthcare sentiment is still well down on last year's highs. Based on the latest survey findings, investors are most optimistic on Real Estate versus the market

Economic news this week is expected to confirm slowing growth in the US.

In the US, Q1 company earnings reports start to trickle in this week. Eighteen S&P 500 companies are scheduled to report. Focus is on reports by the money center banks. Consensus for S&P 500 companies is for a y-o-y decline of -9.1% in earnings and a -1.2% decline in revenues. Among primary sectors, seven of ten are expected to report lower earnings.

Prospects beyond Q1 for S&P 500 stocks are more mixed. Consensus earnings by S&P 500 companies on a y-o-y basis are expected to decline -2.7% in Q2, improve in Q3 by 3.8 and increase 11.0% in Q4. Consensus revenues are expected to dip -0.7% in Q2, improved 1.9% in Q3 and increased 4.3% inQ4.

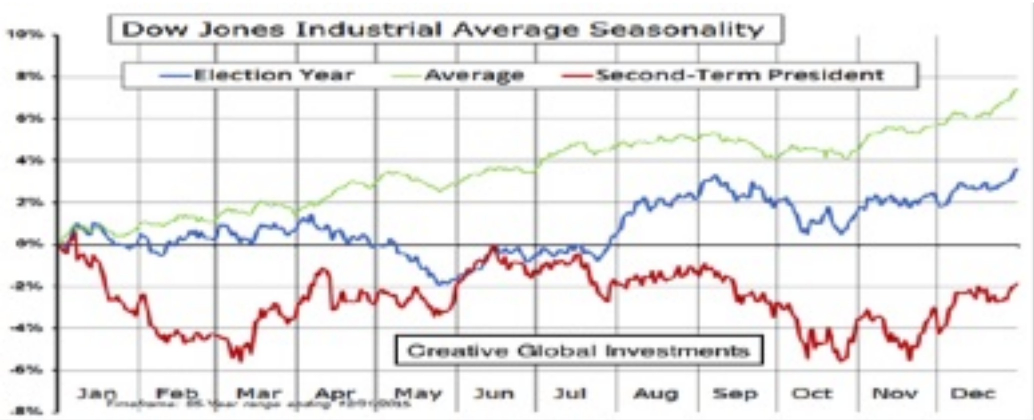
Prospects for Q1 results by major Canadian companies are more encouraging. Consensus for TSX 60 companies shows an average (median) y-o-y earnings gain of 1.2%.

Short and intermediate technical indicators for most equity markets and primary sectors are overbought and have rolled over. Technical action by S&P 500 stocks turned mixed last week: 16 stocks broke resistance and 15 stocks broke support. This is a clear sign that short-term momentum by individual equities in the Index has peaked.

Seasonal influences by most developed nation equity markets and economically sensitive sectors (Materials, Industrials, Consumer Discretionary, Financials) are positive until at least early May.

US equities are overbought, and particularly when relatively comparing to the 10-Y bond yields, the S&P 500 Index's divergence has gone too far: Something has to give, and we think it will have to be equities, especially as we approach another dismal US earnings season (low or negative earnings growth, high on cash and low on visibility)

US equity trends for US Presidential election years are down from now until late May. Notice that in a 2nd term Presidential election, US equities tend to trade lower from the month of June onwards till the election in November.



Sectors and markets that are outperforming the S&P 500 market during their current period of seasonal strength include

- European Equities
- Emerging Markets
- Brazilian equities
- Industrials
- Materials
- Financials
- Energy
- Base Metals
- Oil Services
- Retail
- Crude Oil
- Gasoline

However, once that global equities will have reached their peak of annual seasonal strength in late April/mid May, we then will be advising investors to be aggressively selling Chinese, Japanese, US and EU equities post their historic peak, as many macro-economic and political (US Presidential Election uncertainty) and geo-political risks likely will rise over the next 3 – 4 months into the later stages of summer.

US equity markets weekly charts

The VIX Index gained 2.26 (17.25%) last week.

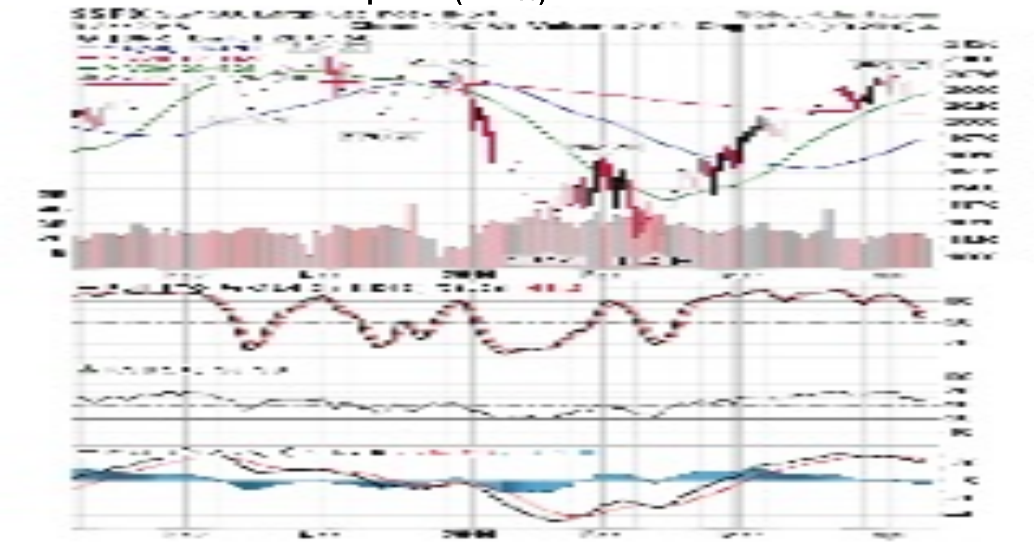
Intermediate trend remains down.

The S&P 500 Index fell 25.18 points (1.21%) last week.

Intermediate trend remains up.

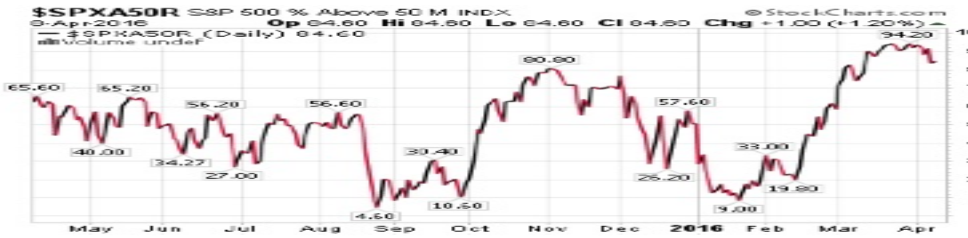
The Index recovered to above its 20-day moving average on Friday.

Short-term momentum indicators are trending down.



Percent of S&P 500 stocks trading above their 50-day moving average dropped last week to 84.60% from 93.40%.

The index remains intermediate overbought and is trending down.



Percent of S&P 500 stocks trading above their 200 day moving average slipped last week to 60.40% from 63.00%.

The index remains intermediate overbought and is showing early signs of rolling over.

Bullish Percent Index for S&P 500 stocks slipped last week to 76.40% from 78.40% and dropped below its 20-day moving average.

The Index is intermediate overbought and showing early signs of rolling over.

The Dow Jones Industrial Average lost 215.79 points (1.21%) last week.

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

The Average remained above its 20-day moving average.

Short-term momentum indicators are trending down.

Bullish Percent Index for Dow Jones Industrial Average stocks slipped last week to 90.00% from 93.33% and matched its 20-day moving average.

The Index is intermediate overbought and showing early signs of rolling over.

The Dow Jones Transportation Average fell 151.49 points (1.92%) last week.

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

The Average fell below its 20-day moving average.

Short-term momentum indicators are trending down.

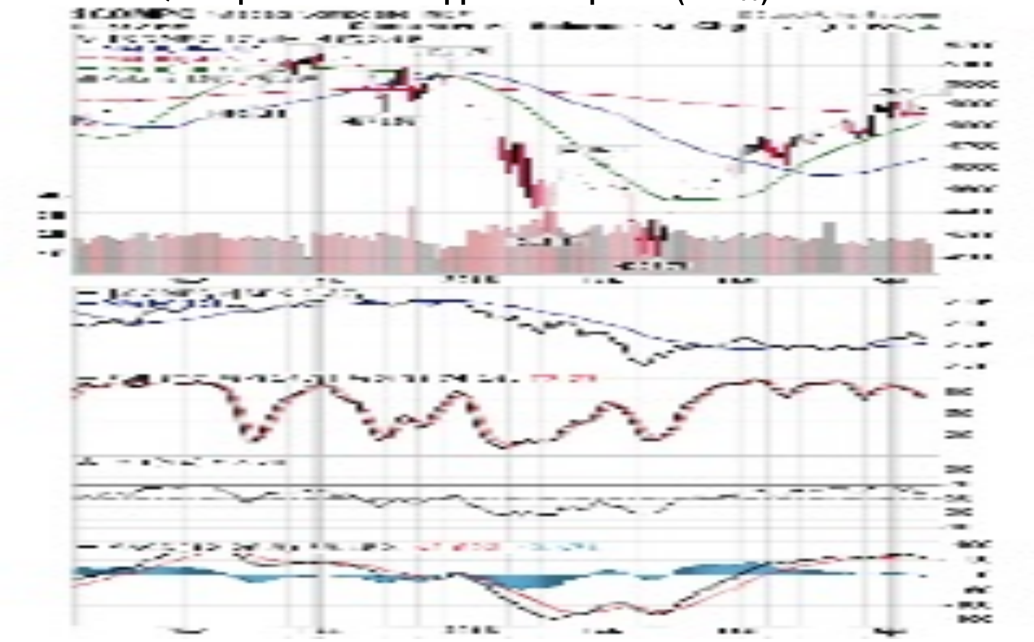
Bullish Percent Index for NASDAQ Composite stocks increased last week to 52.45% from 51.09% and remained above its 20-day moving average.

The Index is intermediate overbought.

The NASDAQ Composite Index dropped 63.85 points (1.30%) last week.

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

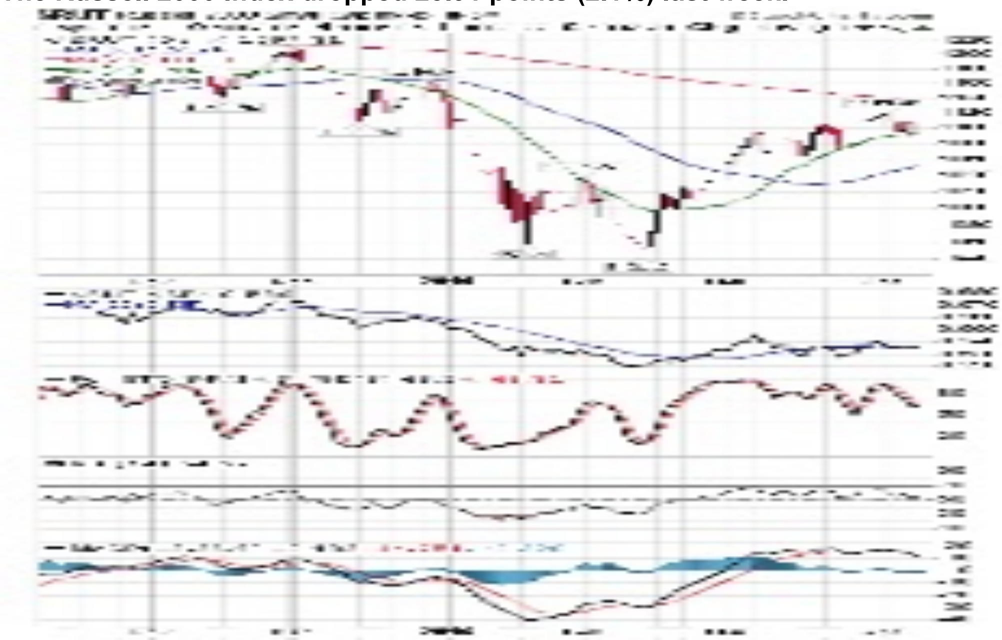
The Index remained above its 20-day moving average. Short-term momentum indicators are trending down.



The Russell 2000 Index dropped 23.91 points (2.1%) last week.

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

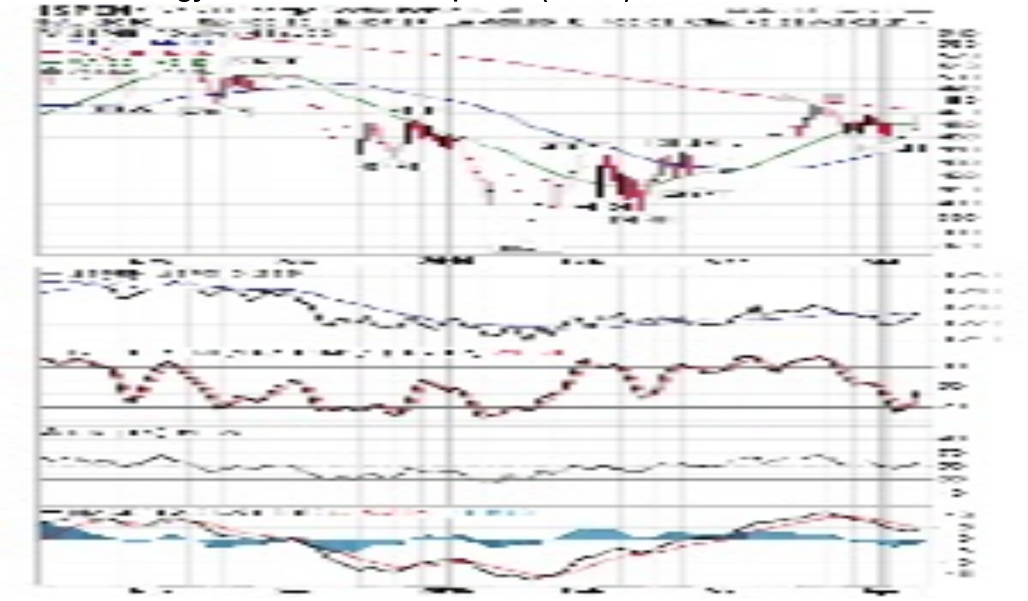
The Index recovered to above its 20-day moving average on Friday. Short-term momentum indicators are trending down.



The S&P Energy Index added 10.03 points (2.20%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index improved to Neutral from Negative. The Index moved above its 20-day moving average on Friday.

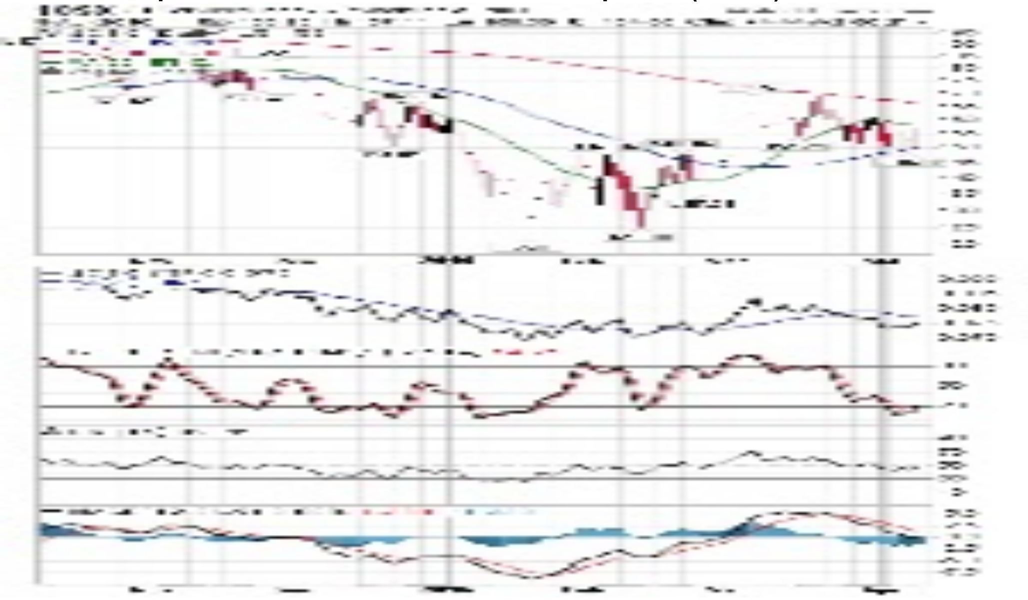
Short-term momentum indicators changed to up from down on Friday.



The Philadelphia Oil Services Index added 1.09 points (0.71%) last week.

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

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

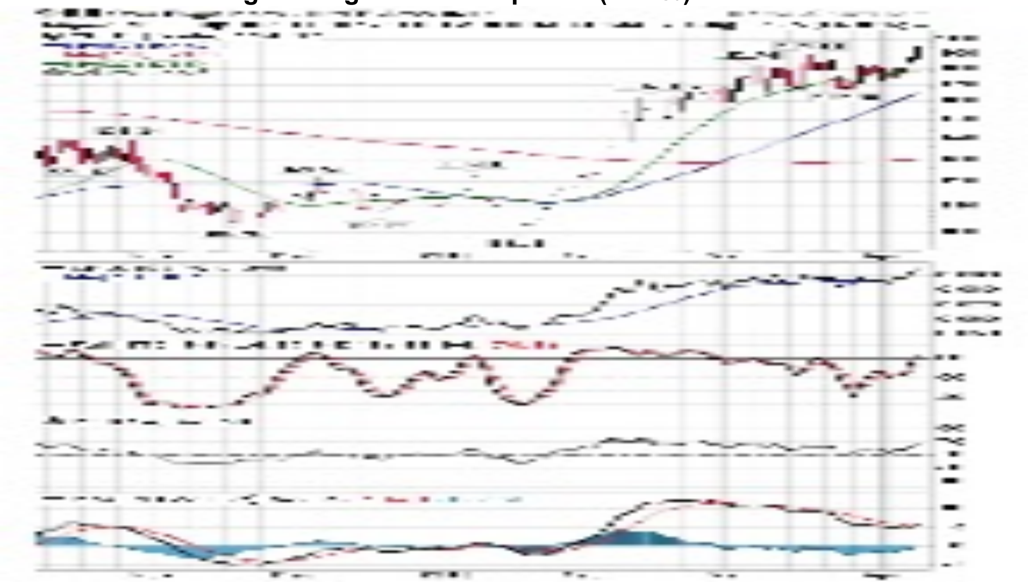


The AMEX Gold Bug Index gained 14.16 points (7.87%) last week.

Intermediate uptrend was confirmed on Friday on a move above 189.13. Strength relative to the S&P 500 Index turned to Positive from Neutral.

The Index remained above its 20-day moving average.

Short-term momentum indicators are trending up.



Latam Equity markets weekly charts

The BOVESPA gained 1,248 points last week.

Intermediate trend changed upwards.

Short-term momentum indicators are mixed, the $BVSP has risk towards the 200-day MVA around 46,555.

Just pointing out that the risks seem to the upside, as the 50-day is closely from intersecting with the 200-day MVA ("Golden Cross"). If this scenario were to materialize, we could see the $BVSP move back towards 58,000 over the summer, nicely coinciding with the summer Olympics in Brazil!

The Mexican Bolsa lost 1,374 points last week.

Intermediate trend remains positive.

Short-term momentum indicators are overbought, the $MXX has risks to correct towards the 200-day MVA around 43,720.

Canadian equity markets weekly charts

Bullish Percent Index for TSX Composite stocks increased last week to 63.60% from 62.76% and remained below its 20-day moving average.

The Index remains intermediate overbought and showing early signs of rolling over.

The TSX Composite Index slipped 43.60 points (0.32%) last week.

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

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

Percent of TSX stocks trading above their 50-day moving average slipped last week to 74.90% from 76.57%.

The index remains intermediate overbought and is trending down.

Percent of TSX stocks trading above their 200 day moving average increased last week to 56.07% from 53.56%.

The index remains intermediate overbought and showing early signs of peaking.

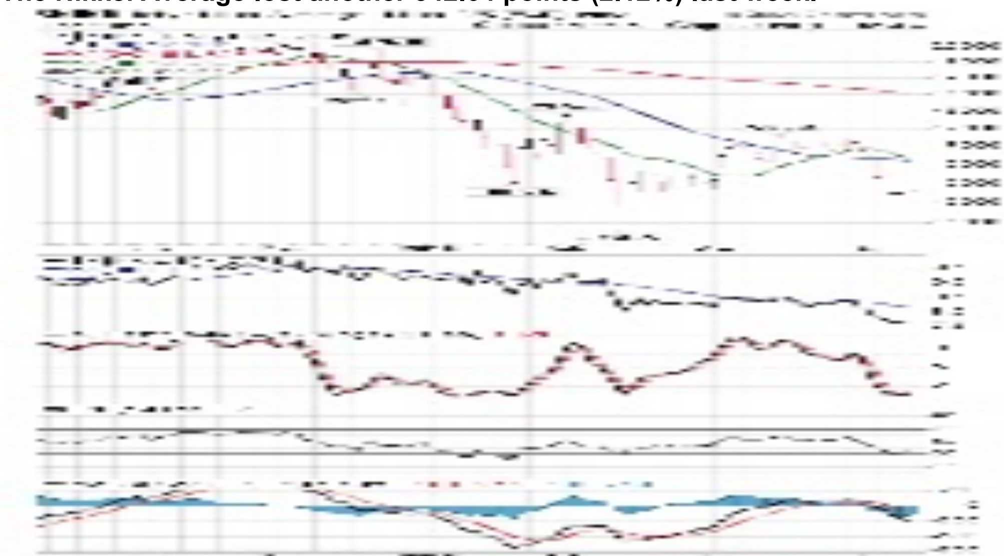
Asian equity markets weekly charts

The SENSEX lost 207 points last week.

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

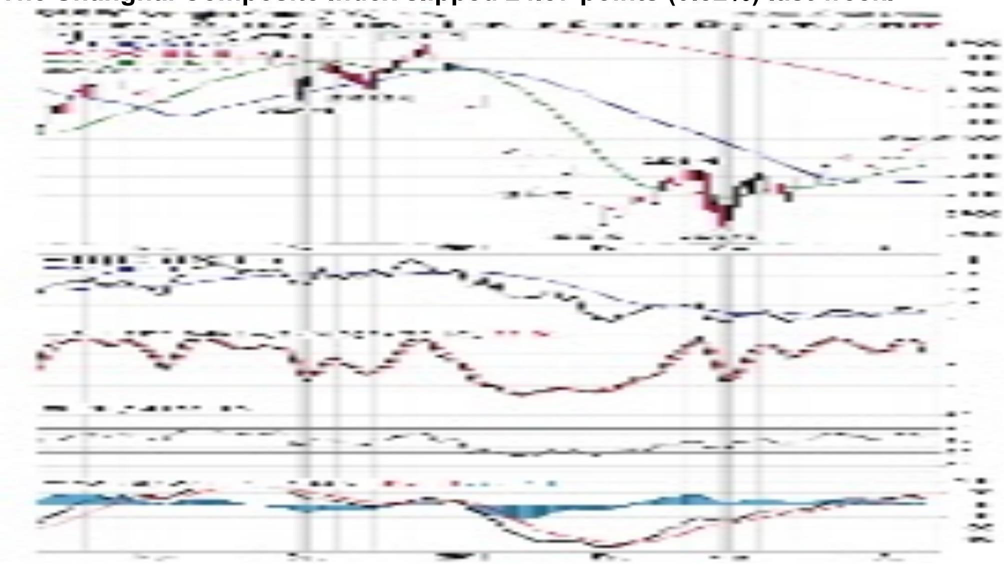
Short-term momentum indicators are trending down

The Nikkei Average lost another 342.64 points (2.12%) last week.



Intermediate trend remains down. Strength relative to the S&P 500 Index remained Negative. Short-term momentum indicators are trending down.

The Shanghai Composite Index slipped 24.57 points (0.82%) last week.



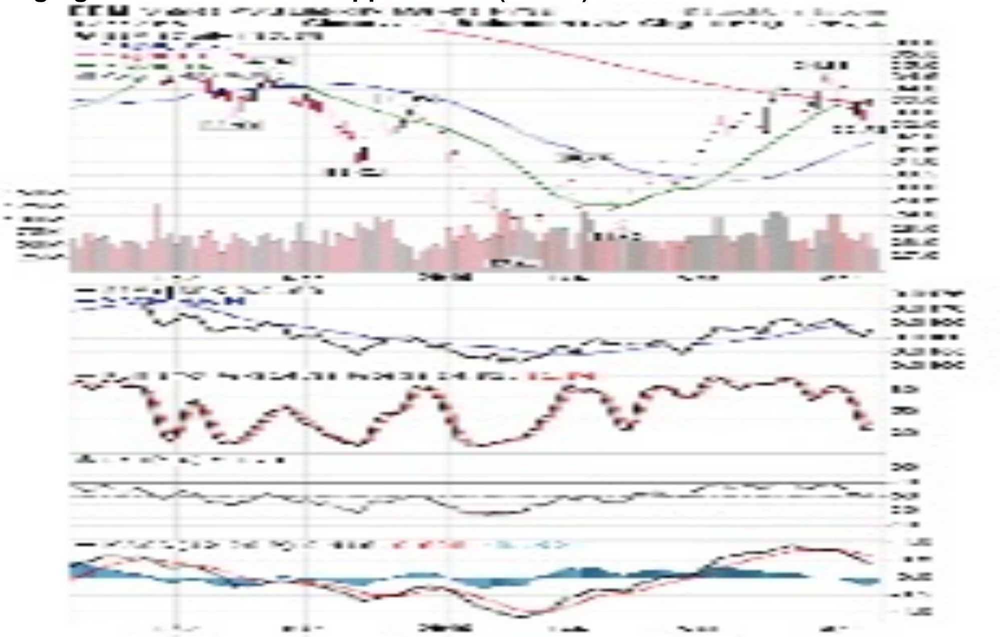
Intermediate trend remains up. Strength relative to the S&P 500 Index improved to Positive from Neutral.

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

Emerging Markets iShares dropped $0.77 (2.25%) last week.

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

Units dropped below their 20-day moving average. Short-term momentum indicators are trending down.

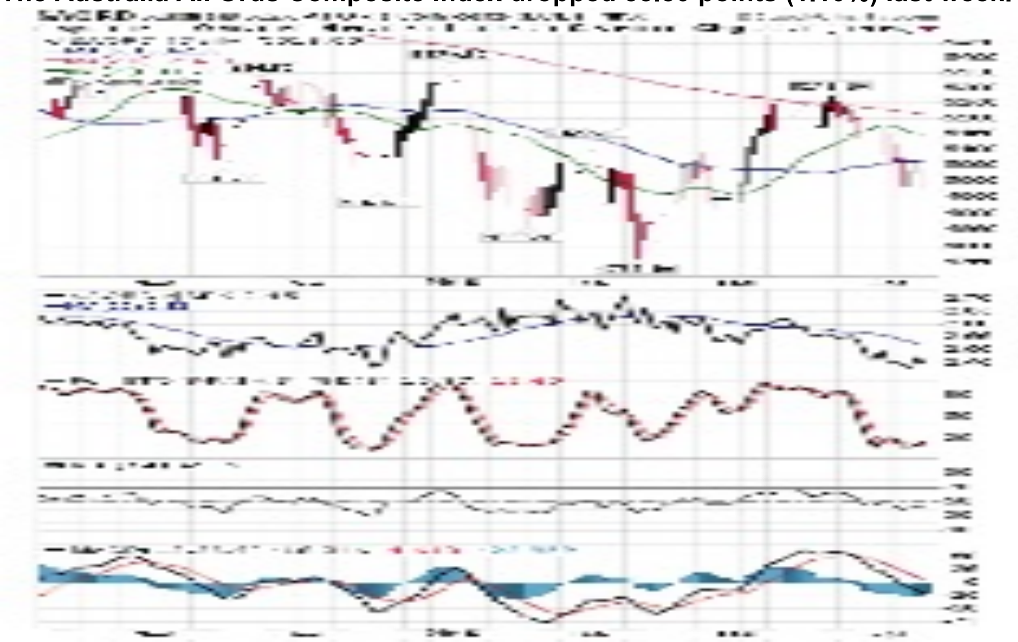


The Australia All Ords Composite Index dropped 55.80 points (1.10%) last week.

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

The Index remains below its 20-day moving average.

Short-term momentum indicators are trending down.



European Equity markets weekly charts

The DAX 30 dropped 29 points last week.

Intermediate trend is positive. Strength relative to the S&P 500 Index remains positive. The Average moved above its 20-, but again below the 50-day moving average.

Short-term momentum indicators are negative.

The CAC 40 gained 26 points last week.

Intermediate trend remains positive. The Average moved again below its 50-day moving average.

Short-term momentum indicators are trending down.

The AEX 25 gained 3 points last week.

Intermediate trend changed to positive. Strength relative to the S&P 500 Index remains positive. The Average moved above its 20-and 50-day moving average.

Short-term momentum indicators are oversold.

The IBEX 35 gained 27 points last week.

Intermediate trend changed to positive. Strength relative to the S&P 500 Index remains positive. The Average broke above its 20-day moving average.

Short-term momentum indicators are trending down.

The FTSE added 95 points last week.

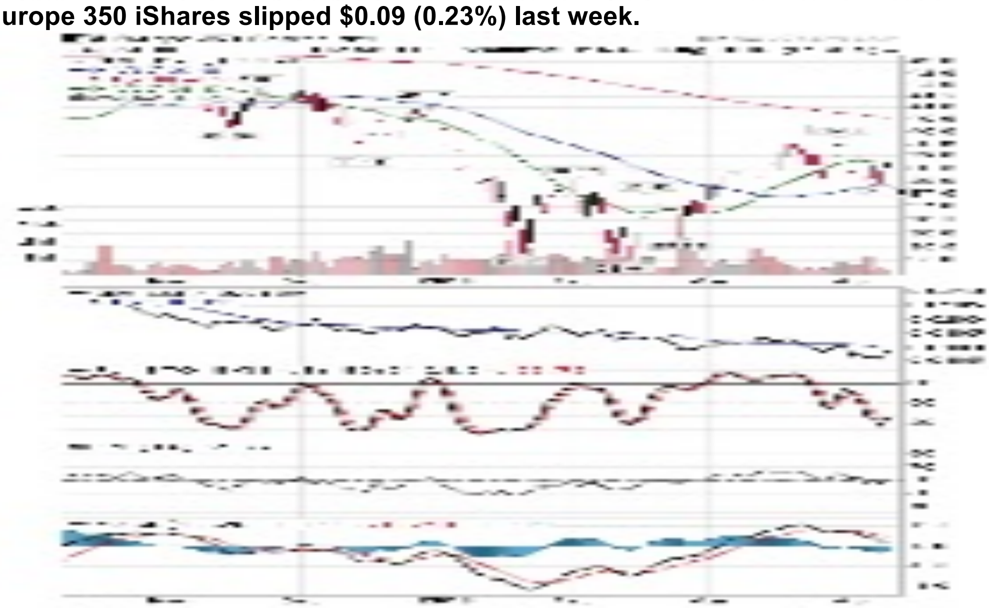
Intermediate trend remains neutral. The Average broke above its 20-and 50-day moving averages.

Short-term momentum indicators are rolling over.

Europe 350 iShares slipped $0.09 (0.23%) last week.

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

Units remained below their 20-day moving average. Short-term momentum indicators are trending down.



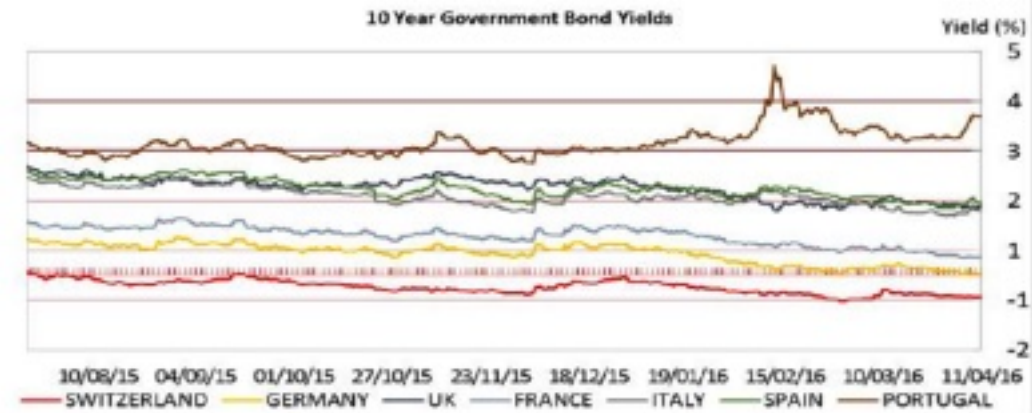
Fixed Income markets weekly charts

International Bonds

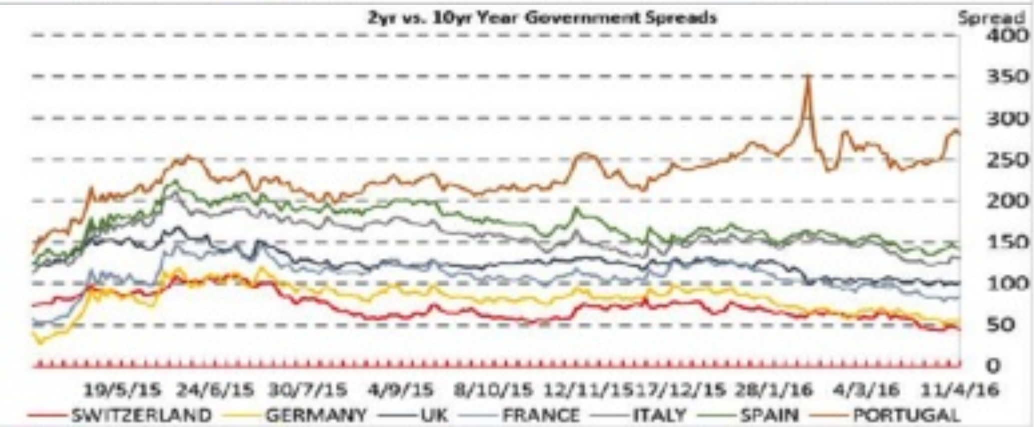
As per our 2016 Global Investment Strategy Outlook for 10-Y government bonds, European 10-Year government bonds have not fully reached our 2016 price targets yet, but are getting close.

Country	Latest yield	Spread vs bund	Spread vs T-bonds
Australia	2.42%	+2.33	+0.71
Austria	0.30%	+0.21	-1.41
Belgium	0.48%	+0.39	-1.23
Canada	1.22%	+1.13	-0.49
Denmark	0.34%	+0.25	-1.37
Finland	0.37%	+0.28	-1.34
France	0.44%	+0.35	-1.27
Germany	0.09%	--	-1.62
Greece	8.99%	+8.90	+7.28
Ireland	0.78%	+0.69	-0.93
Italy	1.33%	+1.24	-0.38
Japan	-0.08 %	-0.17	-1.79
Netherlands	0.31%	+0.22	-1.40
New Zealand	2.85%	+2.76	+1.14
Portugal	3.20%	+3.11	+1.49
Spain	1.53%	+1.44	-0.17
Sweden	0.75%	+0.66	-0.96
Switzerland	-0.37 %	-0.46	-2.08
UK	1.37%	+1.28	-0.34
US	1.71%	+1.62	--

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 -40bps to -60bps 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	118.450	-0.443	-0.009
GERMANY(FED REP)	DE0001102382	1	2025-08-15	108.847	0.050	0.009
UK(GOVT OF)	GB00BTHH2R79	2	2025-09-07	105.310	1.395	0.024
FRANCE(GOVT OF)	FR0012938116	1	2025-11-25	105.792	0.385	0.017
ITALY(REP OF)	IT0005127086	2	2025-12-01	106.232	1.309	-0.005
SPAIN(KINGDOM OF)	ES00000127G9	2.15	2025-10-31	106.201	1.449	-0.012
PORTUGAL(REP OF)	PTOTEKOE0011	2.875	2025-10-15	97.288	3.209	0.017
Issuer	ISIN	Coupon	Maturity	11:00 Price		Price daily Δ
GREECE(REP OF)	GR0128013704	3	2026-02-24	65.308		0.045

US Bonds

Yield on 10 year Treasuries dropped 7.2 basis points (4.02%) last week.

Intermediate trend remains down. Yield remained below its 20-day moving average.

Short-term momentum indicators are trending down.

The long term Treasury ETF added $1.33 (1.01%) last week.

Intermediate trend remains up. Short-term momentum indicators are trending up.

Currency markets weekly charts

The Euro added 0.01 (0.01%) last week.

Intermediate trend remained up. The Euro remained above its 20-day moving average.

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

The US$ Index dropped another 0.38 (0.40%) last week.

Intermediate trend remains down.

The Index remained below its 20-day moving average.

Short-term momentum indicators are trending down.

The Japanese Yen jumped 2.85 (3.18%) last week.

Intermediate trend remained up. The Yen remained above its 20-day moving average.

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

The Canadian Dollar dropped 0.94 (1.22%) last week.

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

Short-term momentum indicators are trending down.

Commodity markets weekly charts

The CRB Index added 3.01 points (1.79%) last week.

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

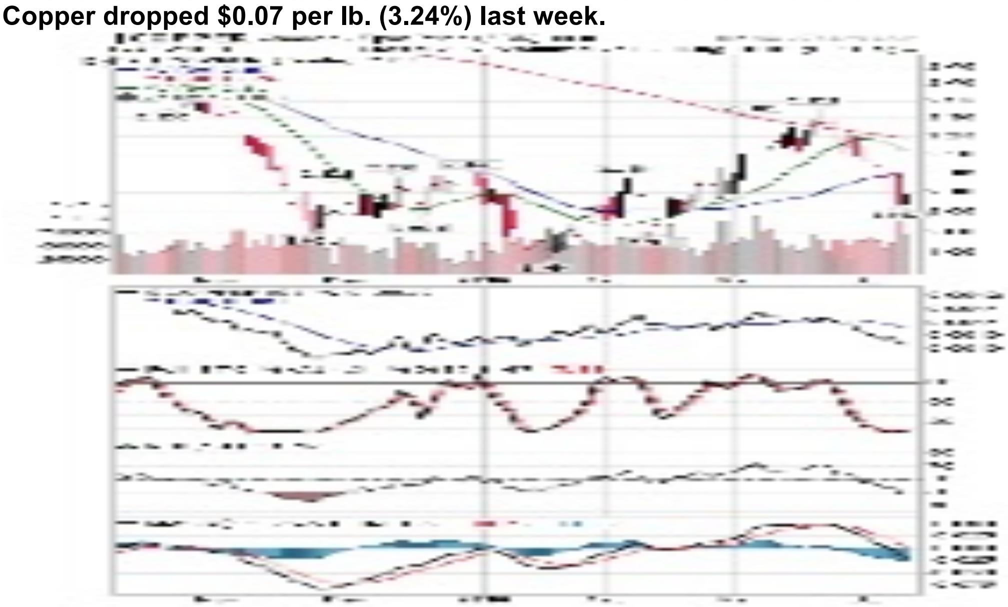
The Index remains below its 20-day moving average. Short-term momentum indicators improved to mixed on Friday.

Copper dropped $0.07 per lb. (3.24%) last week.

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

Copper remained below its 20-day moving average.

Short-term momentum indicators are trending down.



Trend remains up. Relative strength changed to Negative. Lumber fell below its 20- day MA.

Momentum is trending down.

Lumber dropped $10.20 (3.40%) last week.

Trend remained down. Relative strength remained Negative.

Units remained below their 20-day moving average. Short-term momentum indicators are trending down.

The Grain ETN slipped $0.05 (0.16%) last week.

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

Units moved below their 20-day moving average. Short-term momentum indicators are trending down.

The Agriculture ETF slipped $0.61 91.31%) last week.

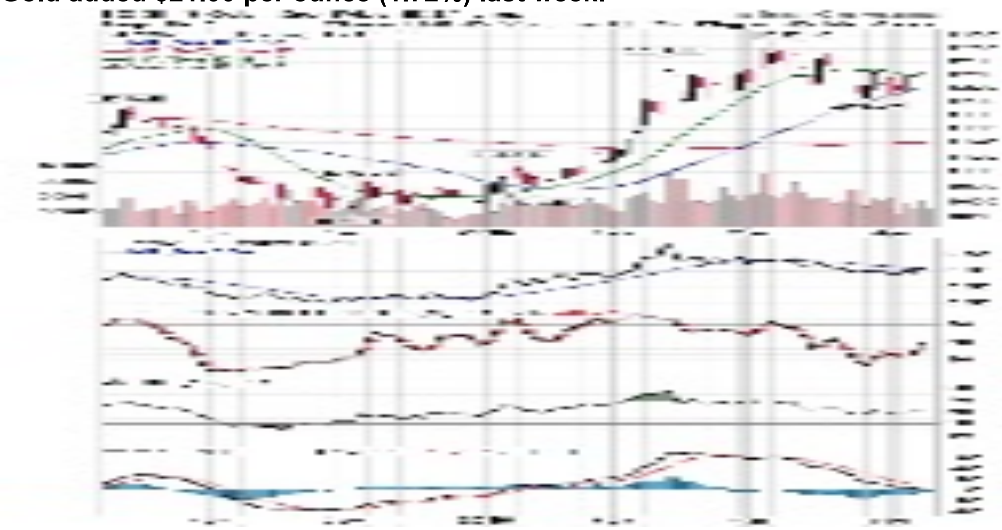
Gold & precious metals commentary & weekly charts

Gold added $21.00 per ounce (1.72%) last week.

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

Gold moved above its 20-day moving average.

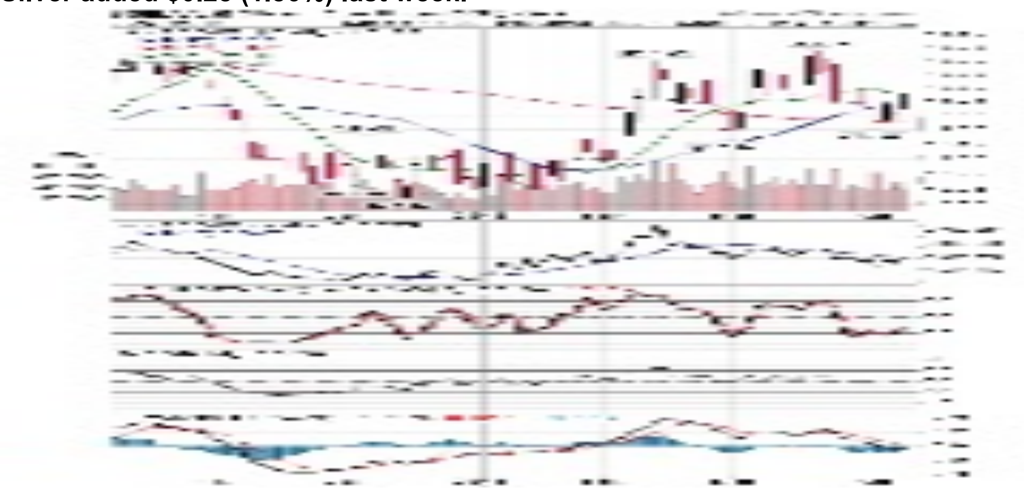
Short-term momentum indicators are trending up.



Silver added $0.28 (1.86%) last week.

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

Silver remains below its 20-day moving average. Short-term momentum indicators changed to up from down.



Platinum gained $13.20 per ounce (1.38%) last week.

Trend remained up. Relative strength remained Negative.

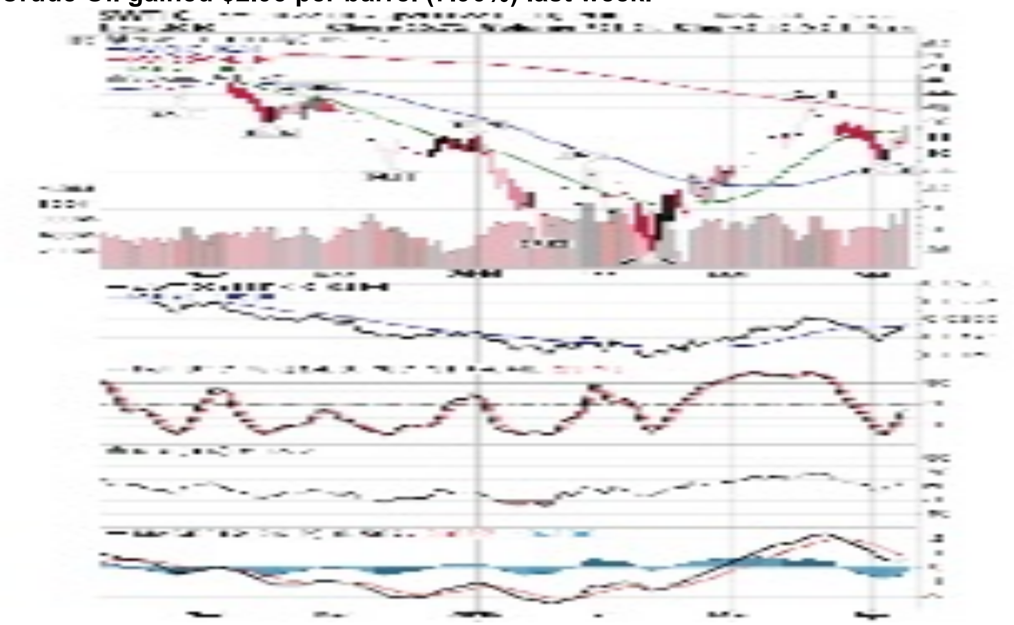
$PLAT moved above its 20-day MA. Momentum is mixed.

Palladium dropped $22.25 per ounce (3.97%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 remained Negative. $PALL remains below its 20-day moving average. Short-term momentum indicators are trending down.

Oil, gas & energy weekly charts

Crude Oil gained $2.93 per barrel (7.96%) last week.

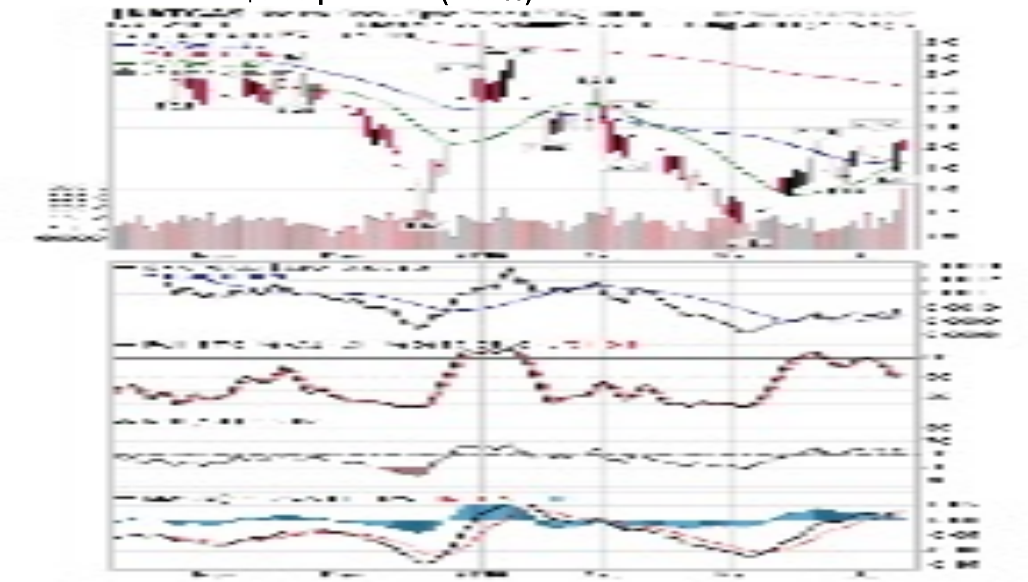


Intermediate trend remained up. Strength relative to the S&P 500 Index changed on Friday to Neutral from Negative.

$WTIC moved above its 20-day moving average on Friday.

Short-term momentum indicators improved to mixed on Friday.

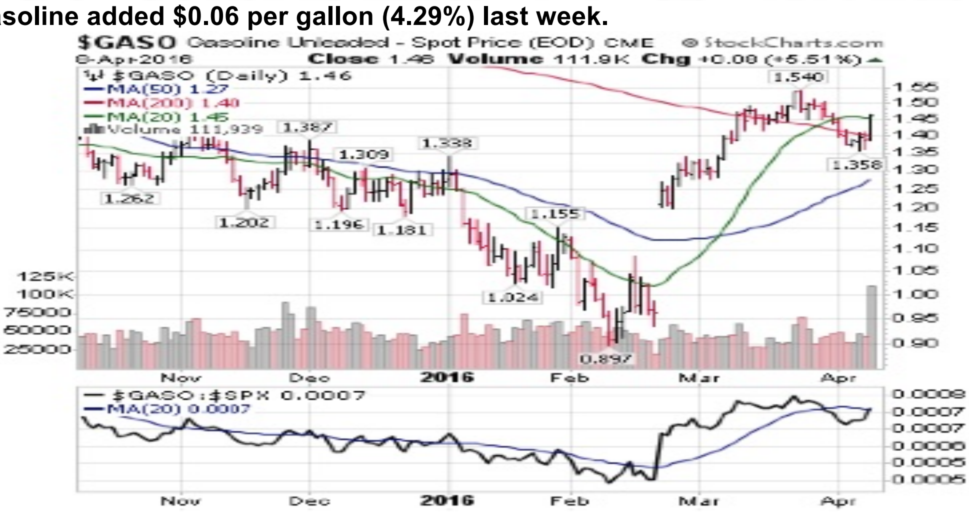
Natural Gas added $0.03 per MBtu (1.53%) last week.



Intermediate trend improved to up from down. Strength relative to the S&P 500 improved to Positive from Neutral.

$NATGAS remains above its 20-day moving average. Short-term momentum indicators remained mixed.

Gasoline added $0.06 per gallon (4.29%) last week.



Trend remains up. Strength relative to the S&P 500 Index improved to Neutral from Negative on Friday.

$GASO moved above its 20-day moving average on Friday. Short-term momentum indicators improved to mixed on Friday.

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