



Creative Global Investments

Morning market commentary & charts

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Objectivity

Integrity

Creativity

Macro Commentary

In Asia, China's trade balance fell more-than-expected last month, official data by the National Bureau of Statistics of China showed today that Chinese Trade Balance fell to US\$ 29.86 BN, from US\$ 32.59 BN in the preceding month (vs. economists' consensus to fall to 30.85BN last month). **March exports rose a blistering 11.5% from a year earlier**, the first increase since June and the largest percentage rise since February 2015. One needs to keep in mind that the data was heavily influenced by base effects and seasonal distortions from the Lunar New Year, and was not necessarily evidence of stronger global demand. We are expecting for China's foreign trade sector to improve from last year due to low comparables, as the trends in external markets are not great. We've started to see improvement in PMI and other indicators, which points to some degree of recovery going into Q2. The upside surprise comes after other March economic indicators hinted of slight improvements in the broader economy, although other surveys have shown rising downward pressure on wages and employment. Imports continued to fall but less than expected, declining by -7.6% in US\$ terms, led by sharp corrections in imports of tax-free foreign goods, rentals and leasing and imported equipment. However, import volumes of most major commodities, notably copper and iron ore, rose strongly. That left the country with a trade surplus of US\$ 29.86 BN for the month, versus a forecast of US \$30.85 US\$.

In the US, the US federal budget balance rose less-than-expected last month, official data today in a report by the Department of the Treasury showed that US federal budget balance rose to a seasonally adjusted US\$ -108.0BN, from US\$-193.0BN in the preceding month (vs. economists' consensus to rise to US\$ -104.0B last month).

US small business confidence fell to a fresh 2-year low in March amid persistent worries about sales and profits, the latest indication that economic growth slowed sharply in Q1. The National Federation of Independent Business said on Tuesday its small business optimism index dipped 0.3 point to a reading of 92.6 last month, the lowest since February 2014. It has declined from a reading of 100 in December 2014 and has pushed further off its 42-year average of 98. **Looking at the data historically might conclude that the index has clearly hit a top and is flashing a recession signal.** The soft reading fits in with recent economic data on consumer and business spending as well as wholesale inventory investment that have suggested economic growth slowed sharply from the Q4 1.4% annualized rate. GDP growth estimates for Q1 are currently well below a 1% rate. Four components of the NFIB index rose last month, with the remaining six declining. While small business owners were fairly upbeat about business conditions in the next six months and their attitudes toward capital spending improved a bit, they was some softening in their views of the labor market.

The Labor Department yesterday also said import prices gained 0.2 percent last month after a downwardly revised -0.4 percent drop in February. It was the first time since June that import prices rose and the largest increase since May. The increase, however, was less than economists' expectations for a 1.0 percent gain. Import prices were previously reported to have declined -0.3 percent in February. Prices of imported products were down -6.2 percent in the 12 months through March, the smallest gain since December 2014, suggesting import deflation was ebbing. Weak import prices have contributed to holding inflation below the Federal Reserve's 2 percent target.

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Currencies update

The US\$ is headed down, and commodities (CRB), including Oil, Gold and related stocks are headed straight up.

The US\$ index (\$USD) closed at 93.94, its lowest close since October 14th's close at 93.96. The chart below shows that the \$USD is moving into an important support zone.



The EURO's (\$XEU) short-term technical outlook has just turned positive with the 50-dy MV crossing the 200-day MVA. As the chart shows, all short-term momentum indicators are positive.



Commodities update

Crude Oil (WTI) closed above resistance at \$42.49 per barrel to extend an intermediate uptrend. The price of oil is confirming the same, moving solidly above its 200-day moving average for the first time since July of 2014 and breaking above resistance presented by the March high at \$42.49. The confirmation of a higher-low on the chart of the energy commodity should help to alleviate speculation of pending decline, allowing investors to focus on beaten down stocks that still present value. Seasonally, the energy sector remains in a period of strength into the month of May, rising alongside oil prices as supply and demand fundamentals converge ahead of the start of the summer driving season.



The moves in the US\$ and commodities, but Oil in particular, may be catching some investors flat-footed. Few expected a lower US\$ in an environment in which the Federal Reserve declared itself on a path toward interest-rate normalization at the end of 2015. **As per our 2016 Global Strategy Outlook, WTI's upswing is right on target. A meeting of major oil producers in Doha on April 17 to discuss a freeze in oil output also is being followed closely since it could stabilize prices.**

The following chart also makes the case since January that traders have applied too much blame in tumbling commodity prices like oil on market fundamentals, rather than the US\$, and proves that since June 2014 the US\$'s rally was the primary driver of the crude rout.

As we have been commenting repeatedly over the past 12 months; lingering concerns about weakening economic conditions in the US and overseas have prevented the Fed from further tightening monetary policy, so far, and we see this to prevail for all of 2016, and that should continue to be good news for those hoping to see commodities move higher and bad news for US\$ bulls.



No matter how overbought and overvalued the market is right now, we continue to see good value in the Energy sector as Oil prices have clearly bottomed, but also considering the fact that the period of seasonal strength for the energy sector lasts historically until mid June.



Monthly Averages over past 20 years:												
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
% Return	-0.7%	1.3%	2.7%	3.2%	0.3%	0.0%	-0.5%	-1.1%	0.2%	1.1%	0.5%	1.2%
Gain Frequency	35%	60%	70%	70%	65%	50%	55%	45%	55%	65%	60%	55%
Max Return	13.9%	18.3%	14.6%	14.5%	10.2%	5.8%	8.0%	7.2%	13.7%	17.0%	8.1%	13.8%
	2006	2005	1999	1999	2009	2005	2010	2000	1998	2011	2006	2003
Min Return	-10.9%	-12.5%	-3.7%	-5.3%	-11.8%	-6.8%	-14.0%	-11.6%	-12.6%	-18.0%	-8.8%	-10.0%
	2008	2009	2005	2005	2010	2001	2008	1998	2011	2008	2014	2015

Equities Commentary

Stocks jumped yesterday and overnight as a report that Russia and Saudi Arabia had agreed to an oil output freeze ahead of a meeting of key producers this weekend sent oil and energy stocks higher. Asian equity markets have now seen six straight days of gains, the stronger reading is vindication for the recent decline in the US\$ and implicitly inverse rally in commodity prices.

European equity markets are rallying strongly, led by mining stocks, after Chinese exports increased by an unexpectedly strong y-o-y gain of 11.5% in March, suggesting that the economic situation in both China and its export markets is better than had been anticipated. The Stoxx 600 basic resources index rallied 4.3% after data showed China's Yuan-denominated exports surged 18.7% in March compared to last year.



There seems to be a tendency for the S&P 500 to sell off prior to the April 15th tax-filing deadline for individuals in the US. April 13th and 14th have annualized returns of -35.73% and -8.93%, respectively, over the past 66 years. In 2015, however, there was little or no selling pressure prior to April 15th. In 2014, the primary selling occurred on April 10th and 11th. While the selling tends to vary by year, there does appear to be a trend worth paying attention to.

The S&P 500 Energy Sector Index jumped 2.84%, moving above its 200-day moving average for the first time since September of 2014. Momentum indicators for the energy benchmark are curling higher following a brief consolidation over the past few weeks. The S&P Energy Index broke 476.10 to resume an intermediate uptrend. Strength relative to the S&P 500 Index has turned positive.



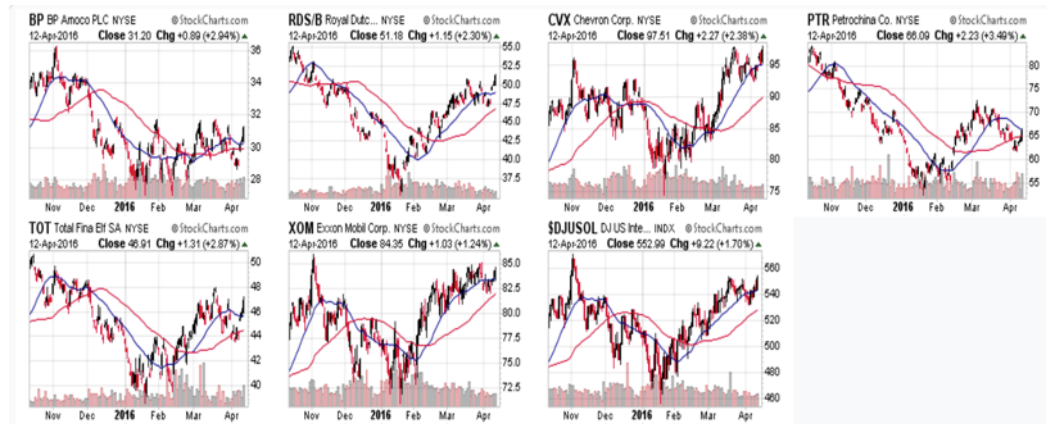
Similarly for the Oil & Gas Exploration sector.



Technical action by S&P 500 stocks was exceptionally bullish yesterday:

15 stocks broke resistance and 5 stocks broke support (Hasbro, TripAdvisor, Electronic Arts, Xilinx and Alliance Data Systems). Most of the bullish technical action occurred in the energy sector.

Breakouts in the energy spectrum included Apache, Anadarko, Chesapeake, Chevron, Denbury Resources, EOG Resources, Murphy, Nabors, Newfield Exploration, Oneok, Range Resources, Spectra Energy and Schlumberger.



The chart technical picture is much similar for Gold and Silver mining stocks, which are showing strong price momentum.

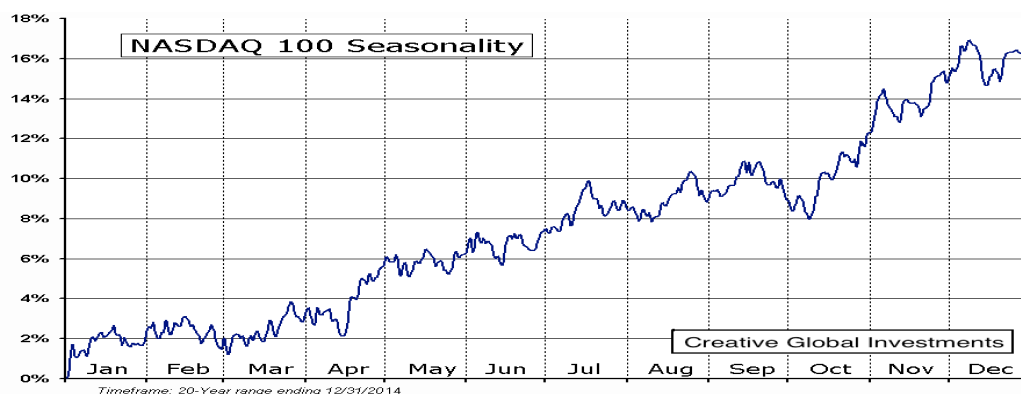


Materials and Metal stocks also show a similar strong price momentum, except Alcoa (AA) as its results were below expectations.



Since 1971, the selling on the NASDAQ on April 13th and 14th is more pronounced with annualized returns of -55.18% and -77.69%, respectively.

The technology heavy Nasdaq 100 Index enters a period of seasonal strength in mid-April, moving higher into the middle of July. The strength is reflected in both the average absolute and relative performance as prices of the benchmark constituents push higher into a period dominated by developer conferences.



Looking at the technicals, the relative trend may be emerging earlier than average this year. The Nasdaq 100 has been outperforming the S&P 500 large-cap index since mid-March as price consolidates above its 200-day moving average.

Significant resistance is directly overhead between 4500 and 4600, representing the open gap charted with the plunge that started the year.

This range has clearly proven to be significant having jumped higher and lower around this level a few times since last summer. Reaction to overhead resistance will be critical to the success or failure of the seasonal trade ahead.



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