



Creative Global Investments

Morning market commentary & charts

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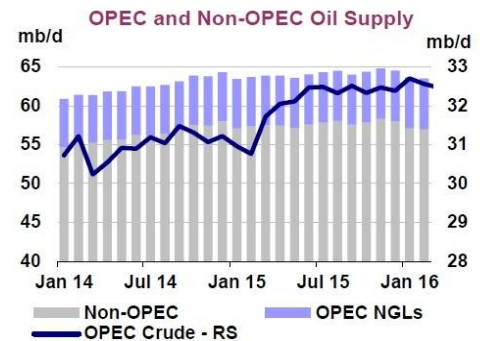
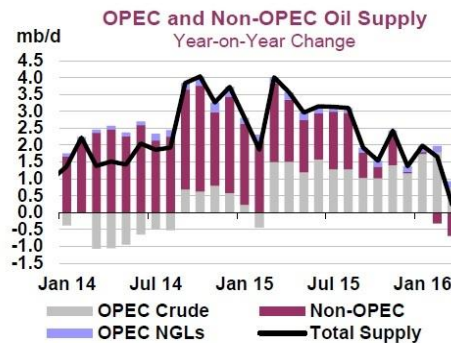
Objectivity

Integrity

Creativity

“Pre-Doha” Oil Commentary

Oil demand/supply balance is starting to adjust, pretty much as we were predicting in our 2016 Global Investment Strategy Outlook that it would by the beginning of the summer 2016.



The Energy Information Administrations (EIA) predicted in its April Oil Market Report that a wide imbalance between global supply and demand would narrow to 200,000 barrels per day from its current level near 1.5 MN bpd, amid expectations for the largest annual decline in non-OPEC production in more than two decades. Yesterday, the US EIA said weekly crude production fell by 31,000 bpd to 8.977 MN bpd last week, representing a fifth straight week of declines. With the sharp reductions, US output dipped below 9.0 MN bpd for the first time since October 2014. Weekly US crude production hovered around 9.6 MN bpd since last June, its highest level in more than 40 years.

The IEA anticipates notable decelerations in US output, as shale producers continue to be forced offline due to the prohibitive high costs of drilling. Crude futures are still down more than 40% from their level in November 2014, when OPEC roiled global energy markets with a strategic decision to maintain its production ceiling above 30 MN bpd.

Crude futures fell slightly from 2016-yearly highs yesterday, amid heightened skepticism from investors that a coordinated production freeze at this weekend's meeting in Qatar will have a tangible effect at reducing the excessive supply glut on global markets. On the New York Mercantile Exchange, WTI crude for May delivery traded in a broad range between \$40.84 and \$42.16 a barrel, before settling at \$41.45, down 0.31 or 0.74% on the session. US Crude Futures appeared for a fifth straight winning session. Despite the slight losses, the front month contract for WTI crude still settled near its highest closing level since late-November. Since tumbling to 13-year lows at \$26.05 a barrel on February 11, WTI crude has surged more than 50%. Over the same period, Brent crude has jumped approximately 43% from multi-year lows.

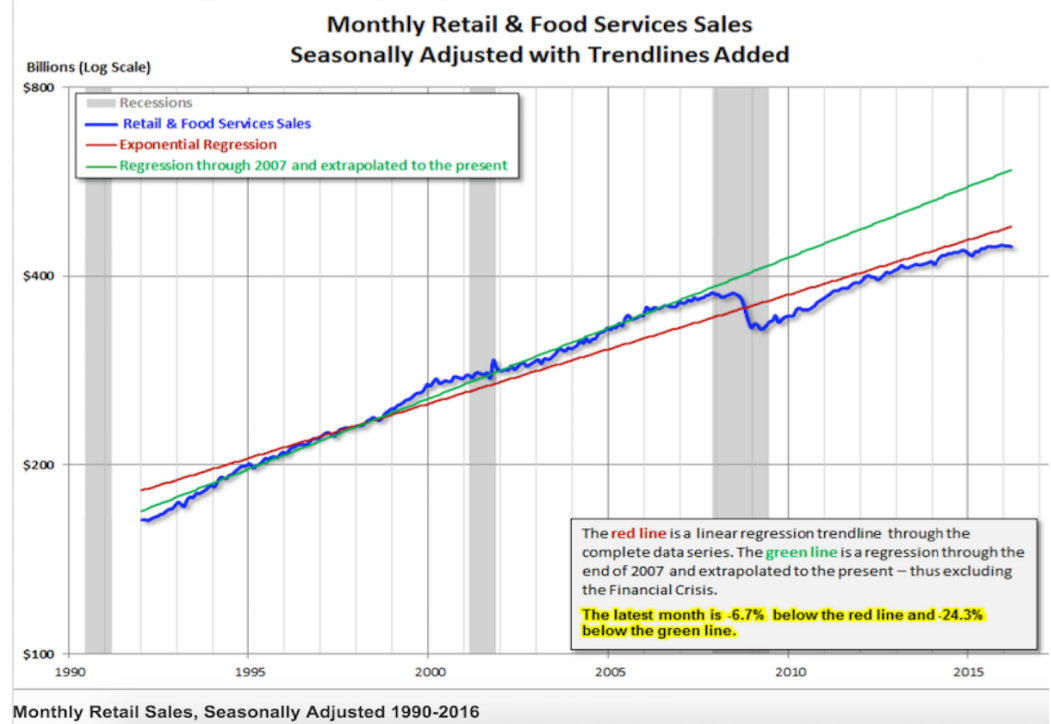
If Saudi Arabia, Russia and two other producers agree on a deal to cap output level at Sunday's highly-anticipated summit in Doha, we remain sure that such a pact would help propel WTI back above \$50 a barrel. Any agreement between OPEC and Non-OPEC to freeze production near current levels will have limited but positive impact on total global supply positive, and will help demand/supply rebalancing in 2016.

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Global Macro Commentary

In Asia, China's GDP growth slowed in Q1 of 2016 to 6.7%, largely in line with expectations, but at its slowest pace since the global financial crisis, sparking hope growth may be stabilizing.

In the US, we just to come back with more detail on our commentary of yesterday, where we were showing a substantial slowdown of the consumer in the US, well, here is another look at how the trend is shaping up:



Yesterday's report on business inventories and sales was providing insight as to the strength of manufacturers, wholesalers, and retailers. The headline print indicated that total business sales fell by -0.4% in February, while inventories declined by -0.1%, inline with analyst estimates. Stripping out seasonal adjustments, total business sales were actually higher by 4.0%. Total business inventories rose by 0.2%, much less than the 0.9% average gain for February. Both sales and inventories continue to show a below average change through the first two months of the year, remaining constrained as a result of the low commodity prices realized over the same timeframe. The inventories-to-sales ratio remained unchanged over the course of the month, although the trend appears pointed higher, possibly limiting manufacturing activity in the future. March is typically a big month for business sales and the y-t-d trend is expected to converge with the average trend as commodity prices firm and manufacturing activity ticks higher.



Global Equities Commentary

As mentioned yesterday, The stronger Euro had been a headwind for stocks overseas, which have underperformed US counterparts. However, the **current Head-and-Shoulders bottoming patterns** on the charts of European benchmarks present upside potential of around 12%, and we see a +8% outperformance potential likely for European major equity indices against its US peers over the next 30 to 40 days. The bullish setups across European benchmarks has the potential to lead to a massive shift away from US equities and into benchmarks overseas as investors search for value, which has become slim picking on this side of the pond.



With global economic data less negative, likely to be firming in the coming 2 months, plus a drop lower in the European currency, foreign benchmarks technical are starting to turn very positive and are setting up for a bullish scenario. Seasonally, April is one of the strongest months of the year for European indices, gaining around 70% of the time in the fourth month of the year.





Here are some other looks at how European equities are set up for a major 10% - 12% rally. Let's look at the Europe 350 iShares index, which established an intermediate uptrend on a move above \$39.69.



Other European equity indices and related ETFs have started to outperform the S&P 500 Index and are in early stages of forming potential reverse head & shoulders patterns. The setup is obvious as each index approaches the neckline of head-and-shoulders bottoming patterns. Upside potential for each is around +12% upon a break above neckline resistance overhead. We see the bullish technical setups across European benchmarks, paired with much higher and attractive equity-dividend-yields (German and French companies are in the beginning period {February to June} of their annual dividend pay-outs, combined with a slightly weaker Euro, to lead to a massive shift away from US equities and into benchmarks overseas as investors search for value, which no longer exists in US equities by comparison by most valuation metrics, be it by:

- P/E
- CAPE
- P/CF
- P/B
- DDM (dividend discount model)
- Tobin's Q.

Positive tendencies for European equity indices can persist occasionally into the early summer months, however for 2016 we see the typical "May peak" that has become conducive to the well known adage:

"Sell in May and Go Away"

and particularly after May 11th, (which constitutes the zenith of annual dividend pay-outs for German and French equities) repeat itself, and to become catalyst to most professional money managers to lighten up their portfolio's in European equities and to switch for the summer into the historically seasonally stronger performing 10-Year European government bonds.

\$DAX German DAX Composite (EOD) DEUT

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14-Apr-2016

Open 10042.28 High 10098.44 Low 10016.17 Close 10093.65 Chg +67.55 (+0.67%) ▲

\$DAX (Daily) 10093.65
 MA(50) 9607.18
 MA(200) 10299.49
 MA(20) 9853.05
 Volume under

DAX approaching the neckline of a potential head-and-shoulders bottoming pattern

**\$CAC** French CAC 40 Index (EOD) ENXT

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14-Apr-2016

Open 4487.22 High 4515.00 Low 4473.35 Close 4511.51 Chg +21.20 (+0.47%) ▲

\$CAC (Daily) 4511.51
 MA(50) 4311.857
 MA(200) 4611.23
 MA(20) 4379.49
 Volume under

CAC approaching the neckline of a potential head-and-shoulders bottoming pattern

**\$IBEX** Spain Bolsa de Madrid IBEX 35 Index (EOD) INDXX

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14-Apr-2016

Open 8854.00 High 8870.90 Low 8743.50 Close 8861.50 Chg +40.80 (+0.46%) ▲

\$IBEX (Daily) 8861.50
 MA(50) 8555.92
 MA(200) 9698.25
 MA(20) 8727.84
 Volume under

IBEX approaching the neckline of a potential head-and-shoulders bottoming pattern

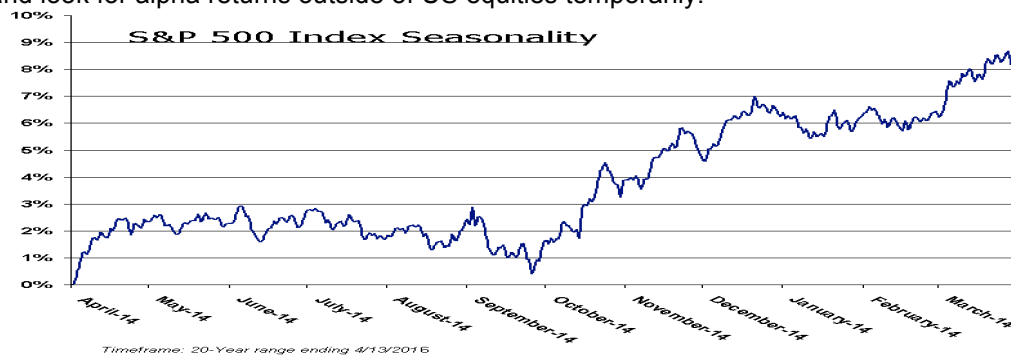


US Equities Commentary

Stocks closed flat yesterday with the price of oil gyrating ahead of this weekend's oil summit in Doha. The S&P 500 Index closed higher by two basis points, as investors take a breather from the rally over the previous two sessions. The \$SPX is punching away at a range of resistance that spans between 2080 and 2100, but a catalyst is clearly required to make that final push higher.



The S&P 500 has also entered a period of weaker seasonal performance as of late March, hence why we are recommending to lighten up already now in S&P 500 stocks, and look for alpha returns outside of US equities temporarily.



Based on Percent of Stocks trading above their 50-day moving average the S&P 500 is intermediate overbought and showing early signs of rolling over



US investors are rotating out of defensive equity sectors such as Consumer staples and Utilities, which both are at the highs of the year.



Alternatively, the NASDAQ has entered a period of seasonal outperformance relative to the S&P 500. 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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