



Creative Global Investments

Morning markets commentary & charts

Wednesday, April 22nd, 2015

Carlo R. Besenius

Chief Executive Officer
cbesenius@cg-inv.com
+(352) 2625 8640



Creative Global Investments LLC

115 East 57th Street
11th Floor
New York, NY 10022
Tel: 212 939 7256
Mob: 917 301 3734

Creative Global Investments/Europe

5, op der Heed
L-1709 Senningerberg
Tel: +(352) 2625 8640
Mob: +(352) 691 106 969

Objectivity

Integrity

Creativity

What happens next?

US stocks ended mixed yesterday with the Dow Jones Industrial Average and the Nasdaq Composite closing on opposite sides of the flat line. Q1 US company earnings so far are beating expectations, which is positive (albeit from a much reduced level as 3 months ago), but they are coming up light on revenue, which is bothersome.

Not all of the shortfalls are attributable to the translational impact of the stronger US\$, which makes even more for a sup-par grade for this earnings season.

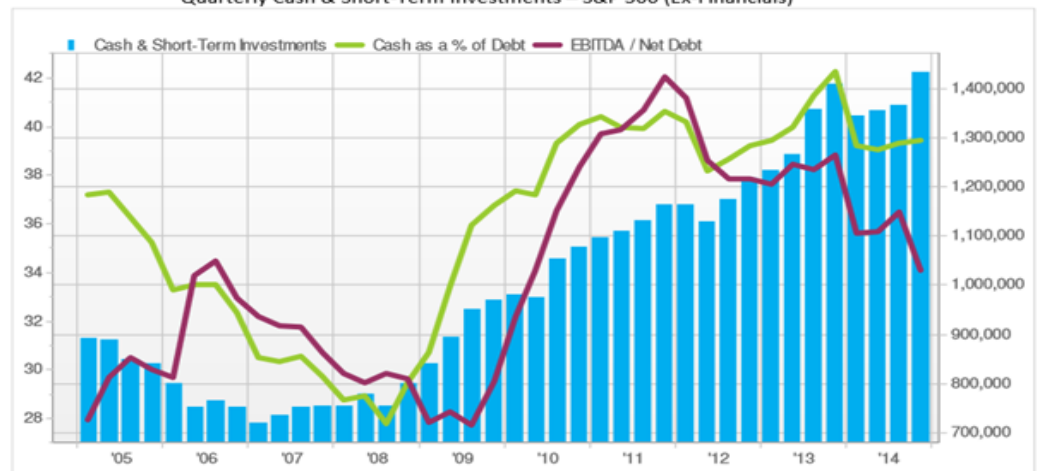
Unfortunately earnings are not strong enough to create a positive catalyst for stocks. Nor are they bad enough for investors to feel compelled to take profits in equities yet. The end result is we are still stuck in the trading range framed by the highs at 2119 and the 200-day moving average at 2021.

US equities could breakout above when manufacturing or retail improves from current levels. However, US equities could break down if a new negative catalyst were to emerge. We know that range bound trading is not overly appealing to the average investor. But if you look in the right places, **like the Biotech sector, the energy sector, and commodities, which all have entered their period of seasonal strength**, one can find stock market profits.

The bright spot during the session was in the biotechnology industry following news that Teva Pharmaceuticals offered to buy Mylan for \$40 bn. The Biotechnology ETF (IBB) gained 1.83%, supporting the Nasdaq Composite during a rather lackluster session. We do anticipate further corporate actions, such as this, in the future as companies loaded with cash put their capital to work.

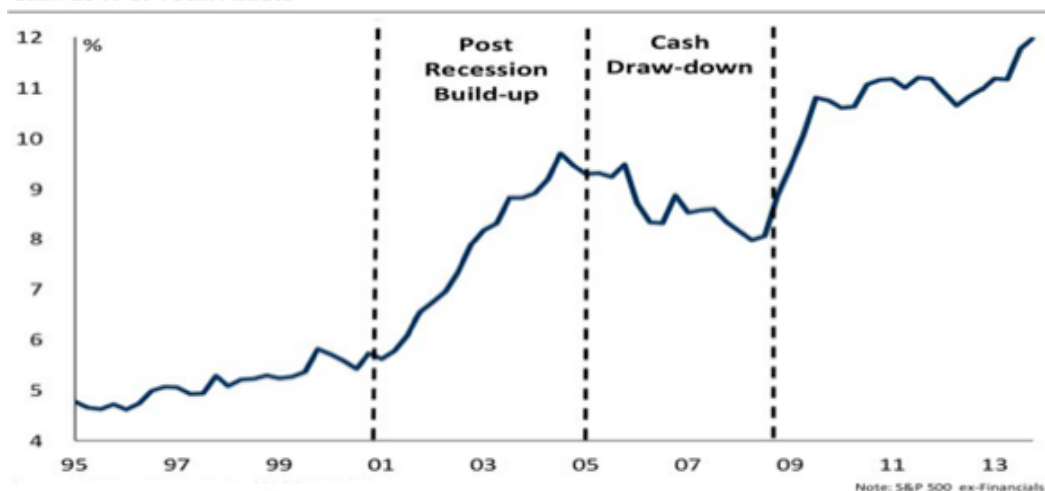
As of the end of last year, S&P 500 ex-Financial companies held \$1.43 trn in cash, a record high and almost double the level that was realized in 2007. Technology and Health Care companies are holding the largest cash balances. The potential catalysts offered by these liquid assets could keep the equity market strong for years to come.

Quarterly Cash & Short-Term Investments – S&P 500 (Ex-Financials)



IMPORTANT DISCLAIMER: As a company purely focused on research, CGI LLC has no business relationships with the company covered in this report, be it investment banking, consulting or any other type of relationship. In addition, CGI LLC does not seek and does not intend to seek in the future any such businesses, maintains complete independence and has no conflicts of interest related to the companies in its research universe. Neither the analysts responsible for this report nor any related household members are officers, directors, or advisory board members of any covered company. No one at a covered company is on the Board of Directors of CGI LLC or any of its affiliates. In addition, CGI LLC and its employees, including the analyst who wrote this report, hold no equity, debt or other linked derivative investments, the value of which is related in any way, directly or indirectly, to the operating and stock price performance of the company covered in this report. No such investment positions are held in any of the competitors, suppliers or customers of the companies in our coverage universe. This report is provided for information purposes only. It should not be used or considered as an offer of securities and it does not represent a solicitation to either buy or sell any securities or derivatives thereof.

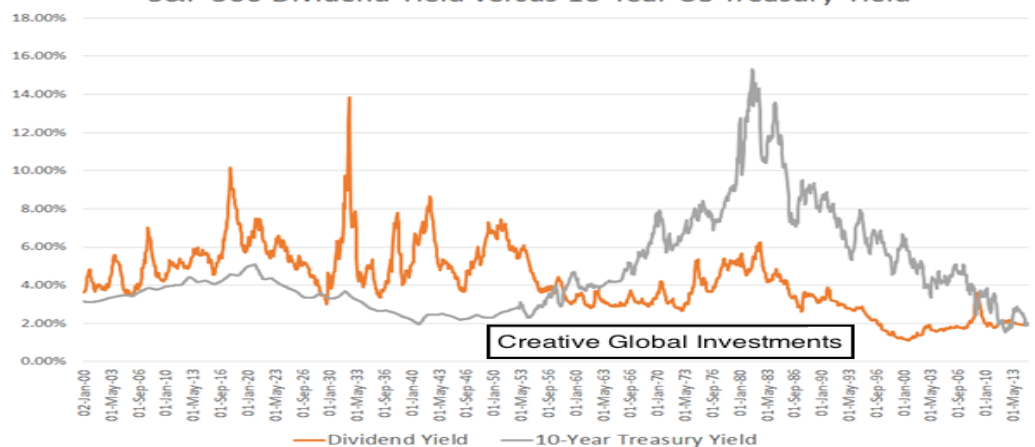
Cash as % of Total Assets



One major support factor for US equities even at current extremely high valuations is the fact that the present dividend yield of the S&P 500 sits around 1.95%, almost double what it was at the start of the century.

For the first time since the 1950's, the dividend yield of the S&P 500 benchmark is higher than the 10-year treasury yield (1.92%), increasing the appeal of the equity market. Whatever the use of enormous corporate cash balances, there remains many reasons to be enticed by the equity market over the long-term.

S&P 500 Dividend Yield versus 10-Year US Treasury Yield



If one looks for equities with superior yield and best total returns, however, there are much better investment opportunities outside of the US.

Let's look at some international equity markets dividend current yields:

Equities Index	2015 Y-t-d return	P/E	P/B	Dividend Yield
S&P 500	+2.46%	18.45x	2.75x	1.95%
EURO Stoxx 600	+19.41%	17.8x	1.89x	3.67%
DAX 30	+20.41%	19.2x	1.75x	2.87%
CAC 40	+21.25%	21.5x	1.51x	3.21%
FTSE 100	+8.33%	17.2x	1.95x	4.61%
Hang Seng	+18.96%	11.2x	1.46x	3.57%
Nikkei-225	+16.03%	19.5x	1.45x	1.55%
S&P/ASX 200	+9.86%	18.2x	2.13x	5.21%

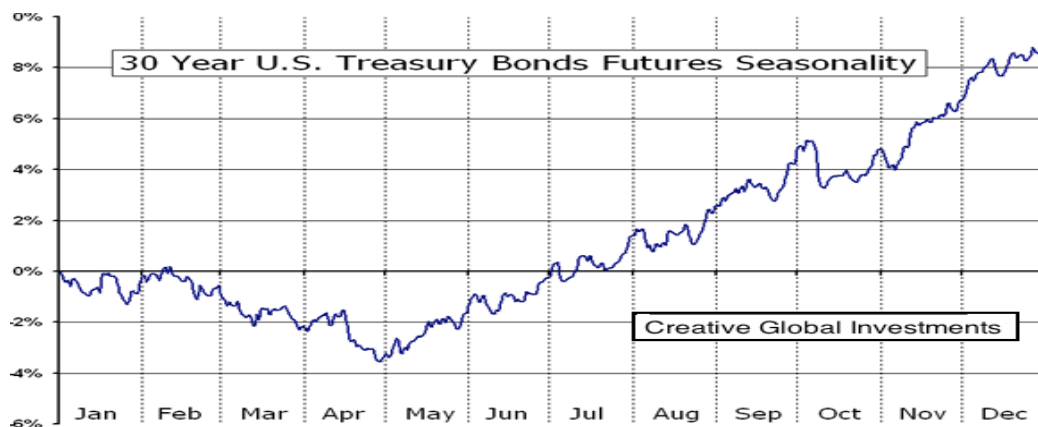
The 30-Year US Treasuries are showing early signs of rolling over. The price of the 30-Year treasury bond is rolling over from the upper limit of its long-term trend channel, a level that has resulted in significant intermediate peaks for treasury bond prices for the past few decades.

Fortunately for equity investors, the selloff in the long-term bond has resulted in gains for the S&P 500 Index in the months that followed. The price action in the treasury market warrants close attention over the months ahead given the seasonal tendencies and the impact that the fed may have as it determines the appropriate course to increase rates.



Treasury bonds enter a period of seasonal strength in May, running through the summer months as investors shed risk and allocate towards safe-haven alternatives. The trade has been very profitable over the past 30 years, during the long-term bull market for bonds.

It remains unclear as of present whether this profitable seasonal tendency for treasuries will change once the Fed starts to raise rates from their near zero levels, potentially concluding the bull market for this asset class.



US equity markets commentary & charts

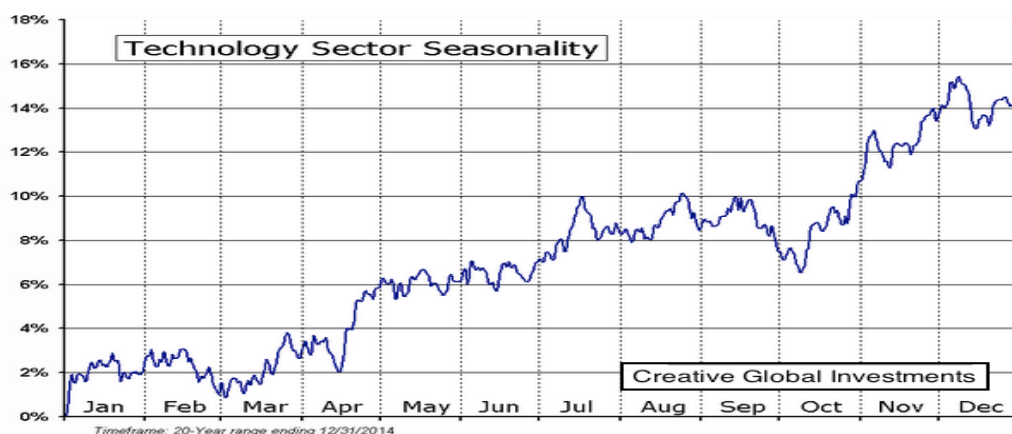
The technology sector has been underperforming the market since the end of February, hindered by lackluster performance from Apple over the past month and a half. This underperformance in the sector between February and mid-April is seasonally typical as investors take profits and sit on the sidelines following a strong fourth quarter; the stocks are often priced to perfection by the time the fourth quarter earnings season comes to a close in February.

The underperformance that follows leads to appealing buying opportunities for the next period of strength that begins in mid-April. The stocks in the sector tend to run higher into the developer commences that take place between now and June. Microsoft's developer conference is next week, followed by the Google developer conference at the end of May, and finally Apple's developer conference at the start of June. The developer conferences come with all of the fanfare of what the products of these technology companies can do, without all of the volatility surrounding a product launch.

The technology sector with the ETF tracking the space (XLK) gaining a healthy 1.71%, bouncing from its 100-day moving average. Looking at the technology sector ETF, trading activity during the period of seasonal weakness has been constrained within a triangle pattern, typically a continuation setup that implies a break in the direction of the prevailing trend. Price is presently testing the peak of this pattern, suggesting a break is imminent, likely providing the direction to the sector over the months ahead.

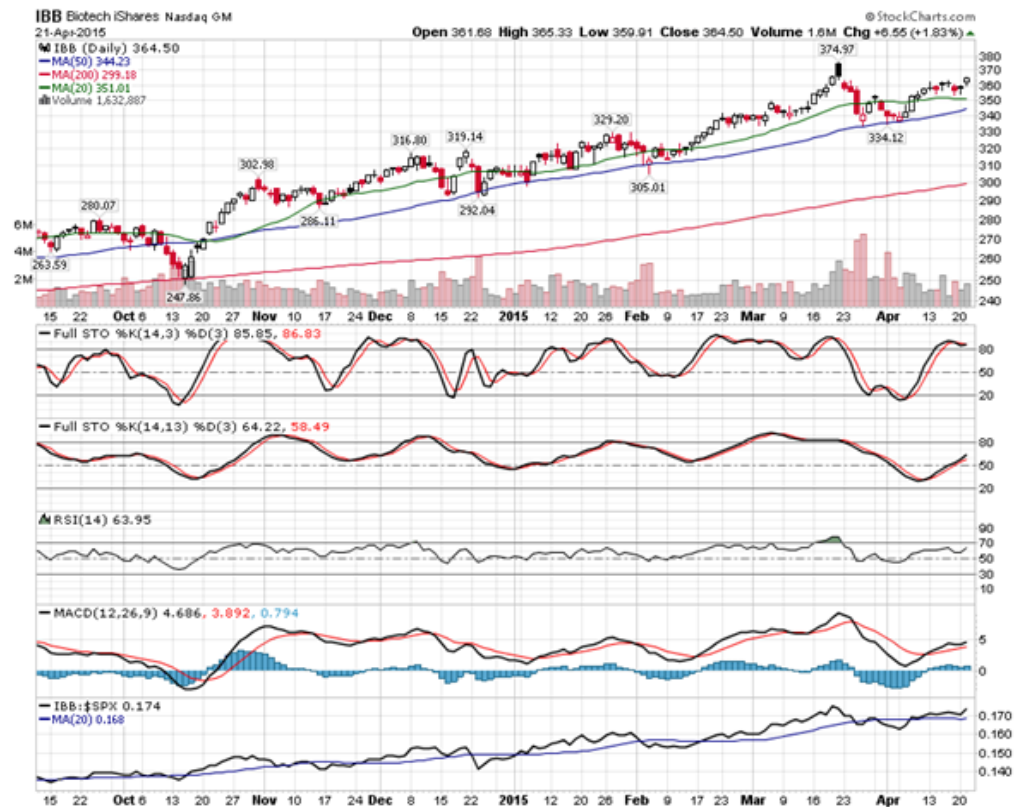


The period of seasonal strength for technology concludes in July.



The Biotechnology sector ETF that tracks the space (IBB) continues to trend firmly higher, charting a series of higher-highs and higher lows.

The strength in biotech and technology companies helps to keep the Nasdaq Composite trending higher through to mid-July, beyond the notorious "Sell in May" date for the broad equity market.



Seasonally, the industry realizes a minor period of strength between now and the beginning of June, followed by a more prominent period of strength from mid-June through September.



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

Sabine CJ Blümel, Head of Global Automotive Research

sblumel@cg-inv.com

office: +44 (7785) 301588

London, UK

Feliks Lukas, Director of Industrial Consulting

flukas@cg-inv.com

office: 212-939-7256

New York City, NY, USA

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

IMPORTANT DISCLAIMER: As a company purely focused on research, CGI LLC has no business relationships with the company covered in this report, be it investment banking, consulting or any other type of relationship. In addition, CGI LLC does not seek and does not intend to seek in the future any such businesses, maintains complete independence and has no conflicts of interest related to the companies in its research universe. Neither the analysts responsible for this report nor any related household members are officers, directors, or advisory board members of any covered company. No one at a covered company is on the Board of Directors of CGI LLC or any of its affiliates. In addition, CGI LLC and its employees, including the analyst who wrote this report, hold no equity, debt or other linked derivative investments, the value of which is related in any way, directly or indirectly, to the operating and stock price performance of the company covered in this report. No such investment positions are held in any of the competitors, suppliers or customers of the companies in our coverage universe. This report is provided for information purposes only. It should not be used or considered as an offer of securities and it does not represent a solicitation to either buy or sell any securities or derivatives thereof.