



# Creative Global Investments

## Global fixed income strategy & charts

Monday, April 23rd, 2018

Carlo R. Besenius  
Chief Executive Officer  
[cbesenius@cg-inv.com](mailto:cbesenius@cg-inv.com)



Creative Global Investments/Europe  
70, Um Beil  
L-7653 Heffingen  
Luxembourg/Europe  
Tel: +(352) 2625 8640  
Mob: +(352) 691 106 969

Stjepan Kalinic  
Market Strategist (CMT)  
[skalinic@cg-inv.com](mailto: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

Integrity

Creativity

### Geo-political and macro economic commentary

**In Asia, Japan's economy has grown for 8 quarters through end-2017, the longest continuous expansion since the 1980s.** Consensus forecasts were for the economy will expand 1.3% over the current fiscal year, down from the expected 1.8% for the fiscal year ending on March 31<sup>st</sup>. Despite a solid economy, consumer prices have been slow to recover and inflation remains well below the Bank of Japan's 2% target. Economists consensus projected the core consumer price index to rise to 0.9% this fiscal year and 1.0% for fiscal 2019, **We would not be surprised to see the BOJ push back the timing of fiscal year 2019 when it expects to reach its inflation target, due partly to the recent Yen strength.**

**China's economic data so far this year has pointed to steady if slightly slower growth from 2017, with factory output holding up despite smog controls and consumer spending still relatively resilient.**

**In Europe**, last week President Mario Draghi acknowledged the Eurozone slowdown in a statement at the IMF meetings in Washington, but maintained his optimism that the expansion will continue. Notwithstanding the latest economic indicators, which suggest that the growth cycle may have peaked, the growth momentum is expected to continue. European Central Bank policy makers see scope to wait until their July meeting to announce how they'll end their bond-buying program. Governing Council members want sufficient time to judge if the economy is overcoming its Q1 slowdown. That could mean the June meeting, who would have the advantage of linking the decision to updated economic forecasts, might be too soon.

Data today showed the Euro area's economic momentum remained downbeat in April, starting Q2 on a lackluster note. The preliminary Eurozone Composite PMI was unchanged at March's 14-month low of 55.2 in April. The result, however, overshot market analysts' expectations of a dip in the index to 54.9. The composite PMI lies well above the 50-threshold, signaling expanding business activity in the Eurozone. Production growth remained weaker than seen at the start of 2018 in April and new orders grew at the slowest pace in 15 months. Dampened orders from abroad, partly due to a strong euro, weighed on new business and orders in the services sector were particularly downbeat. However, job creation was robust in April, with services sector employment rising at the fastest pace since October 2007. Regarding the two largest Eurozone economies, the composite PMIs picked up slightly in France and Germany, although failed to regain all of March's lost ground. Elsewhere in the region business activity came in at an 18-month low. Consensus forecast is for the Eurozone economy to expand 2.4% in 2018, and by 1.9% for 2019.

There is an ECB Council meeting on Thursday this week, which explains why the officials quoted on Friday were 'off the record'; a policy, which does the ECB no credit at all in terms of openness and transparency. Mr. Draghi's comments were limited to the economy and made no mention of monetary policy so technically were within the letter, if not the spirit of established protocols on communication. Ahead of Thursday's meeting, even more attention than usual will be placed on today's 'flash estimates' of Eurozone PMI and Tuesday's German ifo business climate index. The EUR opened in London this morning at USD1.2275 with GBP/EUR in the low-1.14.

**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.

**In the Americas**, US bond yields rose sharply last week with 10-year Treasuries hitting a closing high of 2.96% on Friday; the highest since January 10th 2014 after reaching an intra-day high of 2.98%. The 2-year yield, meantime, hit 2.461%, its highest level since September 8th 2008. Fresh worries about inflation were the main driver of this move. Although the Fed Beige Book reported that price gains were seen as moderate, the Philadelphia Fed Business survey was much less benign. "Price increases for purchased inputs were reported by 59% of the manufacturers this month, up notably from 44 percent in March. The prices paid diffusion index increased 14 points to its highest reading since March 2011. The current prices received index, reflecting the manufacturers' own prices, increased 9 points to a reading of 29.8, its highest reading since May 2008."

There is an FOMC meeting on Wednesday, May 2nd, though financial markets ascribe a very low probability to a rate hike at a meeting for which no Press Conference is scheduled and at which no new economic forecasts will be presented. Futures-derived calculations put just a 1.8% probability of a hike at the upcoming meeting but a 98.4% likelihood of a move on June 13th. Markit's version of the PMI surveys is usually ignored by investors who prefer to focus on the ISM number. With the current nervousness about inflation, however, the 'flash estimate' of the PMI today will be watched closely for any clues it may offer about price pressures. The USD index opened up and remained strong in Europe this morning at 90.16.

#### For now, we maintain our US GDP growth of 2.4% in 2018, and 2.1% in 2019.

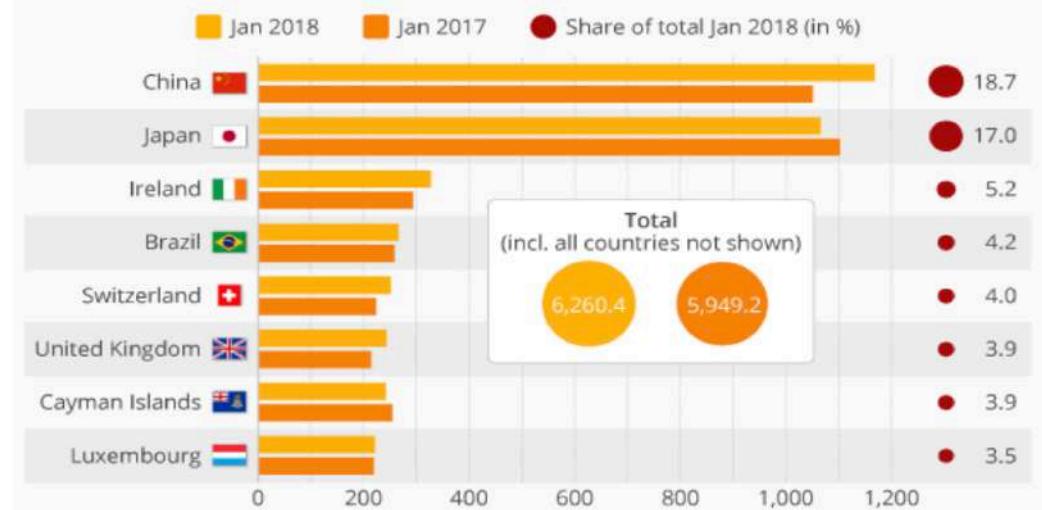
We believe President Trump has it wrong on tariffs, to the point that tariffs will not do much to fix the trade deficit, like prior tariff implementation by Reagan, Bush Sr. and Bush Jr. have not done a thing to reduce the US trade deficit epidemic. We are not saying that the US isn't being played by some countries. However, there is little good in imposing tariffs to fix it. Markets now have to determine whether Trump is bluffing with his \$100 Bn in additional tariffs. The tariffs increase the equity premium by about 0.5%, which should result in lower prices, a selloff of 3% to 4%. **We want to point to a chart that Donald Trump should take a good look at, before making more statements about trade tariffs and import taxes.**

#### China

As the DoT data shows, China is the single biggest owner of U.S. treasury securities, having even increased its leverage in a year-over-year comparison.

#### Who's Holding U.S. Government Debt?

Major foreign holders of U.S. treasury securities (billions of dollars)

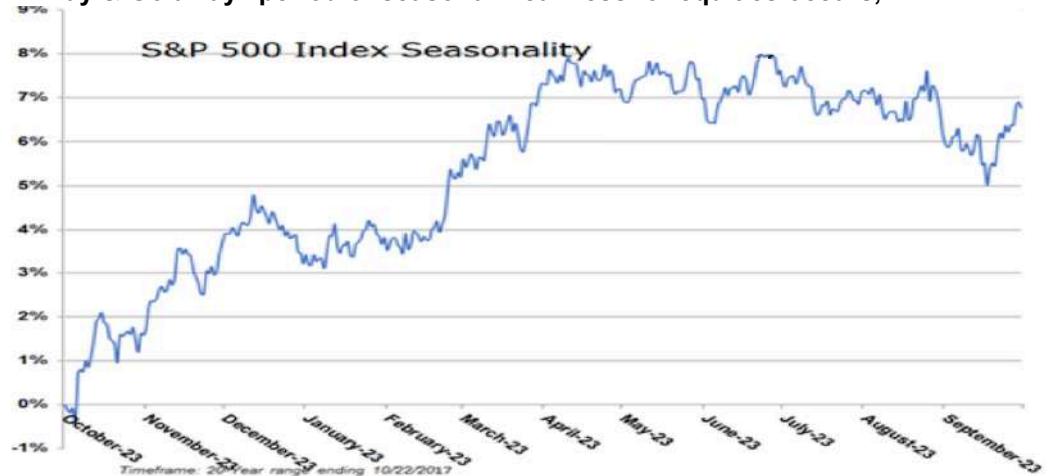


## Fixed commentary & charts

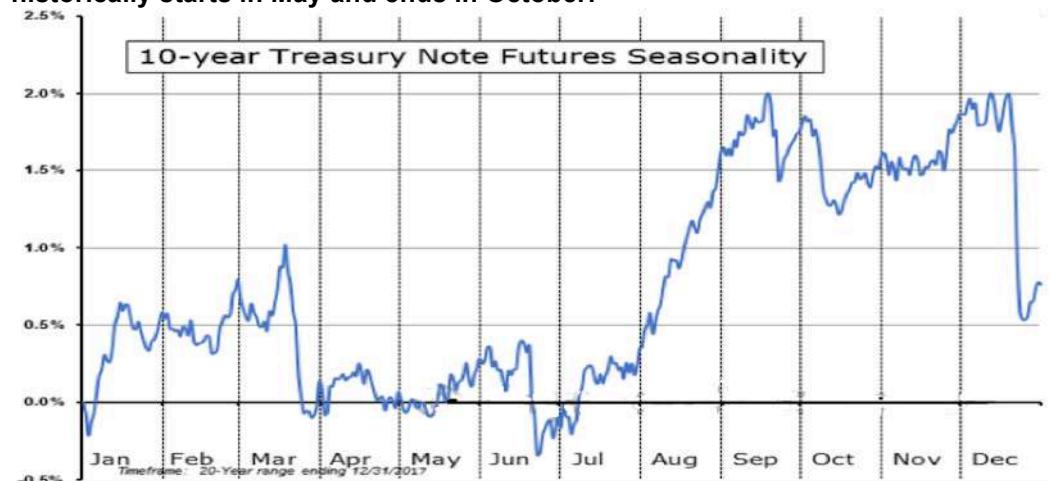
The USD averaged 100 in Q4 of 2016 and 101 in Q1 of 2017. The USD peaked in November 2016 and has consolidated since January 2018. We do not think that this proves to be the final trough for the USD since its 14-month bear market started. All long-term technical and fundamental indicators continue to point south, so we maintain our bearish stance and stick to our low-price-target of 80 for 2018.



Seasonally, April is the last strong month for equity benchmarks, before the “Sell in May & Go away” period of seasonal weakness for equities occurs,

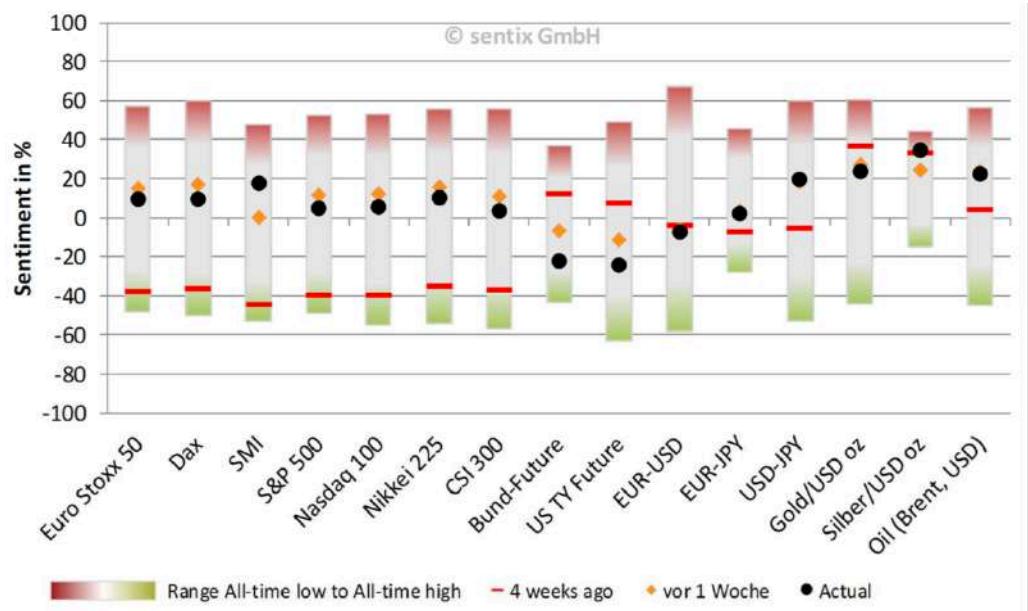


And inversely, the period of seasonal strength for European and US bonds historically starts in May and ends in October.



## Investors Sentiment Indicators

We'd like to caution on the trend for US Interest rates! Yield on 10-year Treasuries popped on Friday to a 4-year high extending an intermediate uptrend. Next FOMC meeting to consider another increase in the Fed Fund Rate is scheduled next week with results to be released on Wednesday May 2nd. The current mood for global equities can be described as "cautiously optimistic". A central problem remains the weak strategic bias, which in some European markets marks new lows for the year.



Bonds, whose basic conviction is rapidly sinking downwards, are strongly becoming investors' seasonal focus. This is partially to be linked to crude oil prices, which are fueling new inflation concerns. **As we were forecasting, WTI and Oil's further trend is clearly higher, and we maintain our 2018 High price target for WTI of \$78/bbl.**

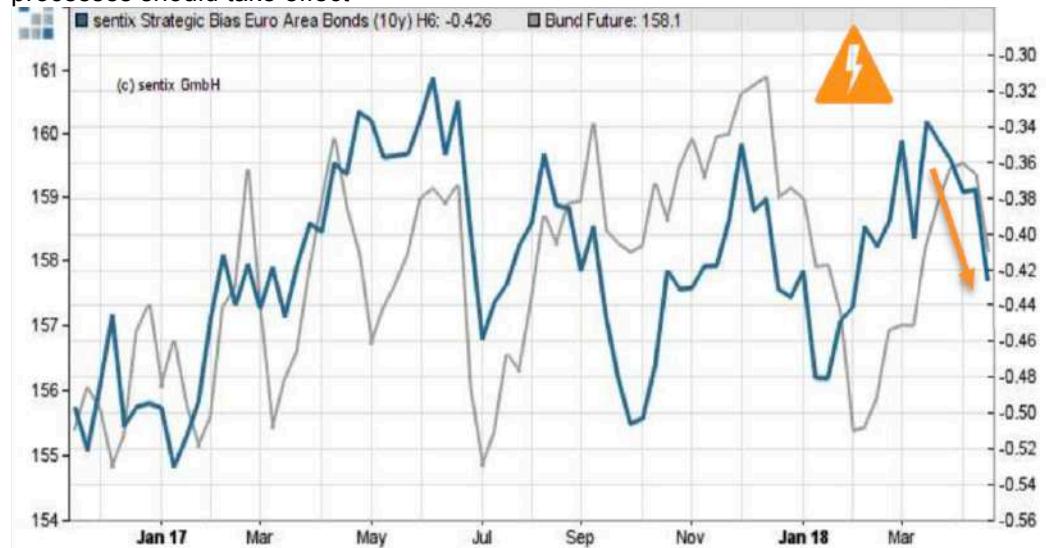
	DAX	ESX50	SMI	S&P 500	Nasdaq	Nikkei	CSI 300	Bunds	T-Bonds	EUR-USD	EUR-JPY*	USD-JPY	Gold	Silver	Oil
<b>Sentiment</b>															
<b>Strategic Bias</b>	X														
<b>Neutrality Index</b>										X					X
<b>Overconfidence Index</b>															

\* highlights markets for which the sentix indicators display extreme values

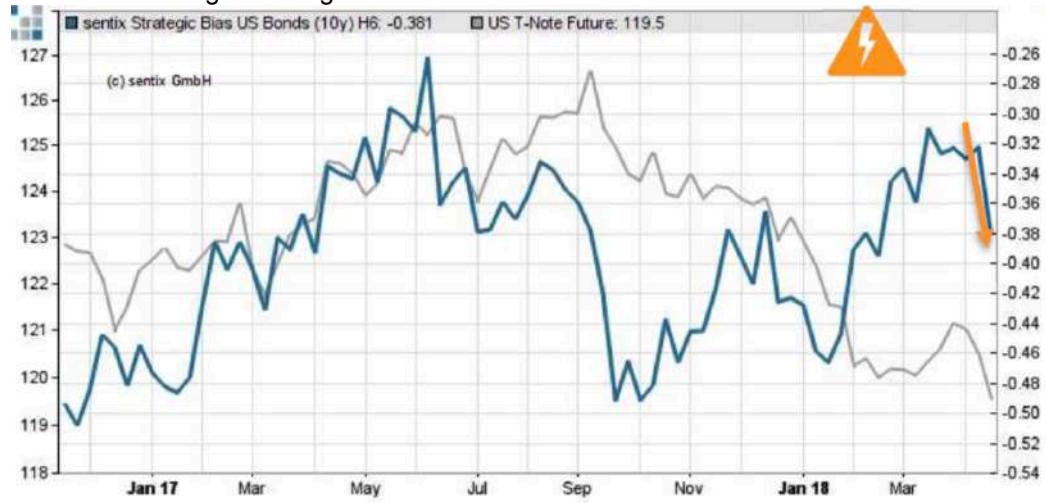
The currency markets seem to be trapped within a narrow range. This is creating a lot of irritation among investors, which is reflected in the rise from the short-term Neutrality Index to EUR/USD.



The movements on the commodity markets are causing discomfort for bond investors. The Bias drops by 5 percentage points. The recovery in the bond market, as indicated by the bias, is therefore likely to come to an end. From now on, risk management processes should take effect



The Strategic Bias is also eroding significantly for US Treasuries. Last week's price losses were probably too much for investors, especially as new lows were reached in future prices. The traditionally weak Q2 for bonds lives up to its reputation: we are therefore once again facing a serious test.



## Asian fixed income markets charts

**China 10-year trades at 3.607**  
**China 10-Year, China, Shanghai:CN10YT=RR, D**

Intermediate trend is Negative.  
 Price broke through the support at 3.8.  
 Price is below the 200-day MVA.  
 Short-term momentum indicators are Negative and Oversold.



**Japan 10-year trades at 0.035**

**Japan 10-Year, Japan, Tokyo:JP10YT=RR, D**

Intermediate trend is Neutral.  
 Price remains ranging above the support.  
 Price is below the 200-day MVA.  
 Short-term momentum indicators are Neutral.



## European fixed income markets charts

### UK 10-year trades at 1.410

Intermediate trend is Neutral.  
Price found support but remains below the key level of 1.5.  
Price remains above the 200-day MVA.  
Short-term momentum indicators are Positive.



### Germany 10-year trades at 0.532

Intermediate trend is Neutral.  
Price rebounded from the lower trendline but remains below the important resistance at 0.6.  
Price remains above the 200-day MVA.  
Short-term momentum indicators are Positive.



Intermediate trend is Negative.  
Price is retracing towards the lower trendline.  
Price moved below the 200-day MVA.  
Short-term momentum indicators are Positive.

### France 10-year trades at 0.760



Intermediate trend is Negative.  
Price broke the support and made the new yearly low.  
Price is below the 200-day MVA.  
Short-term momentum indicators are Negative.

### Italy 10-year trades at 1.724



Intermediate trend is Negative.  
Price broke through the lower trendline and rejected the pullback.  
Price remains below the 200-day MVA.  
Short-term momentum indicators are Mixed.



Intermediate trend is Negative.  
Price looks to be forming a Coil.  
Price remains below the 200-day MVA.  
Short-term momentum indicators are Negative.



**Norway 10-year trades at 1.865****Norway 10-Year, Norway, Oslo:NO10YT=RR, D**

Intermediate trend is Negative.  
Price broke the neckline and rebounded from the support at 1.8 level.

Price remains above the 200-day MVA.  
Short-term momentum indicators are Positive.

**Switzerland 10-year trades at 0.050****Switzerland 10-Year, Switzerland, Switzerland:CH10YT=RR, D**

Intermediate trend is Neutral.  
Price looks to break through the upper trendline.  
Price remains above the 200-day MVA.  
Short-term momentum indicators are Positive.



## US fixed income markets charts

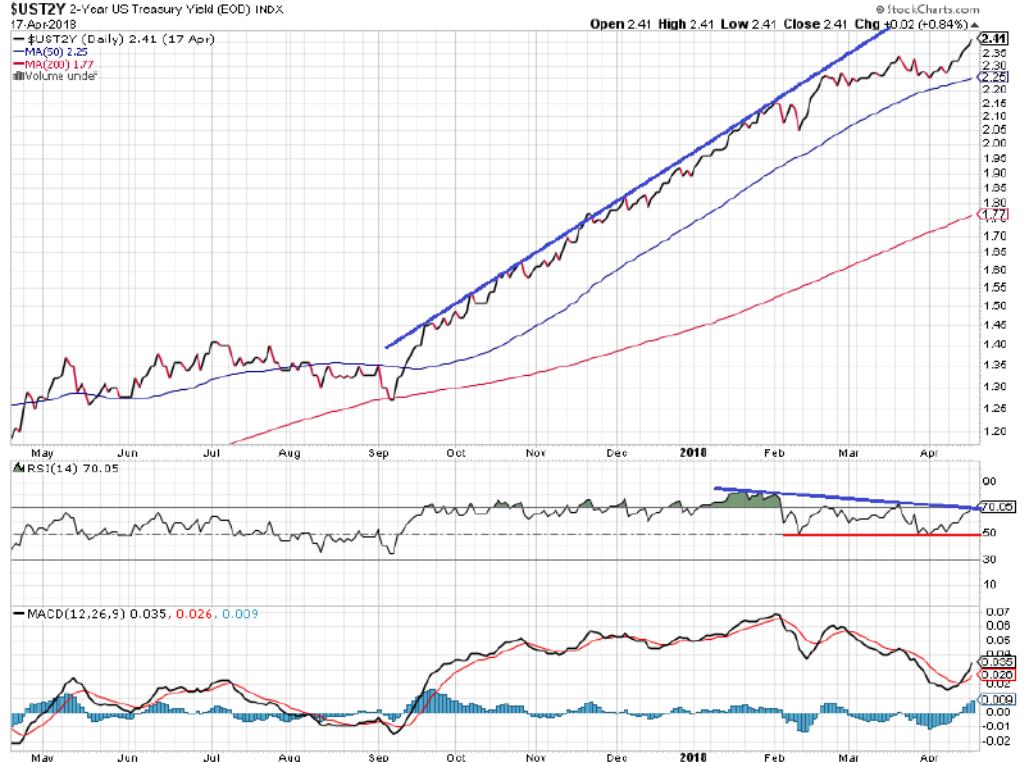
### \$TNX trades at 28.58

\$TNX CBOT 10-Year US Treasury Yield INDX  
 18-Apr-2018 1:51pm  
 \$TNX (Daily) 28.58  
 —MA(50) 28.42  
 —MA(200) 24.75  
 ■■■Volume under



### \$UST2Y trades at 2.41

\$UST2Y 2-Year US Treasury Yield (EOD) INDX  
 17-Apr-2018  
 —\$UST2Y (Daily) 2.41 (17 Apr)  
 —MA(50) 2.25  
 —MA(200) 1.77  
 ■■■Volume under



**Intermediate trend is Neutral.**

**\$TNX rebounded from the lower trendline yet the movement looks exhausted.**

**Price remains just above the 50-day MVA. Short-term momentum indicators are Positive.**

**Intermediate trend is Positive.**

**\$UST2Y keeps making new highs.**

**Price remains above the 50-day MVA.**

**Short-term momentum indicators show bearish divergence.**

**\$TYX trades at 30.38****Americas' fixed income markets charts****Canadian 10-y trades at 2.315**

Canada 10-Year, Canada, Toronto:CA10YT=RR, D

Intermediate trend is Positive.  
Price broke out through the upper trendline and is aiming for the 2.4 high.  
Price remains above the 200-day MVA.  
Short-term momentum indicators are Positive.



Intermediate trend is Neutral.  
Price rebounded from the 200-day MVA but looks compressed.  
Price remains above the 200-day MVA.  
Short-term momentum indicators are Positive.



Intermediate trend is Neutral.  
Price is ranging above the temporary support.  
Price remains below the 200-day MVA.

Short-term momentum indicators are rolling over.

### EM fixed income markets charts

**Brazilian 10-y trades at 9.580**

Brazil 10-Year, Brazil, BM&FBovespa:BR10YT=XX, D





#### Disclosures

This research report has been prepared by Creative Global Investments LLC. ('CGI'). The author(s) of the research report is/are detailed on the front page.

#### Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

**CGI Recommendation Principles:**

**BUY** Recommendation: The security is expected to generate a ***total return of over 20% during the next 3 - 12 months*** time horizon.

**SELL** Recommendation: The security is expected to generate a ***total return below -10% during the next 3 - 12 months*** time horizon

**Regulation**

CGI is a member of EuroIRP (European Association of Independent Research Providers) in the UK and is subject to the rules and business guidelines of the relevant regulators in all other jurisdictions where it conducts business. CGI's research reports are prepared in accordance with the recommendations of the EuroIRP Association.

**Conflicts of interest**

CGI has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in CGI's research policies. Employees within CGI's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the

**Compliance Department.**

CGI's Research Departments are organized independently from and do not report to other business areas within CGI. Research analysts are remunerated in part based on the overall profitability of CGI, which may include investment banking advisory revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions. Financial models and/or methodology used in this research report, calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

**Important Legal Information/Risk warning**

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text. All investments involve risks, including the possible loss of principal.

Investments in foreign securities involve special risks including currency fluctuations, economic instability and political developments.

Investments in emerging markets, of which frontier markets are a subset, involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Because these frameworks are typically even less developed in frontier markets, as well as various factors including the increased potential for extreme price volatility, illiquidity, trade barriers and exchange controls, the risks associated with emerging markets are magnified in frontier markets.

Commodities', Stocks', bonds' and foreign exchange prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions.

**Expected updates**

Each working day/Date of first publication/See the front page of this research report for the date of first publication.

**General disclaimer**

This research report has been prepared by CGI and is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that CGI considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and CGI, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgment as of the date hereof. These opinions are subject to change and CGI does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided herein. This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without CGI's prior written consent.

This research report is not intended for, and may not be redistributed to, retail customers in the UK or the US.

CGI is not subject to US rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of CGI who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA but satisfy the applicable requirements of a non-US jurisdiction.

CGI is not subject to US rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of CGI who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA but satisfy the applicable requirements of a non-US jurisdiction. Any US investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting CGI directly and should be aware that investing in non-US financial instruments may entail certain risks. Financial instruments of non-US issuers may not be registered with the US Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the US Securities and Exchange Commission.

Report completed: 04/23/2018 11:05 EST  
Report first disseminated: 04/23/2018 11:15 EST

**Carlo R Besenius**, CEO  
Chief Global Strategist  
[cbesenius@cg-inv.com](mailto:cbesenius@cg-inv.com)  
office: +(352) 26 25 86 40  
mobile: +(352) 691 106 969  
Luxembourg/Europe

**Marc Peters**, Head of Global Industrial Strategy  
[mpeters@cg-inv.com](mailto:mpeters@cg-inv.com)  
office: +(352) 26 25 86 40  
mobile: +352 621 36 44 50  
Luxembourg/Europe

**Gary Schieneman**, Managing Director,  
Global Accounting and Finance  
[gschieneman@cg-inv.com](mailto:gschieneman@cg-inv.com)  
office: 917-868-6842  
New York, NY, USA

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

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

**Stjepan Kalinic**, Global Strategist/Technician  
[skalinic@cg-inv.com](mailto:skalinic@cg-inv.com)  
office: 212 939 7256  
mobile: +(385) 9152 95916  
Kastel Sucurac, Croatia

**Allison M Cimon**, Director of Sales & Technology  
[amcimon@cg-inv.com](mailto:amcimon@cg-inv.com)  
office: 646 228 4321  
Boston, MA, USA

**Per Bjørnholt**, Managing Director,  
Industrial Solution  
[pbjornholt@cg-inv.com](mailto:pbjornholt@cg-inv.com)  
office: 212 939 7256  
New York, NY, USA

**Jennifer Crisman**, COO  
[jcrisman@cg-inv.com](mailto: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.