



# Creative Global Investments

## Global fixed income strategy & charts

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### Geo-political and macro economic commentary

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Objectivity

Integrity

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***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.

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**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.**

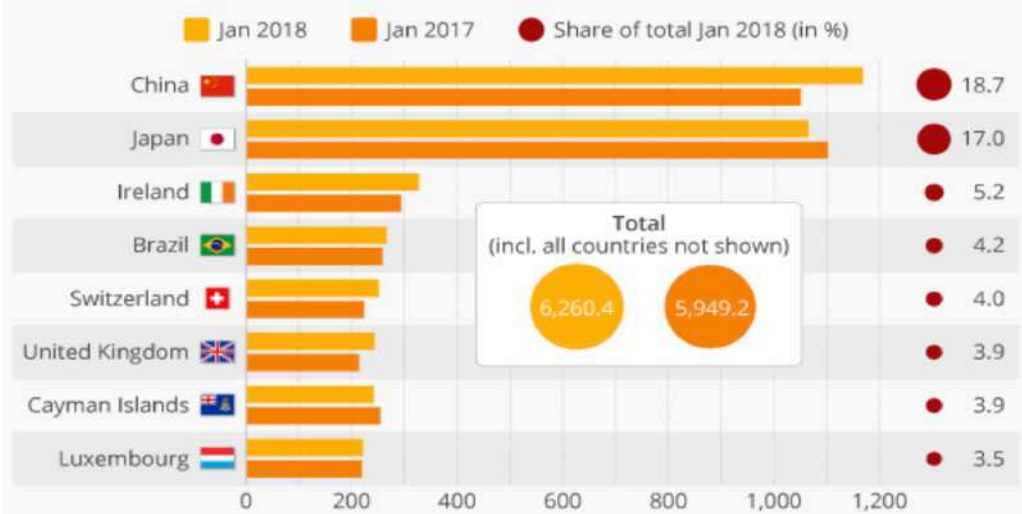
We believe President Trump has it wrong on tariffs, to the point that tariffs will not do much to fix the trade deficit, like prior tariff implementation by Reagan, Bush Sr. and Bush Jr. have not done a thing to reduce the US trade deficit epidemic. We are not saying that the US isn't being played by 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)

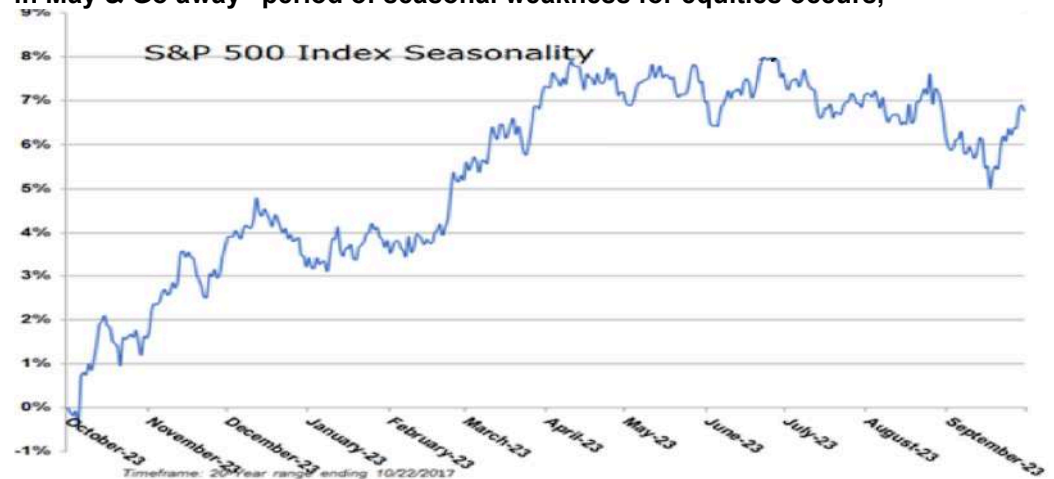


## Fixed commentary & charts

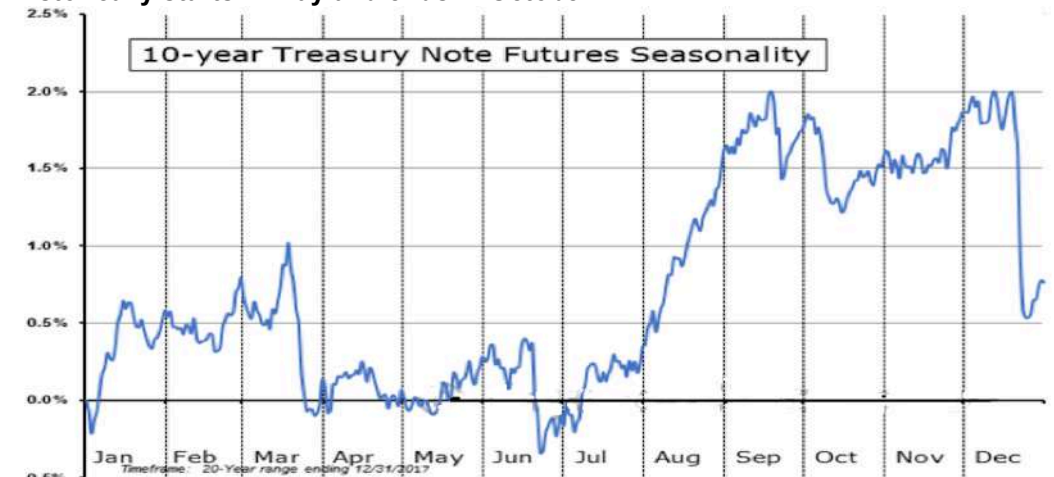
The USD averaged 100 in Q4 of 2016 and 101 in Q1 of 2017. The USD peaked in November 2016 and has consolidated since January 2018. We do not think that this proves to be the final trough for the USD since its 14-month bear market started. All long-term technical and fundamental indicators continue to 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,

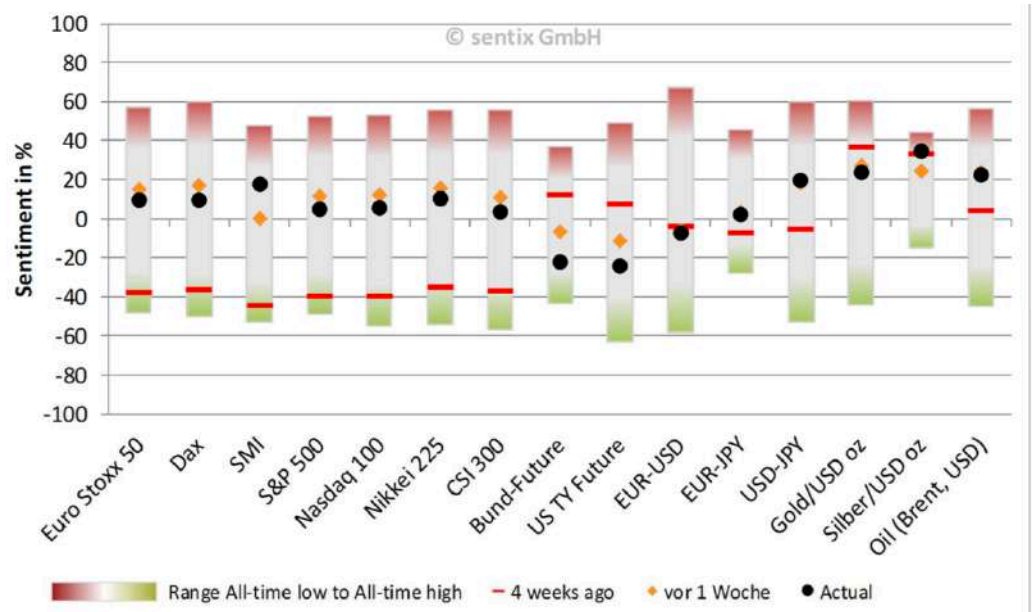


And inversely, the period of seasonal strength for European and US bonds historically starts in May and ends in October.



## 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/brl.**

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

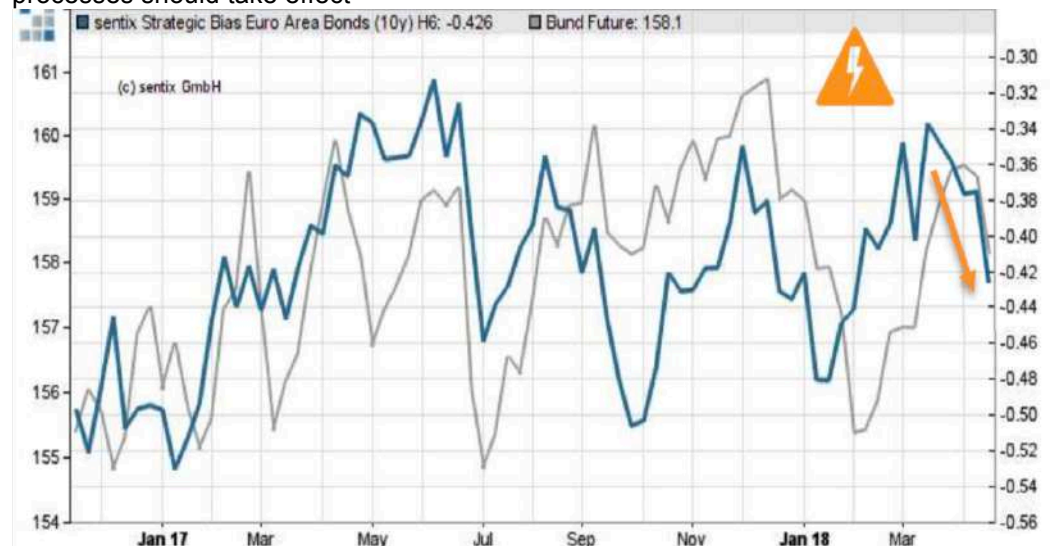
\* highlights markets for which the sentix indicators display extreme values

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.

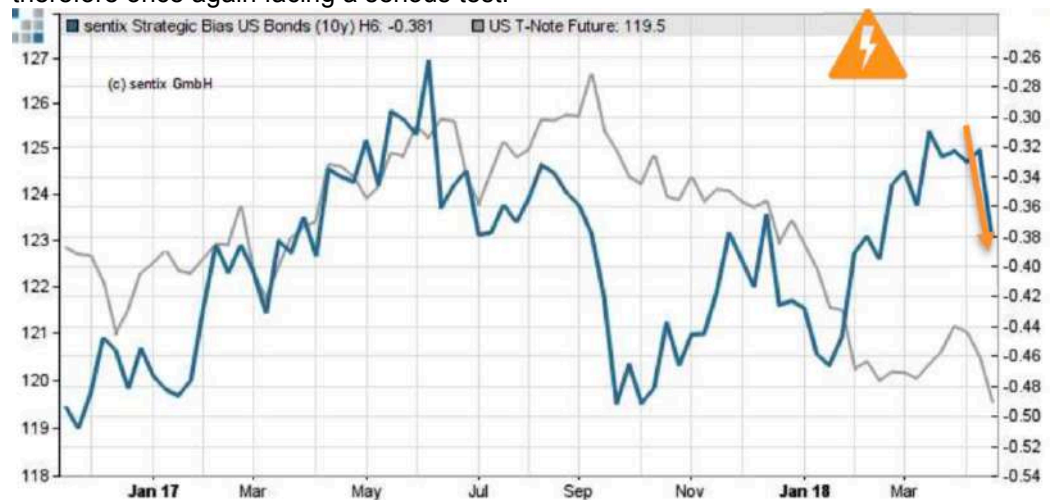




The movements on the commodity markets are causing discomfort for bond investors. The Bias drops by 5 percentage points. The recovery in the bond market, as indicated by the bias, is therefore likely to come to an end. From now on, risk management processes should take effect



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

United Kingdom 10-Year, United Kingdom, London:GB10YT=RR, D



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

Germany 10-Year, Germany, Xetra:DE10YT=RR, D



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.

**France 10-year trades at 0.760**

France 10-Year, France, Paris:FR10YT=RR, D

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

**Italy 10-year trades at 1.724**

Italy 10-Year, Italy, Milan:IT10YT=RR, D

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.





**Spain 10-year trades at 1.218**

Spain 10-Year, Spain, Madrid:ES10YT=RR, D



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.

**Greece 10-year trades at 3.996**

Greece 10-Year, Greece, Athens:GR10YT=RR, D



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

MA (200, close, 0)

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

MA (200, close, 0)

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.

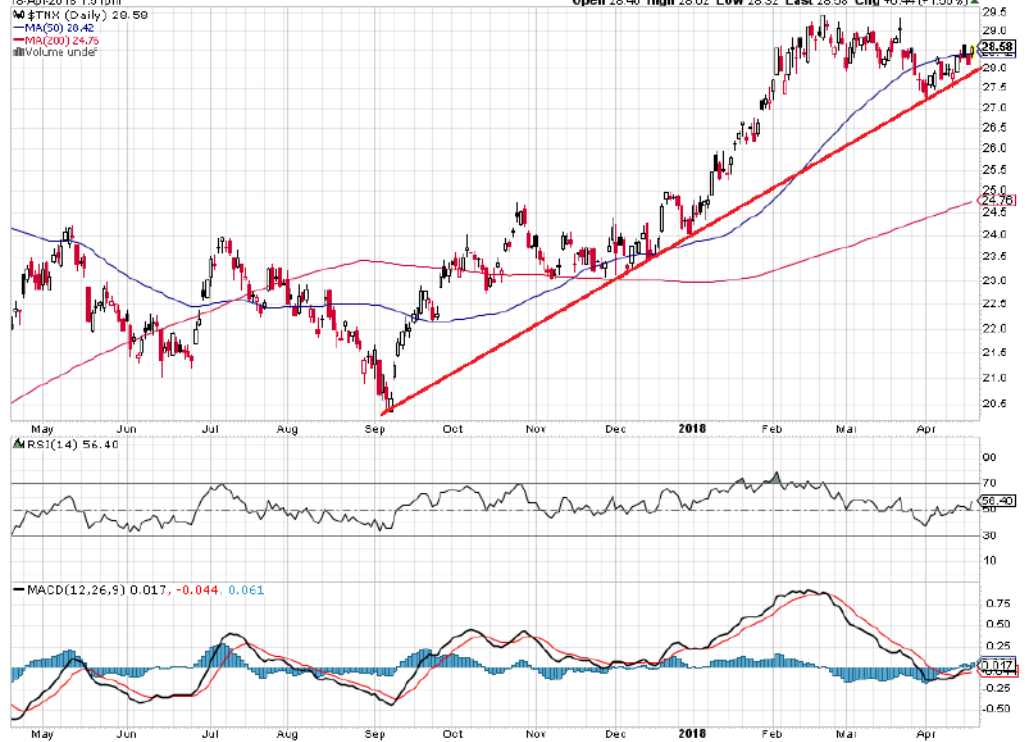


## US fixed income markets charts

## \$TNX trades at 28.58

\$TNX CBOE 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

Open 28.40 High 28.62 Low 28.32 Last 28.58 Chg +0.44 (+1.55%)



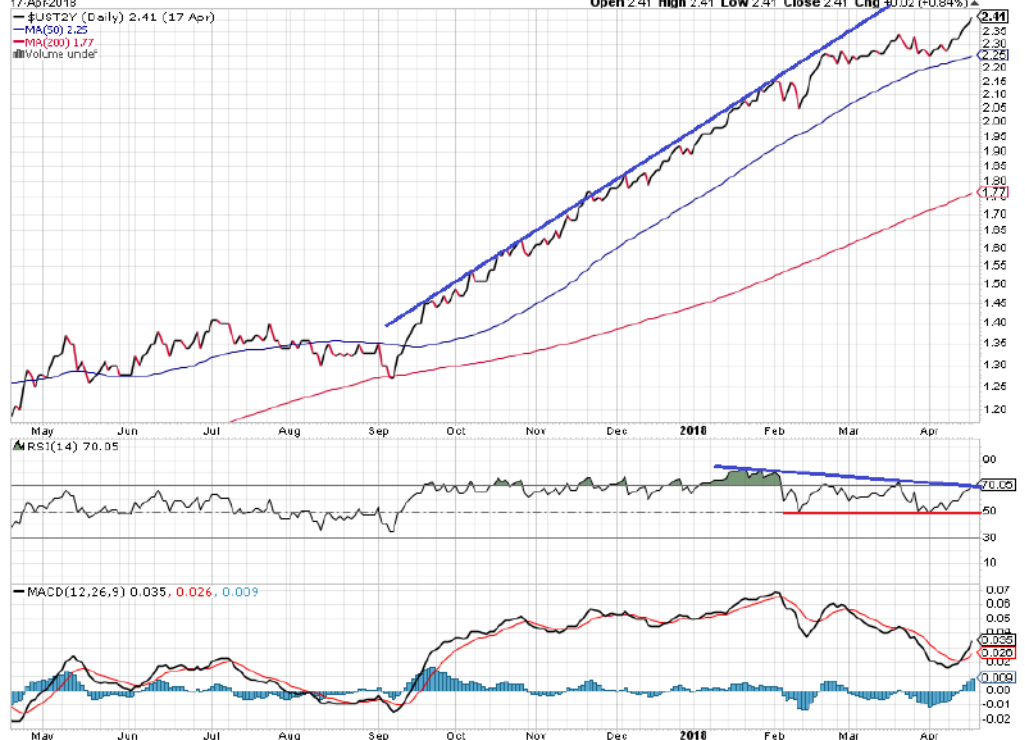
Intermediate trend is Neutral.  
 \$TNX rebounded from the lower trendline yet the movement looks exhausted.

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

## \$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

Open 2.41 High 2.41 Low 2.41 Close 2.41 Chg +0.02 (+0.84%)



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**

Intermediate trend is Neutral.  
\$TYX is ranging above the temporary support at 30.

Price is below the 50-day MVA.  
Short-term momentum indicators are Neutral.

**Americas' fixed income markets charts****Canadian 10-y trades at 2.315**

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

MA (200, close, 0)



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.



**Mexican 10-y trades at 7.390**

Mexico 10-Year, Mexico, Mexico:MX10YT=XX, D

MA (200, close, 0)

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.

**EM fixed income markets charts****Brazilian 10-y trades at 9.580**

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

MA (200, close, 0)

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.



Intermediate trend is Positive.  
Price flash broke through the few important levels.  
Price remains below the 200-day MVA.  
Short-term momentum indicators are rolling over.

### Russia 10-year trades at 7.030

Russia 10-Year, Russia, Moscow:RU10YT=RR, D



### India 10-year trades at 7.536

India 10-Year, India, NSE:IN10YT=RR, D



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