



Creative Global Investments

Market commentary & charts

Tuesday, May 5th, 2015

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Objectivity

Integrity

Creativity

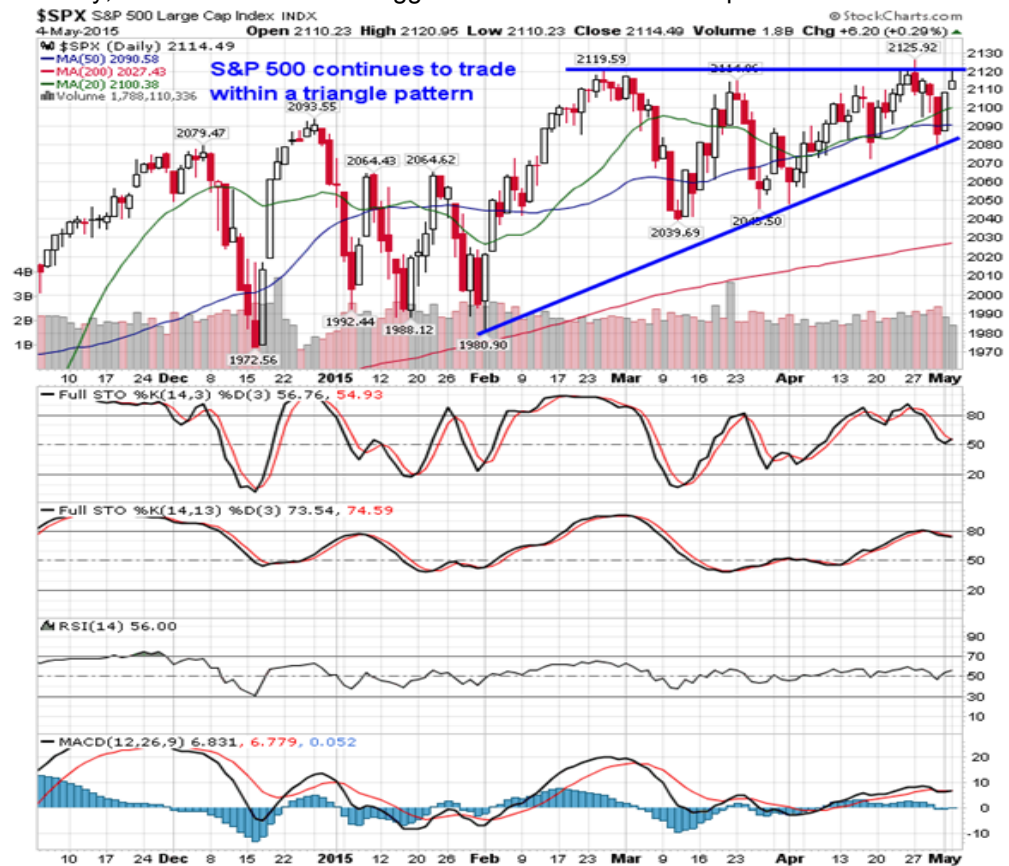
Happy "Cinco de Mayo"

Or, as US and European equity investors see today as being "the average end to the favorable period for stocks", which began in October. Since the start of the seasonally strong period for stocks on October 28th, the S&P 500 Index is higher by 7.79% (as of the close on May 4th), just below the 20-year average for the six-month trend of 8.84%. The period ahead, from May 6th through to October 27th, although positive more times than negative, is characterized as a period of increasing volatility with a lack of positive catalysts to drive prices higher. **The average unfavorable period return over the past 20 years was -0.25%; the average changes slightly to -2.04% when unfavorable periods following below average favorable periods are isolated.** Declines between May and October are definitely not a certainty, but it often is prudent to be conservative in equity allocations by reducing beta and correlation versus the market during this period of random performance.

Favorable			Unfavorable		
From	To	Return	From	To	Return
10/27/14	5/04/15	7.79%			
10/27/13	5/05/14	7.10%	5/05/14	10/27/14	4.08%
10/27/12	5/05/13	14.34%	5/05/13	10/27/13	9.00%
10/27/11	5/05/12	6.58%	5/05/12	10/27/12	3.13%
10/27/10	5/05/11	12.91%	5/05/11	10/27/11	-3.78%
10/27/09	5/05/10	9.64%	5/05/10	10/27/10	1.42%
10/27/08	5/05/09	6.46%	5/05/09	10/27/09	17.66%
10/27/07	5/05/08	-8.32%	5/05/08	10/27/08	-39.69%
10/27/06	5/05/07	9.31%	5/05/07	10/27/07	1.97%
10/27/05	5/05/06	12.46%	5/05/06	10/27/06	3.89%
10/27/04	5/05/05	4.20%	5/05/05	10/27/05	0.53%
10/27/03	5/05/04	8.77%	5/05/04	10/27/04	0.35%
10/27/02	5/05/03	3.22%	5/05/03	10/27/03	11.29%
10/27/01	5/05/02	-2.82%	5/05/02	10/27/02	-16.38%
10/27/00	5/05/01	-8.19%	5/05/01	10/27/01	-12.79%
10/27/99	5/05/00	10.48%	5/05/00	10/27/00	-3.70%
10/27/98	5/05/99	26.47%	5/05/99	10/27/99	-3.76%
10/27/97	5/05/98	27.20%	5/05/98	10/27/98	-4.50%
10/27/96	5/05/97	18.46%	5/05/97	10/27/97	5.62%
10/27/95	5/05/96	10.68%	5/05/96	10/27/96	9.24%
			5/05/95	10/27/95	11.46%
Average:		8.84%			-0.25%

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The S&P 500 Index hit against resistance around 2120, continuing to trade within the bounds of a triangle pattern. Following the decline and subsequent rebound in equity prices over the past week, momentum indicators for the major benchmarks are now hovering around neutral territory as investors wait for the always-important monthly employment report, which is to be released this Friday. The triangle pattern on the large-cap index is reaching a peak, suggesting a break is imminent; a break below the pattern would suggest a strong sell signal as the unfavorable period for stocks gets underway, while a break above suggests a continuation of the positive trend.



Inversely to US, European and Japanese equities, 10-Year and 30-Year US and European government bonds have been an ideal place to rotate to during the unfavorable period for stocks, at least as it pertains to the 30+ year old bull market for bonds. **Treasury yields decline, on average, between the start of May and the end of October, allowing investors to benefit from price appreciation and a reasonable yield while waiting out the equity market volatility.**

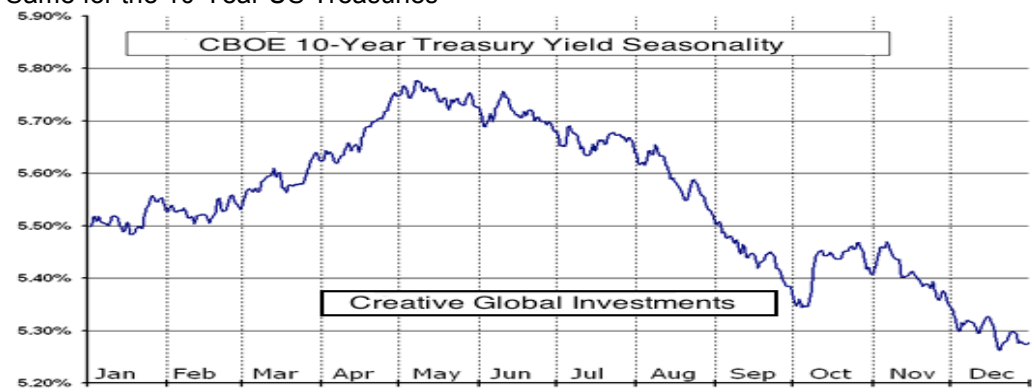


From a chart-technical aspect, with the recent move higher in yields, we are not yet recommending for investors to go long bonds just yet again. Amidst speculation as to when the Fed will enact its first post-recession rate increase, rates have been pushing higher since charting a low at the end of January; higher intermediate lows are apparent

on the charts, the first step in potentially confirming the end of the intermediate trend of lower-highs and lower-lows. The yield on the 30-year Treasury Bond is presently bumping up against its 200-day moving average line for the first time in over a year; horizontal resistance around 2.9% is apparent, a breakout above which could see a calculated move to 3.5%. The seasonal trade should certainly not be discounted, however, we believe that the most appealing buying opportunities may be realized in the coming 3 – 6 weeks, as investors will focus on more macro economic data and debate the future path for rates.



Same for the 10-Year US Treasuries





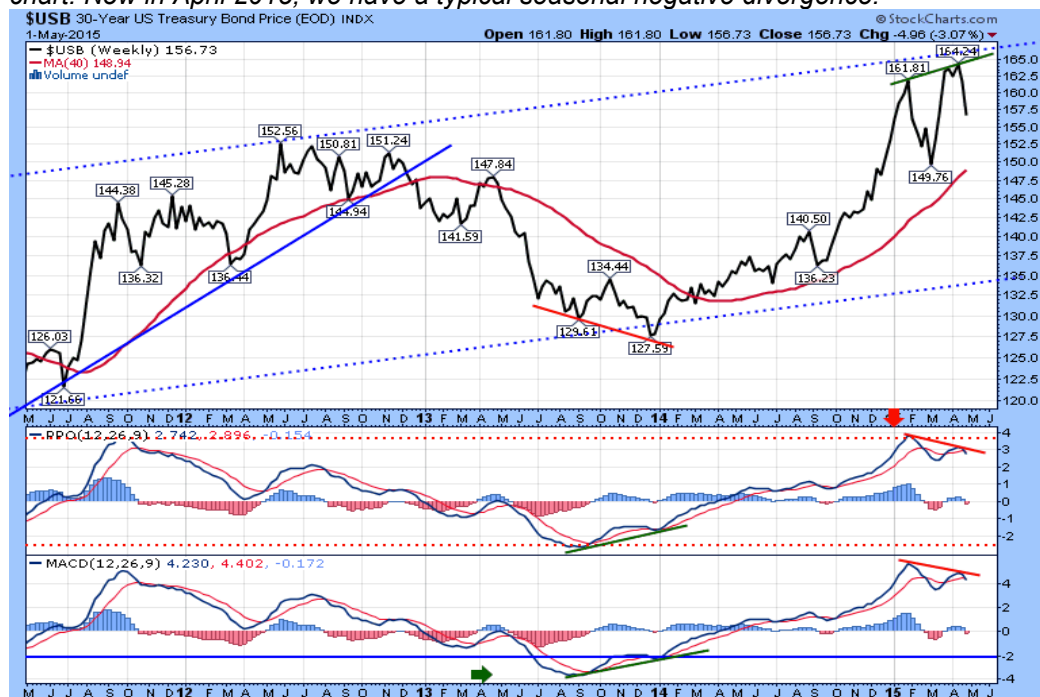
Just to reiterate our note on bonds from yesterday

Temporary short term 30-Year bond correction underway

The price of the 30-Year US Treasuries looks to be at a level of major reversal. The chart shows that the PPO is at another one of the extreme levels in the entire 30-year bond run. The reading on the MACD is not as clear a signal because the MACD will form higher waves as the price moves higher. The PPO shows when there is an extreme percentage price move. So a 4% move on the PPO is significant throughout the time frame of the chart. The bond price bottomed out in 2014 after a nice divergence showed up on both the PPO and the MACD.



There is a seasonal positive divergence on the \$USB price in January 2014 on the next chart. Now in April 2015, we have a typical seasonal negative divergence.



For foreign investors, this reversal in bonds is a problem. However, this also coincides with the reversal in the \$USD. If the \$USD rolling over is added in, the bonds will lose value much faster to create losses very quickly. The main problem here is that no one Strangely, for now investors do not expect bonds to sell off, whereas a year ago, no one expected the bonds to be the upcoming trade of the year. As per our Q2 Global Strategy Outlook, we are expecting bonds to retrace quickly as foreign bondholders abandon their positions, consequently offering greater value into the period of seasonal strength from mid May until August, and for yields to reach new lows. Investors would buy TBT to try to profit in this trade. Foreign investors will have trouble making money in a TBT trade if the \$USD is falling. This is a trade for US investors. Because of all the global turmoil, this could reverse but it looks to me that the signals are clear at this point in time. As always, an exit strategy is as important as an entry strategy.

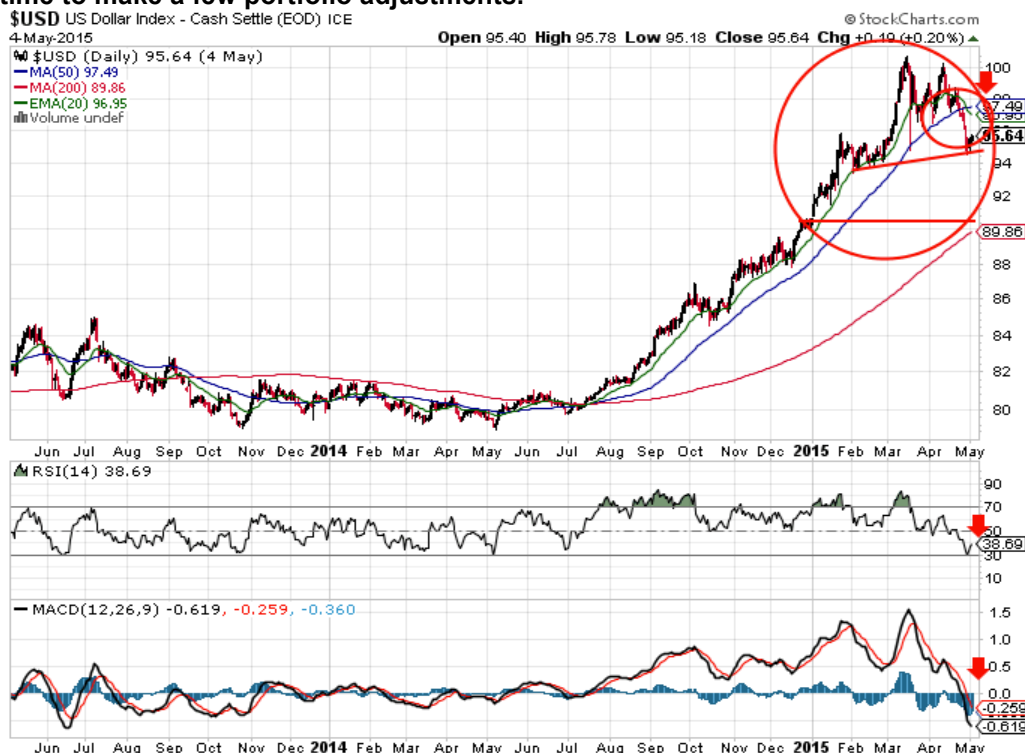


Again, we have been writing about the negative impact of the strong US\$ on the US economy since September of 2014, and the trade data is starting to show our case and point.

US trade deficit jumped by 43%, “So that was that for the strong US\$”

Today, the US Commerce department announced that the trade deficit soared 43% to - US\$ 51.5 Bn in March, largely reflecting the settlement of a major West Coast port dispute that allowed piles of imported goods sitting on docks to be processed and shipped to US buyers. Exports edged up 0.9% to US\$ 187.8 Bn, but imports leaped a record 7.7% to US\$ 239.2 Bn. The size of the trade gap - the highest since 1996 - was much larger than expected, suggesting Q1 US GDP will go from a meager 0.2% gain to a negative reading when the preliminary numbers are revised later this month. Economists' consensus had forecast the deficit to rise to US\$ 43.5 Bn in March from a revised US\$ 35.9 Bn in February. After falling to the six-year low in February, the deficit climbed to a seven-year high in March as ports began to operate again near full capacity. Meanwhile, the three-month average in the trade gap that smooths out big short-term swings only showed a modest change. The trade deficit in Q1 averaged US\$ 43.3 Bn, up 5.2% compared to US\$ 41.17 Bn in same three months in 2014. That's the highest three-month average since last June.

However, given the continued rise of the US\$ until a few weeks ago, and the inherent higher weighted price of the US\$, we are expecting for the US trade deficit to widen still in Q2, and hence, again cause negative impact on the US trade, and US GDP growth for Q2 and beyond. The stronger US\$ and lower energy prices so far in 2015 are adversely impacting aggregate earnings still by comparison to Q2 and Q3 in 2014. Big multinationals that make a high percentage of their sales abroad are experiencing softer sales, and energy companies are obviously still suffering through oil prices that have fallen some 50%. **We do not think that economists and analysts have fully caught on to these mitigating factors yet. If the current slow GDP trend continues, and all signs we see point to this, then the level of earnings for the S&P 500 could be the lowest seen in two years.** Last year the economy grew +4.6% in the Q2 following an also very weak Q1. **We are convinced by the initial data that this year's Q2 will not be nearly as strong; we maintain our 2015 forecast for +2.2% GDP growth. It is time to make a few portfolio adjustments.**



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