Creative Global Investments

Currency commentary & charts

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Objectivity

Integrity

Creativity

US$ breakdown

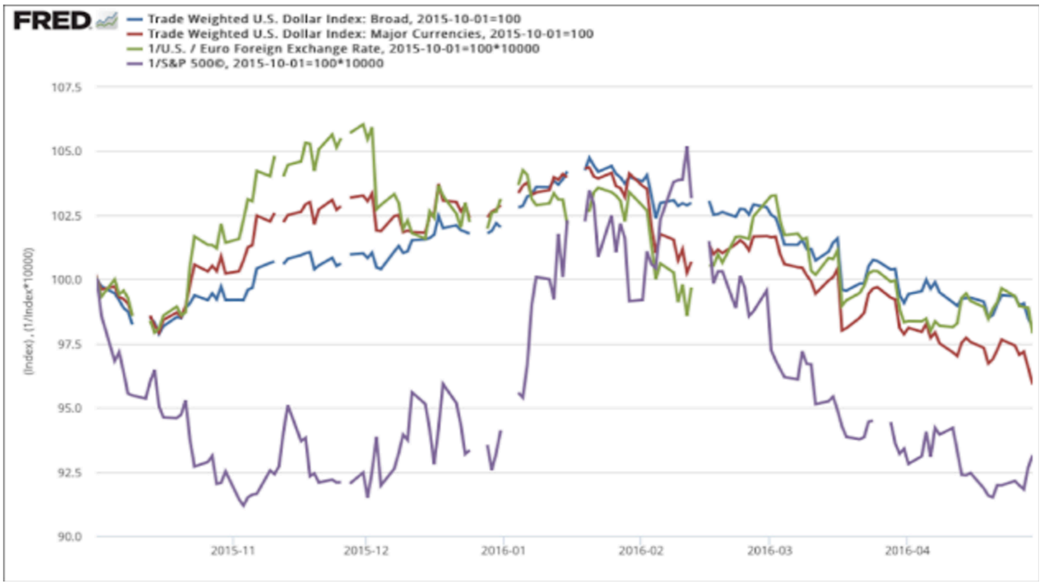
The US$ broke significant support and confirms an important topping pattern. The US$ remains below previous support of 93 that was broken during Monday's session. **Short-term (3 months), we are expecting for the US$ to decline towards 88.**

Monthly Averages over past 43 years:

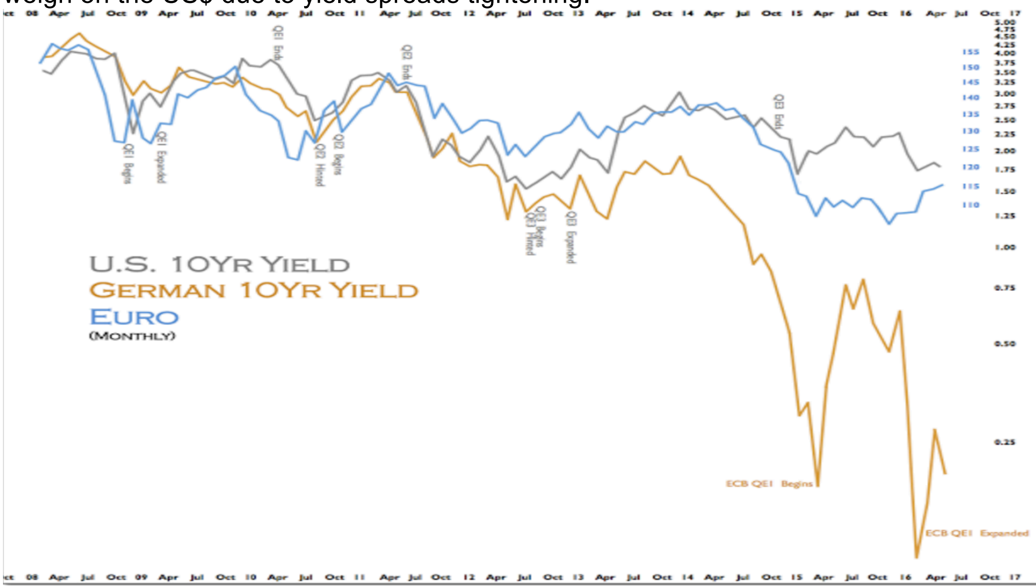
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
% Return	0.9%	-0.2%	0.2%	-0.5%	0.4%	-0.1%	-0.1%	0.1%	-0.4%	-0.2%	0.3%	-0.5%
Gain Frequency	65%	44%	56%	40%	63%	49%	53%	49%	35%	40%	58%	47%
Max Return	5.4% 2015	4.4% 1985	6.4% 1991	4.0% 2004	4.9% 1989	4.8% 1982	3.9% 1981	4.7% 2008	5.8% 2011	8.7% 2008	6.8% 1978	3.1% 2009
Min Return	-3.2% 1987	-7.0% 1973	-4.9% 1985	-4.9% 1986	-6.6% 2009	-3.7% 1986	-4.6% 1985	-2.9% 1987	-4.5% 2003	-4.8% 1978	-3.8% 1987	-4.6% 2008

After starting the European session with new multi-month lows, the greenback surged during its native session to record its best-one day performance since August. The EUR/USD yesterday shattered the 1.16 mark for the first time in around eight months after Federal Reserve's Dennis Lockhart suggested June's would be a 'live meeting', after rate hike expectations for June had fallen to 12%

We remain steadfast long-term bears on the US$ and believe the majority of the move over the past two years will get unwound. We think that investors have not focused sufficiently on the tremendous headwinds working against the US$ both at home and abroad.

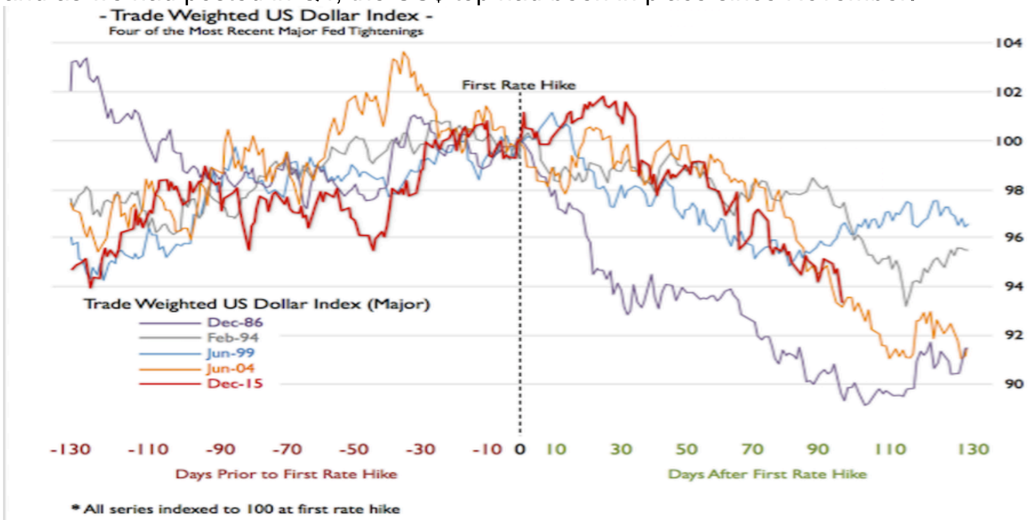


Since breaking below last year's low in February, the US 10-Year yield has bounced between 2.1% and 1.6%. Over the intermediate-term we continue believing that yields will drift lower, most likely down towards 1.4%. Moreover, we see greater upside risk in European markets, with a target of 0.6 percent for Germany's 10-Year yield, which will weigh on the US$ due to yield spreads tightening.



We see the rate differential gap narrow over the next 3 – 12 months, as the US economy will continue to slow, partly due to the “temporary strong US$ conundrum” and its negative impacts on trade for the US economy, but also due to domestic macro picture slowing (housing; consumption; autos), and this particularly in the coming 4 months into the Presidential Election and immediate aftermath.

We believe that there has also been way too much "rate-hype" by Ms. Yelllen and team with regard to the intrinsic strength of the US economy, and the likelihood of eventual rate hikes, and that caused unjustified foreign buying of US equities and US treasuries. With time, this hype is clearly fading. The macro slowdown in the US is not done yet, and as we had posted in Q4, the US$ top had been in place since November.

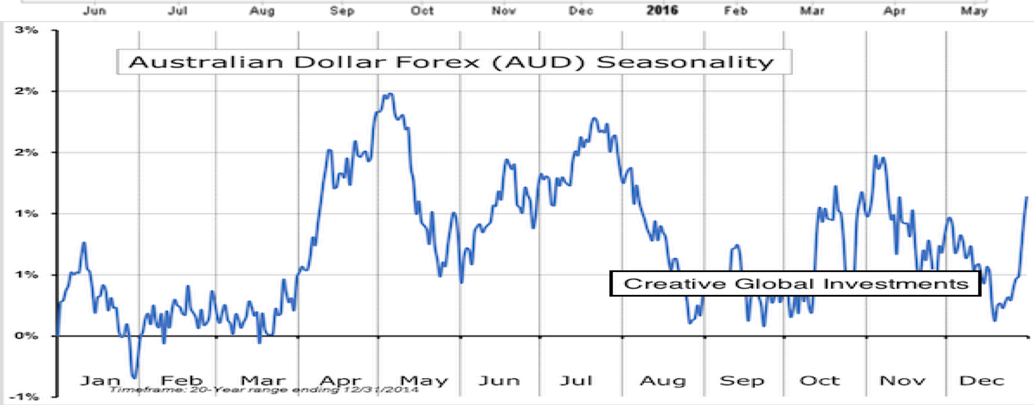


Despite oil's massive rally since February, ($WTIC) has yet to realize a move above the highs of $50/brl from last fall, whilst both precious and industrial metals' indices and the agricultural commodity index have all achieved this benchmark. Considering the lag from the lows in oil, it wouldn't surprise us to see the rally extend above $52/brl by the end of the quarter, before possibly, but not necessarily consolidating.

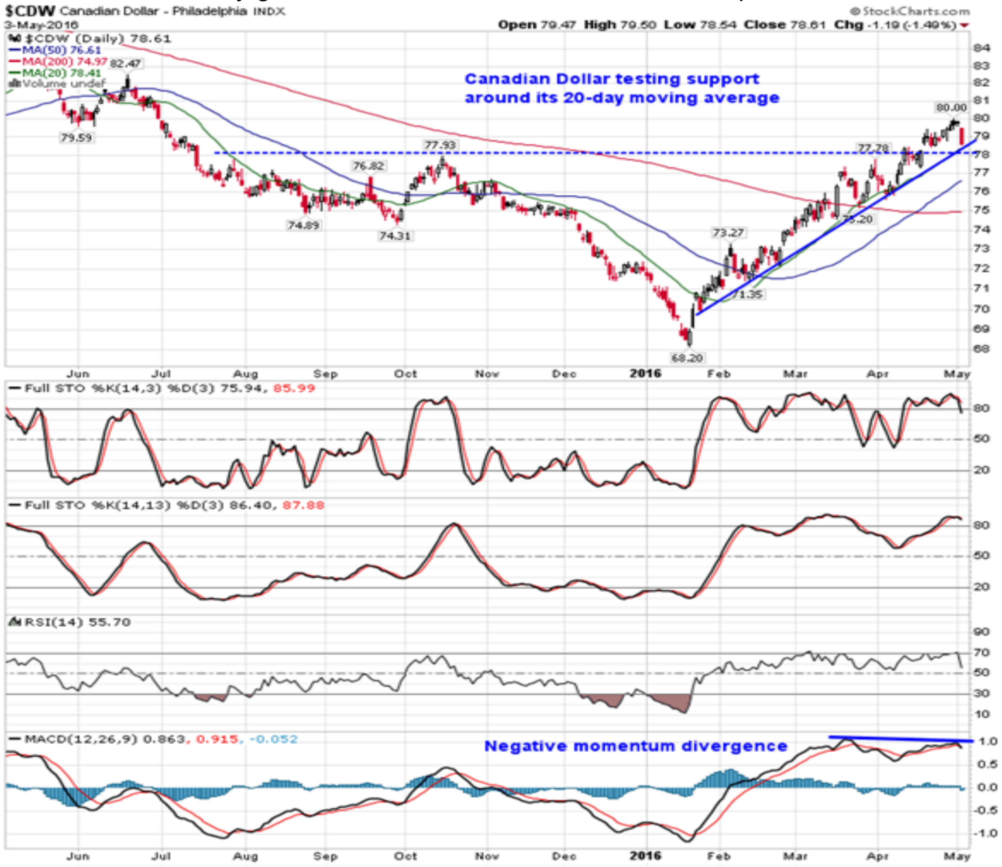
The US$ Index has shown a tendency for gains in the month of May, contrary to the Australian and Canadian Dollar. Currencies have been a significant influence on commodity and equity sector performance this year, therefore understanding the direction of the trends has become critical to equity market success. Levels of support for each currency should be monitored closely as the negative momentum divergences across the charts suggest waning buying pressures.

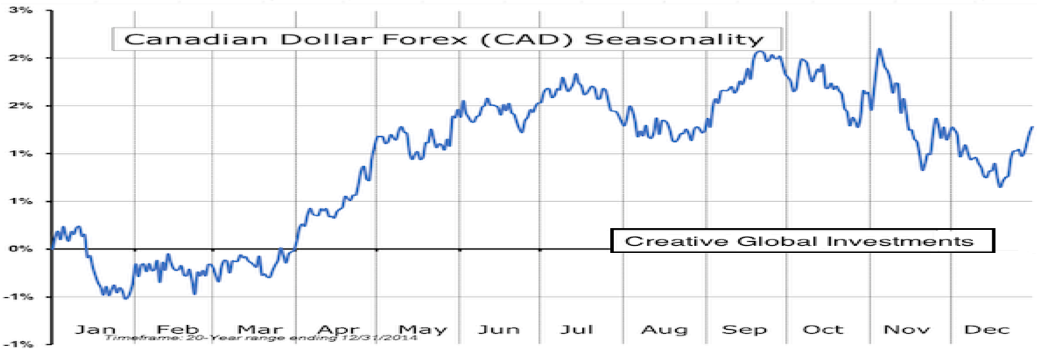
A surprise rate cut from Australia's Central Bank sent commodity currencies spiraling lower, including the Australian and Canadian Dollar. The shift in trend also follows weakness in commodity prices as investors speculate that the US$ has fallen "too far, too fast," just a day after breaking through significant horizontal support on the US$ index.

The Australian Dollar Index fell 2.37%, moving below its 50-day moving average and coming close to testing previous horizontal resistance around 74.



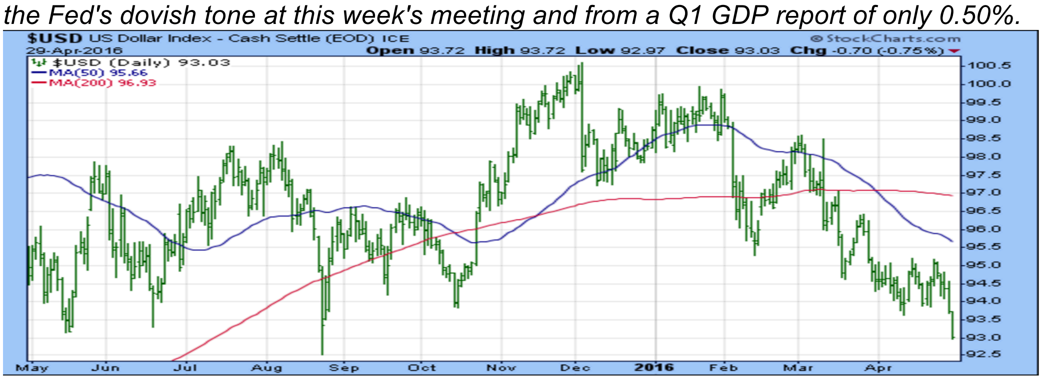
The Canadian Dollar showed similar weakness, falling around 1.5% and testing short-term support around its 20-day moving average. Horizontal support is apparent around 78. This follows what is typically the strongest month of the year for both currencies, which have historically gained 70% of the time in the month of April.





Below is just as reprint from Monday's Weekly Commentary:

The Euro and Yen account for 67% of the value of the $USD. The $USD fell to the lowest level since last summer and the start of 2015. Part of the US$ selling came from the Fed's dovish tone at this week's meeting and from a Q1 GDP report of only 0.50%.



By contrast, Q1 Eurozone growth came in higher, boosting to the Euro. The $XEU closed at the highest level in six months.

The Japanese central bank's decision to do nothing on Thursday pushed the Yen even higher. The $XJY surged to the highest level in eighteen months.

Seasonally, direction of the $USD in the month of May is stronger.

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	1987	1973	1985	1986	2009	1986	1985	1987	2003	1978	1987	2008

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