Creative Global Investments

Weekly global equities strategy & charts

Wednesday, May 23rd, 2018

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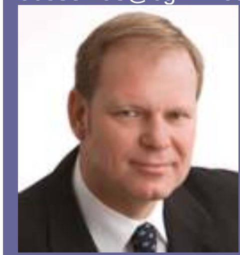

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Objectivity

Integrity

Creativity

Sell in May & Go away

Now for 4 weeks that we have been heeding our clients to reduce global equities exposure and increase exposure towards US 10-Year Treasuries and towards commodities and Oil (WTI, we are keeping our $78 high price target for 2018 for now) in particular, to no surprise that the sell-side herd is following our advice slowly but surely and getting increasingly more negative on equities.

Commodities' prices (input prices) are on the rise, and we are forecasting besides Oil, that other commodities' prices will continue to rise throughout the summer of 2018, Agri's & other softs and metals are all gaining price momentum. After last week's solid rally for WTI and Brent, we believe that given the global macro growth picture in Q2 gathering momentum, plus the geo-political risks rising, be it with Middle East tensions rising, and talks intensifying regarding Iran sanctions and Syrian we are expecting for attention to swing back to simple fundamentals of supply and demand. OPEC tightening, fresh sanctions on Iran and ongoing issues in Venezuela are meaning that supply has been reduced, whilst the strengthening global economy means that demand is now much stronger

Additionally, we see the US Dollar Index (USD) testing an important resistance level of 94, a 5-month high, with USD's strength evident against the Euro and the GBP, this move having been supported in part by waning risk appetite throughout the week just gone, but as we predicted, the current administration has all intentions in keeping the USD weak, whether Mnuchin's comments are enough to turn the tide on risk appetite, will be seen in the coming days. This week, the economic data focus will be US FOMC Meeting Minutes today, then on Durable Goods Orders on Friday, closely followed by a speech by Fed Chair Powell. Technically speaking, the USD was looking tired by the end of the week, and actually finished the week flat versus most of its peers.

EUR/USD has continued its decline since Friday and overnight, under pressure for a few political reasons, namely questions about the intentions of the newly formed Italian coalition wanting to stay in the Eurozone. European PMIs released this morning were a lot weaker than market forecasts, and EUR/USD looks set to break below 1.17. The stronger USD is also playing a part, of course. EUR/GBP has dipped lower on the PMI headlines and this data could well continue to undermine the pair.

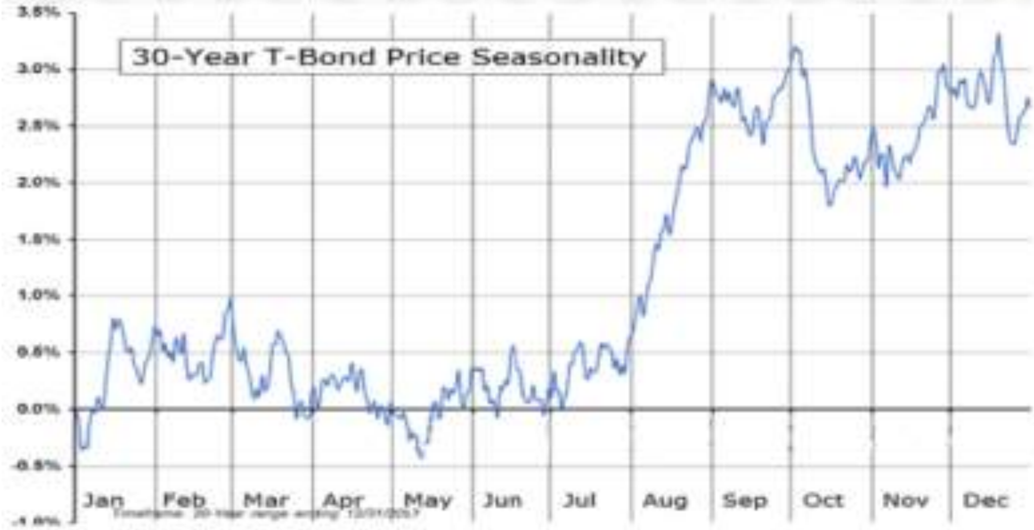
Now, that we are past the middle of May, investors should reevaluate their current holdings, and pay close attention to the seasonal forces that likely will come into play in the short term. We are advising investors to invest along the seasonal trends:

- **Buy US treasuries (10-Y's and 30-Y's)**
- **Buy Commodities (Oil; Gold; Metals; Agri's)**
- **Sell European, US and Japanese equities**

Weekly equities commentary & charts

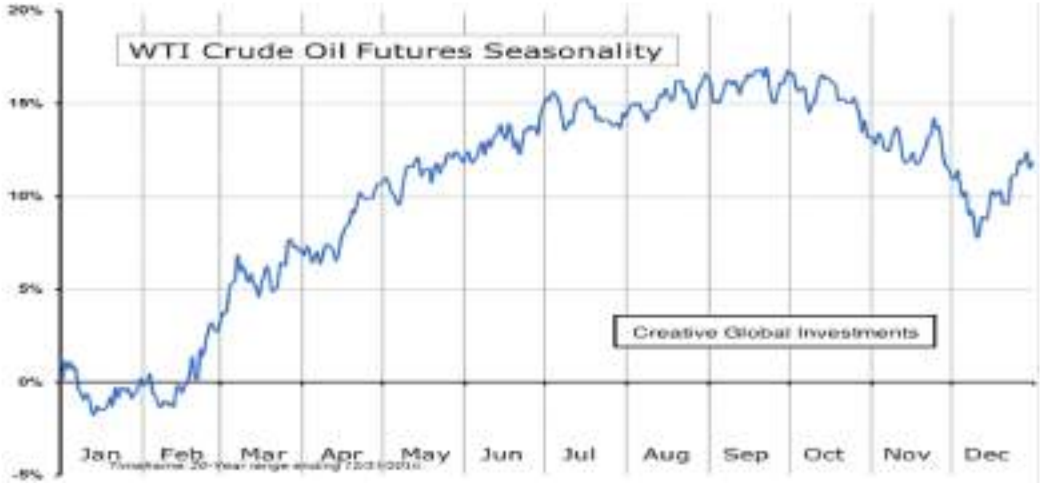
We think for the coming weeks, yields for the 10-Year are capped at the flag's implied target of 3.14%, the highest level since mid-2011, implying a much faster pace of tightening, how might that affect equities?
Whilst bond investors have accepted higher interest rates, and there are increasing concerns about the US 10-year yields likely moving higher over the next 2 years, we continue to differ with those general views. As a matter of fact, we argue that Japanese and European balanced fund managers likely will increase exposure towards US long bonds, due to the extremely high spreads over the indigenous comparable bond yields. Hence, why we see the next 2 months 10-Y US Treasuries prices to increase and implicitly yields to come down towards the upper middle of the 37-year trend channel.

Besides compelling chart technical support, US treasuries are entering their period of seasonal strength, inversely to US equities, and why we are expecting for the TNX to retrace towards 2.55% levels.



And in that case, we see US, Eurozone, Japanese and Chinese equities to correct by only a few percentage points (-5% to -8% versus historically -8% to -12%) over the typical summer period of seasonal weakness. Indeed, stocks turned lower yesterday as geopolitical concerns lingered. The S&P 500 Index shed just over three-tenths of one percent, closing a gap that was opened in the previous session. On the hourly chart of the large-cap benchmark, 2720 is becoming a level to watch. The benchmark gapped below this level just over one week ago, only to see a subsequent gap higher above the same level on Monday. The SPX ended just above this pivot point at Tuesday's close, having turned lower from resistance at 2742. A move below 2710 would suggest a double-top pattern, which projects short-term downside potential to around 2660. Headlines are once again dominating the trading action now that earnings season is predominantly complete, leaving investors to the whims of comments released out of the White House. Over the coming days, traders will start to leave their desks for the first long weekend of summer in the US and the sessions surrounding this event typically have a positive bias.

One of our favorable seasonal trades that typically concludes around the Memorial Day holiday is oil, which gains, on average between February 12 and May 21. The result leads to a flattening of the average price slope for oil, causing the stocks of producers to flat-line as well.



The trade took off right on cue this year, gaining a stellar 22.2% over the approximately three-month span. Geopolitical risks obviously helped. Risks aside, it is around this time of year when the level of production of gasoline typically peaks as the growth in demand for product hits cruising altitude ahead of the summer driving season

Longer Term Performance table of the major global equity indices:

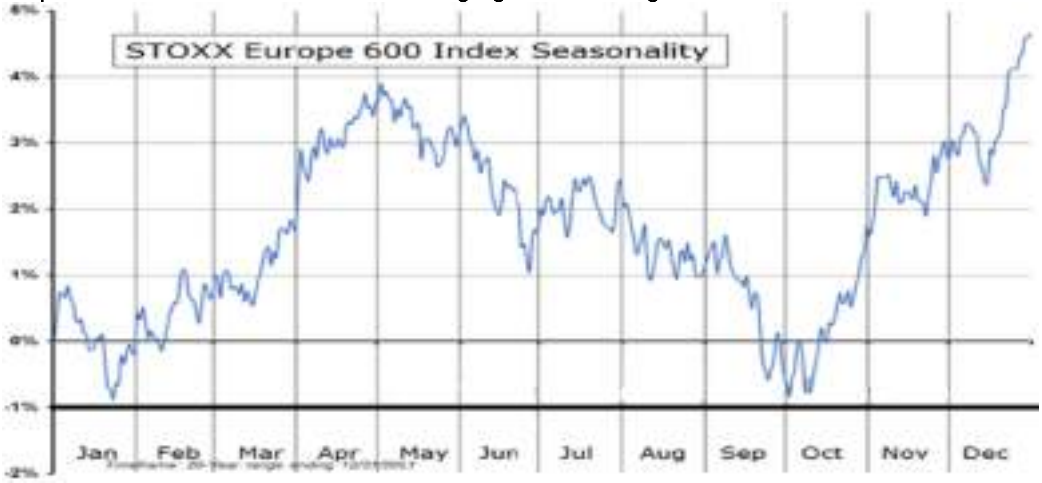
Index	Daily	1 Week	1 Month	YTD	1 Year	3 Years
Dow 30	-0.72%	0.26%	3.37%	0.47%	18.19%	36.21%
S&P 500	-0.31%	0.07%	3.41%	1.90%	13.31%	28.15%
Nasdaq	-0.21%	-0.27%	5.30%	6.88%	19.72%	44.98%
SmallCap 2000	-0.75%	0.55%	4.63%	5.84%	17.56%	29.98%
S&P 500 VIX	6.66%	5.07%	-21.75%	27.72%	40.72%	16.24%
S&P/TSX	-0.11%	0.23%	4.31%	-0.40%	4.70%	6.21%
Bovespa	1.13%	-4.39%	-3.19%	8.29%	30.80%	52.16%
S&P/BMV IPC	0.65%	-1.76%	-5.09%	-7.61%	-7.87%	1.62%
DAX	-1.47%	-0.16%	3.39%	0.45%	2.63%	9.83%
FTSE 100	-0.66%	1.18%	5.39%	1.79%	4.13%	11.29%
CAC 40	-1.28%	0.01%	2.27%	4.81%	4.24%	8.26%
Euro Stoxx 50	-1.56%	-0.67%	0.80%	1.00%	-1.33%	-3.81%
AEX	-1.02%	0.19%	1.76%	3.98%	7.27%	12.82%
IBEX 35	-1.64%	-1.36%	0.91%	-0.71%	-8.57%	-13.69%
FTSE MIB	-1.84%	-3.98%	-5.19%	4.28%	6.64%	-4.18%
SMI	-1.06%	-1.48%	0.50%	-5.76%	-2.14%	-5.47%
PSI 20	-1.29%	0.30%	2.28%	6.02%	9.57%	-6.37%
BEL 20	-1.01%	0.65%	-1.24%	-2.39%	-0.51%	3.11%
ATX	-0.68%	0.00%	-0.82%	2.06%	8.94%	32.18%
OMXS30	-1.26%	0.11%	1.81%	1.71%	-2.13%	-2.70%
OMXC25	-0.57%	-0.55%	2.05%	-0.71%	-0.57%	-
MOEX	-0.97%	-1.46%	2.24%	9.22%	18.05%	38.34%
RTSI	-2.03%	-1.02%	2.06%	2.01%	8.28%	12.03%
WIG20	-1.35%	-2.53%	-2.23%	-9.87%	-4.59%	-11.86%
Budapest SE	-1.37%	-4.45%	-5.25%	-8.82%	4.82%	61.80%
BIST 100	-0.96%	0.17%	-7.02%	-11.27%	4.09%	19.26%
TA 35	-0.68%	0.48%	1.95%	-0.01%	6.42%	-12.01%
Tadawul All Share	0.19%	1.28%	-3.07%	11.54%	16.79%	-17.18%
Nikkei 225	-1.18%	-0.12%	1.85%	-0.33%	14.93%	11.97%
S&P/ASX 200	-0.16%	-1.22%	1.87%	-0.54%	4.57%	6.49%
DJ New Zealand	-0.69%	-0.07%	3.27%	1.17%	12.23%	32.92%
Shanghai	-1.41%	-0.02%	1.28%	-4.18%	3.42%	-31.96%
SZSE Component	-1.25%	-0.66%	0.70%	-3.71%	8.34%	-33.75%
China A50	-1.59%	-1.55%	-1.90%	-6.19%	15.40%	-12.03%
DJ Shanghai	-1.27%	-0.40%	0.54%	-4.87%	5.90%	-31.64%
Hang Seng	-1.82%	-1.43%	0.10%	2.50%	20.60%	9.55%
Taiwan Weighted	-0.48%	-0.10%	2.90%	2.29%	8.38%	12.94%
SET	-0.55%	0.02%	-2.08%	-0.16%	11.80%	14.90%
KOSPI	0.26%	0.49%	0.32%	0.18%	6.67%	15.18%
IDX Composite	1.33%	-0.24%	-6.45%	-8.31%	2.18%	9.64%
Nifty 50	-0.65%	-2.54%	-1.37%	-0.59%	11.84%	23.76%
BSE Sensex	-0.46%	-2.53%	-0.36%	1.28%	13.83%	23.37%
PSEi Composite	-1.12%	-3.93%	-0.52%	-11.66%	-3.54%	-3.20%
STI Index	-1.20%	-0.92%	-2.34%	2.87%	8.34%	1.46%
Karachi 100	-0.01%	1.04%	-6.84%	5.61%	-19.17%	31.08%
HNX 30	2.20%	-2.73%	-7.76%	-1.74%	25.84%	45.33%
CSE All-Share	-0.04%	-0.21%	-0.72%	1.58%	-3.60%	-11.23%

Short and medium term technical outlook for major global equity indices:

Index	Hourly	Daily	Weekly	Monthly
Dow 30	Neutral	Strong Buy	Strong Buy	Strong Buy
S&P 500	Neutral	Strong Buy	Strong Buy	Strong Buy
Nasdaq	Strong Sell	Strong Buy	Strong Buy	Strong Buy
SmallCap 2000	Sell	Strong Buy	Strong Buy	Strong Buy
S&P 500 VIX	Strong Buy	Sell	Strong Sell	Neutral
S&P/TSX	Neutral	Strong Buy	Strong Buy	Strong Buy
Bovespa	Neutral	Strong Sell	Neutral	Strong Buy
S&P/BMV IPC	Neutral	Strong Sell	Strong Sell	Strong Sell
DAX	Strong Sell	Strong Buy	Strong Buy	Strong Buy
FTSE 100	Neutral	Strong Buy	Strong Buy	Strong Buy
CAC 40	Strong Sell	Strong Buy	Strong Buy	Strong Buy
Euro Stoxx 50	Strong Sell	Neutral	Strong Buy	Strong Buy
AEX	Strong Sell	Strong Buy	Strong Buy	Strong Buy
IBEX 35	Strong Sell	Strong Sell	Strong Buy	Neutral
FTSE MIB	Strong Sell	Strong Sell	Neutral	Strong Buy
SMI	Strong Sell	Strong Sell	Neutral	Buy
PSI 20	Strong Sell	Strong Buy	Strong Buy	Strong Buy
BEL 20	Strong Sell	Neutral	Sell	Neutral
ATX	Strong Sell	Buy	Strong Buy	Strong Buy
OMXS30	Strong Sell	Strong Buy	Strong Buy	Strong Buy
OMXC25	Strong Sell	Neutral	Strong Buy	Strong Buy
MOEX	Strong Sell	Sell	Strong Buy	Strong Buy
RTSI	Strong Sell	Neutral	Neutral	Strong Buy
WIG20	Strong Sell	Strong Sell	Strong Sell	Strong Sell
Budapest SE	Strong Sell	Strong Sell	Strong Sell	Buy
BIST 100	Strong Sell	Strong Sell	Strong Sell	Buy
TA 35	Strong Sell	Strong Buy	Strong Buy	Strong Buy
Tadawul All Share	Strong Buy	Strong Buy	Strong Buy	Strong Buy
Nikkei 225	Strong Sell	Buy	Strong Buy	Strong Buy
S&P/ASX 200	Strong Sell	Sell	Strong Buy	Strong Buy
DJ New Zealand	Strong Sell	Sell	Strong Buy	Strong Buy
Shanghai	Strong Sell	Strong Sell	Sell	Sell
SZSE Component	Strong Sell	Neutral	Neutral	Neutral
China A50	Strong Sell	Strong Sell	Strong Sell	Buy
DJ Shanghai	Strong Sell	Strong Sell	Strong Sell	Sell
Hang Seng	Strong Sell	Sell	Buy	Strong Buy
Taiwan Weighted	Neutral	Strong Buy	Strong Buy	Strong Buy
SET	Strong Sell	Strong Sell	Sell	Strong Buy
KOSPI	Strong Buy	Buy	Strong Buy	Strong Buy
IDX Composite	Strong Buy	Strong Sell	Strong Sell	Buy
Nifty 50	Strong Sell	Strong Sell	Neutral	Strong Buy
BSE Sensex	Strong Sell	Strong Sell	Strong Buy	Strong Buy
PSEi Composite	Strong Sell	Strong Sell	Strong Sell	Neutral
STI Index	Strong Sell	Strong Sell	Strong Buy	Strong Buy
Karachi 100	Buy	Strong Sell	Strong Sell	Buy
HNX 30	Sell	Strong Sell	Sell	Strong Buy
CSE All-Share	Sell	Strong Sell	Strong Sell	Neutral

Seasonal influences for a wide variety of equity markets have a history of peaking at this time of year including Chinese, Japanese and most European equity markets. Canadian equity markets follow a similar pattern, peaking near the end of May, turn neutral until mid-July and turn negative until mid-October. History is about to repeat. Short and intermediate technical indicators for the Canadian equity market already are overbought, but have yet to show signs of peaking.

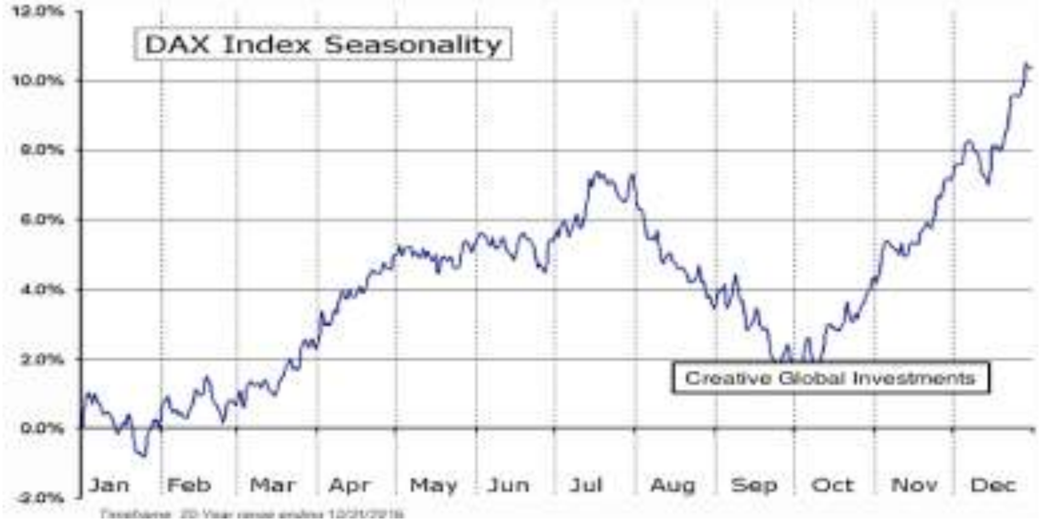
In Europe, seasonally stocks tend to rise through to the start of May. We are advising investors to reduce Eurozone equities in their portfolios between now and the middle of the summer around the 2nd week in August, and see more compelling reasons, such as the stronger EUR, and Brexit fears impact the seasonal trade particularly this year. Except Energy and oil service stocks, which continue showing technical signs of outperformance last week, an encouraging technical sign.

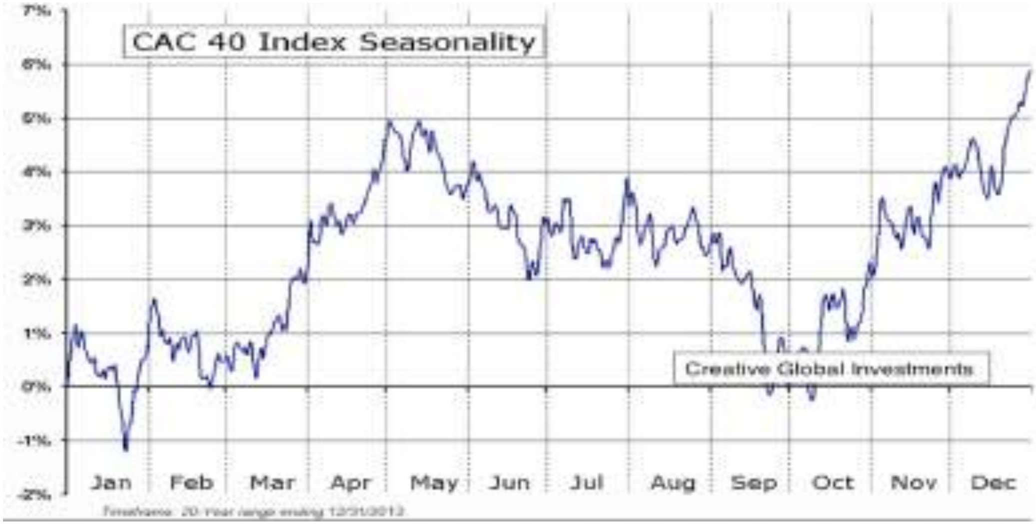


Longer term, the seasonal affects for EU equities turned negative in early May. Again, this is due to the fact that most companies in Europe are paying out their prior year's dividends after their announcements of full year results starting in February and lasting for some until the end of May. (The original causes of "Sell in May & Go Away").

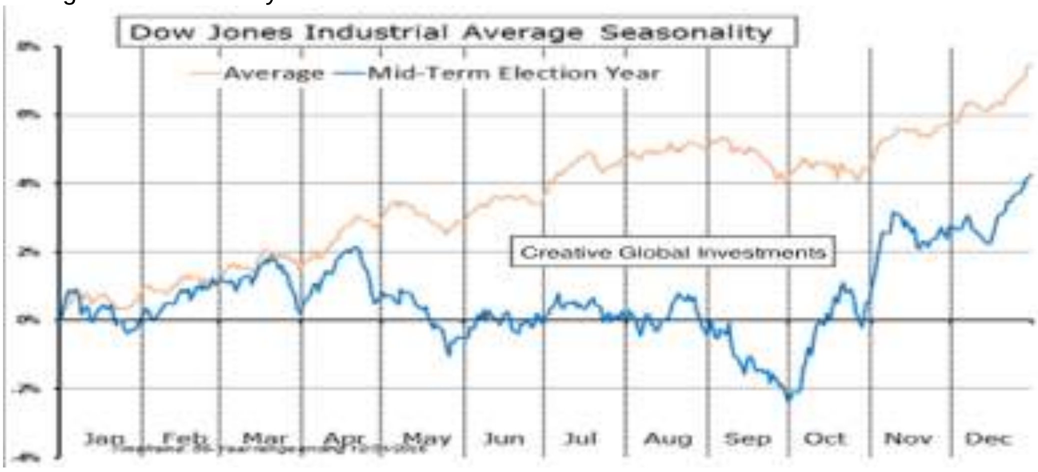
European high dividend-yield stocks have historically outperformed over the period of November to May, as fund managers are looking at the upcoming annual dividend payout season to own the high yielding stocks. Once post pay-out of the annual dividends, balanced fund managers tend to sell those stocks and "park" their clients money in either government bonds, currencies, or alternatives until October.

Hence, why there is such a seasonal performance disparity in those sectors: "Sell in May & go away" is a fact.





For US equities too, prospects beyond May are increasingly negative. Negative political influences on North American equity markets during a US mid-term election year are strongest between May and October.



Seasonally, April is also for US equity indices a peak month for equity benchmarks.

Although the outlook for S&P 500 earnings and sales remains positive, the recent 6,3% rally of the USD from $88.15 to currently $93.85 is not reflected yet in equities prices.

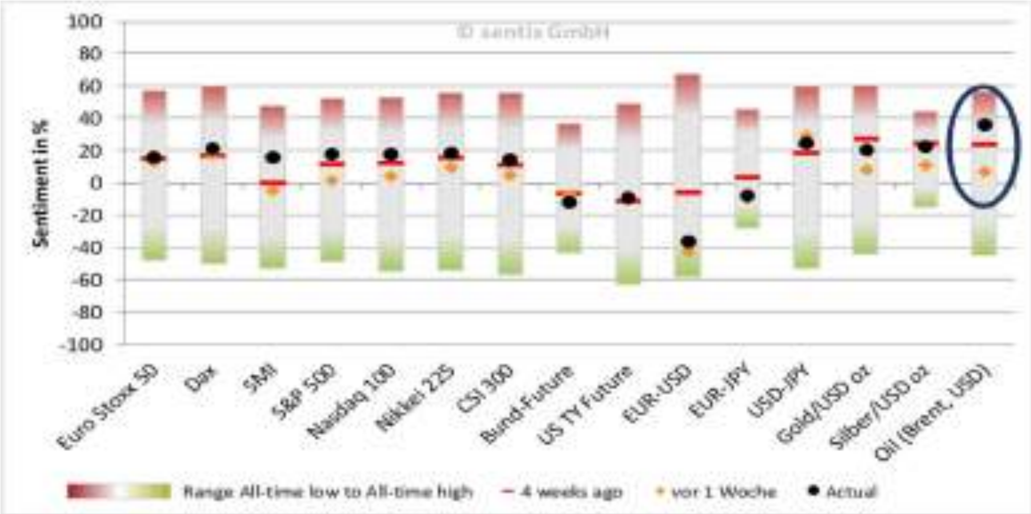
S&P 500 y-o-y consensus earnings are expected to increase 18.4% in 2018. Y-o-y earnings will benefit significantly from weakness in the USD when revenues and earnings from international operations are translated into USD's. The USD averaged 100 in Q4 of 2016 and 101 in Q1 of 2017.

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 keep our bearish stance and stick with our low-price-target of 80 for 2018 for the USD.

Investors Sentiment Indicators

According to the latest ***sentix*** Investors' survey, as the charts below are showing

Sentiment towards US and EU equities remains Neutral
Sentiment towards Bonds, particularly US bonds is becoming more positive
Sentiment for Commodities, and especially Oil is gaining momentum



On the European stock markets, overconfidence signals are mating with new lows in strategic bias. The negative mix is reinforced by extreme values in the time difference indices.

Signals from the sentix data universe / statistical highlights*

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

* highlights markets for which the sentix indicators display extreme values

We advise our clients that It's time to take money off the table if you own US equities. Last week was revealing. Q1 results by a wide variety of US companies for the most part exceeded consensus sales and earnings estimates. Analysts increased their consensus Q1 EPS for S&P 500 from a gain of 18.5% to a gain of 23.2% and boosted consensus estimates for the remainder of the year. Yet, unless results were spectacular such as Amazon, traders started to take profits on news.

Look for more profit taking on news. US equity markets have a history of reaching a seasonal peak at this time of year. The first week in May historically also is the week when many equity markets, commodities and sectors change their seasonality from Positive to Neutral/Negative.

Asian equity markets weekly charts

$BSE broke the trendline and will test a 34500 level.
Price closed above the 50-day MVA.

Short-term momentum indicators are rolling over.

The BSE lot 687.49 points (1.93%) last week.

Intermediate trend is Positive. Strength relative to the S&P 500 Index is Positive.
$NIKK made a new high but some bearish convergence is starting to show.

The $NIKK remains above its 20-day MVA. Short-term momentum indicators are Positive.

The Nikkei Average added 171.88 points (0.76%) last week.

The Shanghai Composite Index added 30.04 points (0.95%) last week.

Intermediate trend changed from Neutral to Positive. $SSEC is pressuring the resistance. Strength relative to the S&P 500 Index is Negative.

The $SSEC remains above the 20-day MVA. Short-term momentum indicators are Positive.

The Hang Seng lot 74.15 points (0.24%) last week.

Intermediate trend remains Neutral. $HSI found temporary resistance around 31500.

The $SSEC remains above the 20-day MVA. Short-term momentum indicators are Neutral.

European equity markets weekly charts

The DAX 30 added 76.48 points (0.59%) last week.

Intermediate trend remains Positive. $DAX closed above the 13 000 level.
$DAX remains above the 20-day MVA.
Strength relative to the S&P 500 Index is Positive.
Short-term momentum indicators are Positive.

The CAC 40 gained 72.57 points (1.31%) last week.

Intermediate trend remains Positive. $CAC rebounded from the trendline and made a new high.

Short-term momentum indicators are Overbought and rolling over.

The AEX 25 added 4.76 points (0.85%) last week.

Intermediate trend remains Positive. $AEX found resistance at the yearly high.
Strength relative to the S&P 500 Index is Positive.

Short-term momentum indicators are Overbought

The IBEX 35 lot 159 points (1.55%) last week.

Intermediate trend is Neutral. Strength relative to the S&P 500 is Positive. Index retracted back to the 200-day MVA.

The Index remains above the 20-day MVA.

Short-term momentum indicators are rolling over.

The FTSE added 90.42 points (1.18%) last week.

Intermediate trend is Positive. FTSE retraced back to the yearly high. FTSE remains above the 50-day MVA.

Short-term momentum indicators are Positive and Overbought.

The RTSI lost 20.84 points (1.75%) last week.

Intermediate trend remains Neutral. RTS is stuck between the 50-day MVA and 200-day MVA.

Short-term momentum indicators are Mixed.

The SMI dropped 53.05 (0.59%) last week.

Intermediate trend is Positive. SMI is retesting the lower trendline.
Price remains above the 50-day MVA.

Short-term momentum indicators are rolling over.

US equity markets weekly charts

The VIX Index added 0.77 points (6.09%) last week.

Intermediate trend remain Negative. The Index remains below the 20-day MVA. VIX remains in a bearish move.

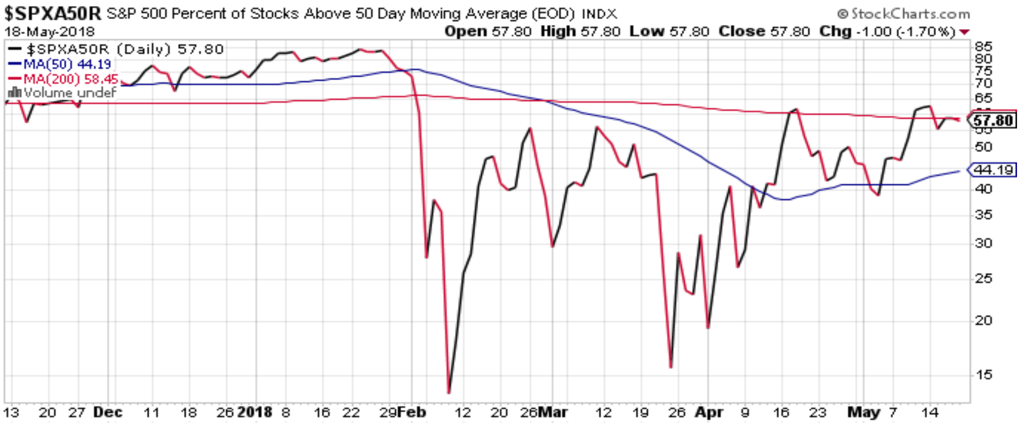
The S&P 500 Index lot 14.75 points (0.54%) last week.

Intermediate trend changed from Neutral to Positive. The Index remains above the 20-day MVA. $SPX is forming a flag on the pole.

Short-term momentum indicators are Neutral.

Percent of S&P 500 stocks trading above their 50-day moving average dropped last week from 59.80 to 62.20.

The Index remains above the 50-day MVA.



Percent of S&P 500 stocks trading above their 200-day moving average dropped last week to 59.80 from 63.20.

The Index moved above the 50-day MVA.

Bullish Percent Index for S&P 500 stocks rose last week to 57.60 from 54.40 and remained above 50-day moving average.

The Index moved above the 200-day MVA.

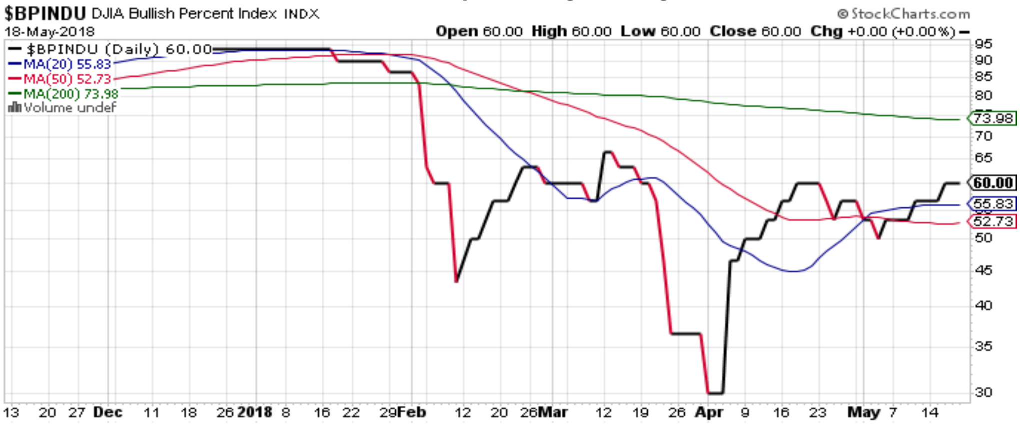
The Dow Jones Industrial Average lost 116.08 points (0.47%) last week.

$INDU made a higher high. Strength related to the S&P 500 is below the 50MVA.

The INDU remains above its 20-day MVA. Short-term momentum indicators are Neutral.

Bullish Percent Index for Dow Jones Industrial Average rose last week to 60.00 from 56.67 and moved above its 20-day moving average.

The Index moved above the 50-day MVA.



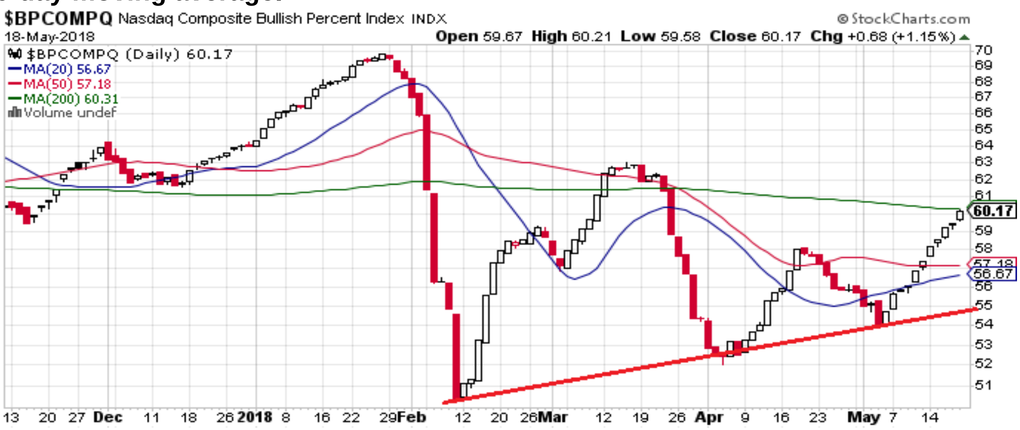
The Dow Jones Transportation Average gained 16.89 points (0.16%) last week.

Dow Jones Transportation Index remains in an established range. Strength relative to the S&P 500 is Positive. The $TRAN remains above its 20- day MVA.

Short-term momentum indicators are Positive.

Bullish Percent Index rose last week to 60.17 from 57.38 and remained above its 20-day moving average.

The Index remains above the 20-day MVA



The NASDAQ Composite Index lot 48.54 points (0.66%) last week.

Intermediate trend is Positive. $COMPQ failed to break the 7400 resistance. Strength relative to the S&P 500 Index is Positive.

The Index is above the 20-day MVA.

Short-term momentum indicators are Neutral.

The Russell 2000 Index added 19.84 points (1.23%) last week.

$RUT took out the yearly high. Strength relative to the S&P 500 Index is Positive.

The Index remains above the 20-day MVA. Short-term momentum indicators are Positive.

The S&P Energy Index gained 8.57 points (1.52%) last week.

Intermediate trend remains Positive. $SPEN is retesting the yearly high. Strength relative to the S&P 500 Index is Positive.

The Index remains above the 20-day MVA. Short-term momentum indicators are Positive and Overbought.

The Philadelphia Oil Services Index added 7.22 points (4.46%) last week.

Intermediate trend is Positive.
$OSX is struggling to break 170. Strength relative to the S&P 500 is Positive.

The Index remains above its 20-day MVA. Short-term momentum indicators are Positive and Overbought.

The AMEX Gold Bug Index lost 4.49 points (2.46%) last week.

$HUI has formed a bearish channel.
Strength relative to the S&P 500 Index is Negative.

The Index remains below the 20-day MVA. Short-term momentum indicators are Negative.

Americas equity markets weekly charts

The BOVESPA lost 2138 points (2.51%) last week.

$BVSP swept from the top to the bottom of the channel.

BVSP remains below the 50-day MVA.

Short-term momentum indicators are Negative.

The Mexican Bolsa lost 1062 points (2.27%) last week.

Intermediate trend is Negative. $MXX remains below the 50-day MVA.

Short-term momentum indicators are Negative.

Bullish Percent Index for TSX Composite rose last week to 63.60 from 62.40 and remained above its 20-day moving average.

The Index broke above the 200-day MVA.

The TSX Composite Index gained 178.99 points (1.12%) last week.

Intermediate trend is Positive. The Index will retest the yearly high.

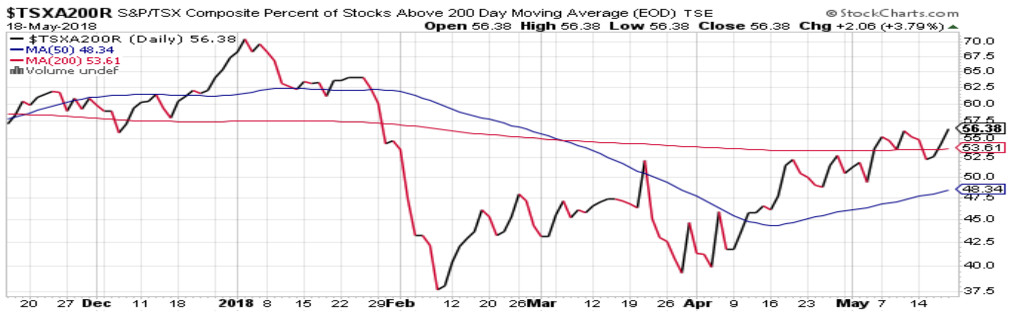
The Index remains above the 20-day MVA. Short-term momentum indicators are Positive and Overbought.

Percent of TSX stocks trading above their 50-day moving average rose last week to 72.02 from 69.27 % and remained above the 200-day moving average.

The index remains above the 200-day MVA.

Percent of TSX stocks trading above their 200-day rose last week to 56.38% from 55.33%

The index remains above the 50-day MVA.



EM equity markets weekly charts

Emerging Markets iShares lost $1.33 (2.81%) last week.

Intermediate trend is Negative. Strength relative to the S&P 500 Index is Negative.
EEM is looking to retest the yearly low.

Units remain below the 20-day MVA. Short-term momentum indicators are Negative.

The Australia All Ordinaries Index dropped 25.51 points (0.41%) last week.

Intermediate trend remains Positive. Strength relative to the S&P 500 Index is Positive. $AORD failed to break the yearly high.

The $AORD remains above the 20-day MVA. Short-term momentum indicators are rolling over.

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