Creative Global Investments

Commodities & Currencies Strategy update

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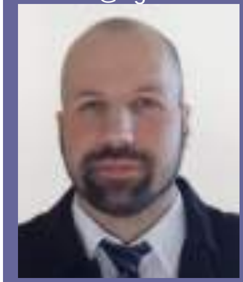

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Objectivity

Integrity

Creativity

Global macro & geo-political commentary

Short-term political concerns remain elevated. Proposed US tariffs against Chinese goods to be implemented in two months were increased again to products valued at USD 500 BN. NAFTA negotiations remain on hold and are unlikely to resume until after the US mid-term elections in November. In addition, US mid-term election political rhetoric has started to ramp up and is expected to escalate into October.

The US Department of Commerce resides in a limestone colossus near the White House. The complex is named after Herbert Hoover, who is considered one of the most unsuccessful US presidents. Why? In 1930, he signed a customs protection agreement, which escalated the world economic crisis in America, with devastating consequences.

This irony should not have escaped anyone who sat in the auditorium of the authority on Thursday. Because the occasion was nothing short of a modern version of the Hoover debacle - the protective tariffs on car imports, which threatened the current President Donald Trump in the course of his trade war against the rest of the world.

The US Department of Commerce invited those US business operators affected by these trade tariffs to Washington, manufacturers, suppliers, associations, and governments to hear their respective positions to the issue. Such hearings are routine: a few pros, a few cons, the result is usually fixed anyway, as before with Trump's steel and aluminum duties.

But with just 5 days five days before the crucial visit of EU Commission President Jean-Claude Juncker to the White House, this meeting became a collective scandal against Trump's commercial madness - and in the end, even the US officials seemed to be hoping for a way out, trumping Trump's tolls. After all, even his own consultants are quite controversial.

Skepticism to trade tariffs became quickly evident, as of the 45 spokesmen of various sectors, 44 turned against tariffs. And even the approval of a lonely US trade unionist was only under strong reservations. There were also more than 2,300 written comments. All but three were negative.

So we wonder if the President and his helpers, like Wilbur Ross are aware that they are at full throttle to ruin?

Again, as it seems, Trump does not bother about general public opinion, as he hopes to score big with his base with the tariffs before the upcoming congressional elections. However, we believe that there is more at stake, and that his speculation could go badly, as resistance comes from the entire US auto industry, from the Midwest and the Southern states, from importers and exporters in Germany and abroad. To us, like in prior trade tariffs and penalties issued by the Reagan, Bush, and Bush Jr. administrations, everyone loses out, and mostly the US and its manufacturing base.

625,000 jobs in the US manufacturing base are threatened. It was "clearly too early" to predict the outcome of the test, he mumbled before disappearing from the scene. The critics repeatedly relied on dramatic statistics at the hearing: According to a study by the Peterson Institute for International Economics, tariffs could cost nearly 200,000 US jobs in three years, and even 624,000 in retaliatory tariffs. And, like in prior similar trade tariff attempts, US car prices would increase again sharply. Car tariffs are a massive tax on consumers.

The resistance to tariffs goes deep, because the consequences are frightening.

German companies alone produce more than 800,000 "made in the USA" cars a year, in about 250 US plants with 100,000 jobs. All of this contributes to American prosperity.

Similarly critical were the US domestic executives of the American Automotive Policy Council, a lobbying association of the three major US automakers GM, Ford and Chrysler, and the National Automobile Dealers Association with its 16,500 US dealers. Most of them were outraged that Trump justified the tariffs with national security.

At the time when President Hoover promised economic nirvana with his tariffs, against the advice of all experts, including Ford founder Henry Ford, the result was a disaster. Two years later, Hoover was voted out. His successor, Franklin Delano Roosevelt, suspended the tariffs immediately, however, the damages had been long lasting.

Not agreed and implemented yet, and already is the EU preparing to retaliate against higher tariffs planned by US President Trump for European cars. The EU Commission, together with the Member States, is preparing a list of possible retaliatory tariffs against the US and is making that clear to our American partners at the arrival on Wednesday July 25th, of Jean Claude Juncker, President of the EU Commission.

The EU has already imposed EUR 2.8BN countervailing duties on US goods in response to US punitive tariffs on steel and aluminum from the EU. This is already affecting US export products such as whiskey, orange juice, jeans and motorcycles.

Currencies Commentary

Now, that we are past the middle of the summer, 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:

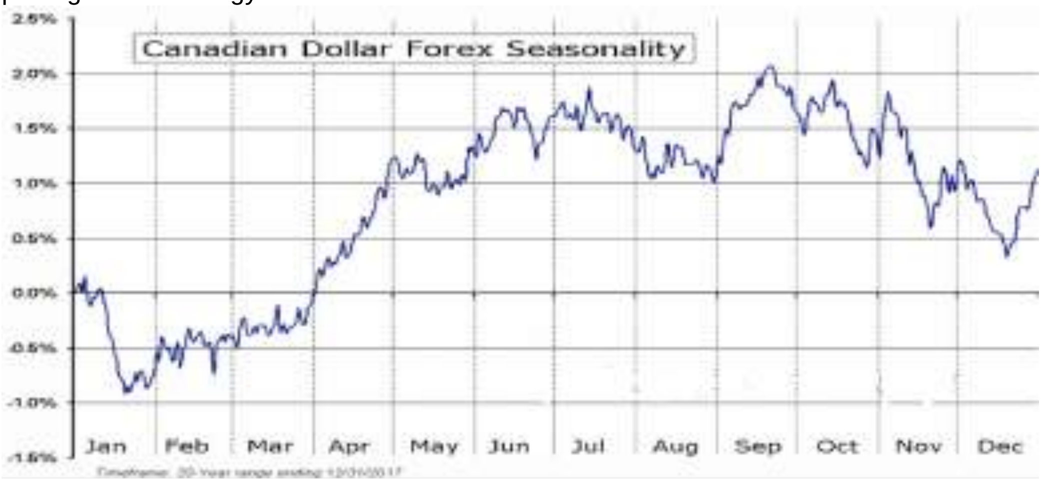
Buy Commodities (Oil; Gold; Metals; Agri’s)

The USD, down 0.23 last week, continued to show technical signs of rolling over after entering its seasonal period of weakness at the beginning of July. Weakness was most notable on Friday. The CRB Index responded by moving higher.

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 85 for 2018 for the USD.

The CAD reacted sharply the to the strong results, trading higher by 1% compared to its USD. The 20-day moving average of the currency is starting to point higher for the first time since April, hinting a positive short-term trend; 50 and 200-day averages continue to point lower, keeping negative long and intermediate-term trends remain intact.

Seasonally, the Canadian currency tends to gyrate through the month of August as the price gains for energy commodities level off.



It was a very quiet start to the last week for the Eurozone, with little European economic data to talk of and only World Cup celebrations along the Champs Elyse interesting to watch.

With direction mainly driven from foreign markets, we saw the euro close mid-week sessions 0.40% down versus the USD, and continue to break through key support levels, around the 1.1645 mark. These declines have come mostly as a result of a strengthening USD whereby Fed Chairman Jerome Powell delivered an upbeat assessment of the US economy, signaling that gradual rate rises are the best way "for now" given the "encouraging" inflation numbers. As a result, the USD rallied following a spike in US 2YR yields and EUR/USD dropped to a new weekly low.

Despite the single European currency weakening against the USD, the flip side of the coin has seen the Euro touch 19-week highs against the pound as the Brexit woes continue. Next week promises to be more exciting with a raft of manufacturing PMIs and an ECB press conference.

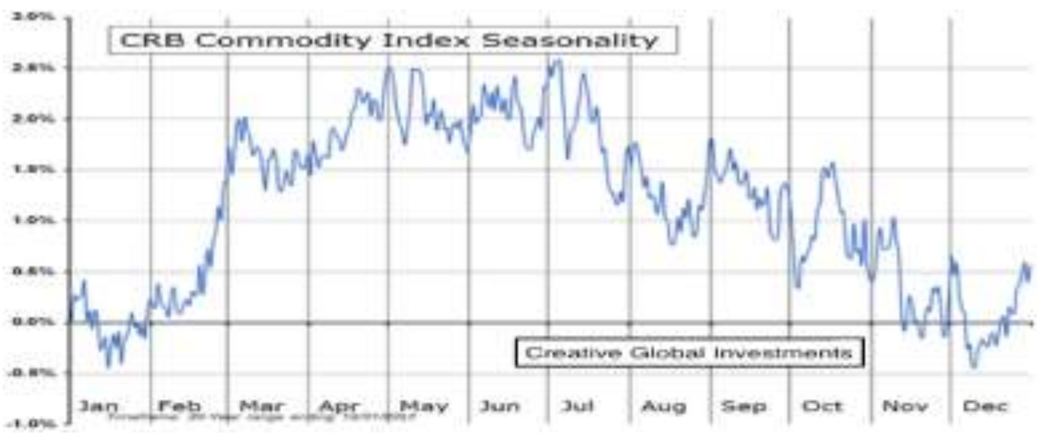
Last week was a tough week for the sterling, amid Brexit concerns, which continue to dominate headlines. The week saw Theresa May survive two votes on her Customs Bill after conceding to pro-Brexit demands to change its wording. Remainers and pro-EU Tories lashed out at the Prime Minister accusing her of 'caving – in' to demands and Defence Procurement minister Guto Bebb quit last night in order to vote against the government. The key bone of contention was an amendment, which prevents the UK collecting taxes on behalf of the EU unless the favor is reciprocated.

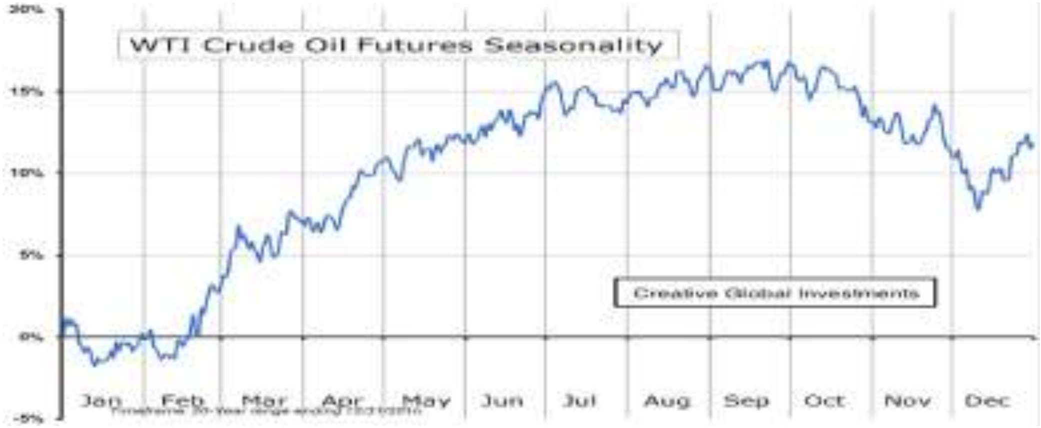
Mid-week, disappointing retail sales figures saw it the GBP dip, losing nearly 2.5% of its value against the USD whilst it has also finally broken out of its narrow trading range against the Euro. World Cup spending on alcohol and BBQ food couldn't offset the drop in spending elsewhere and once again the headline figures has contracted for a third time this year as retailers flocked away from traditional storefronts with the good weather tempting people outside. Any gains that sterling made against the Euro in March and April have slowly eroded with GBP/EUR hitting 19-week lows. Similarly GBP/USD has hit fresh 10-month lows.

What does this mean moving forward, and is there any reprieve for the pound? Well, with a Bank of England interest rate decision just around the corner (August 2nd) the market was pricing in around an 83% chance of a hike at the start of the week but this could be thrown up in the air. The only hope for sterling bulls and Bank of England interest rate hawks is that private consumption only plays a small part in the UK's GDP figures and it has always been a volatile figure to forecast.

Commodities commentary & charts

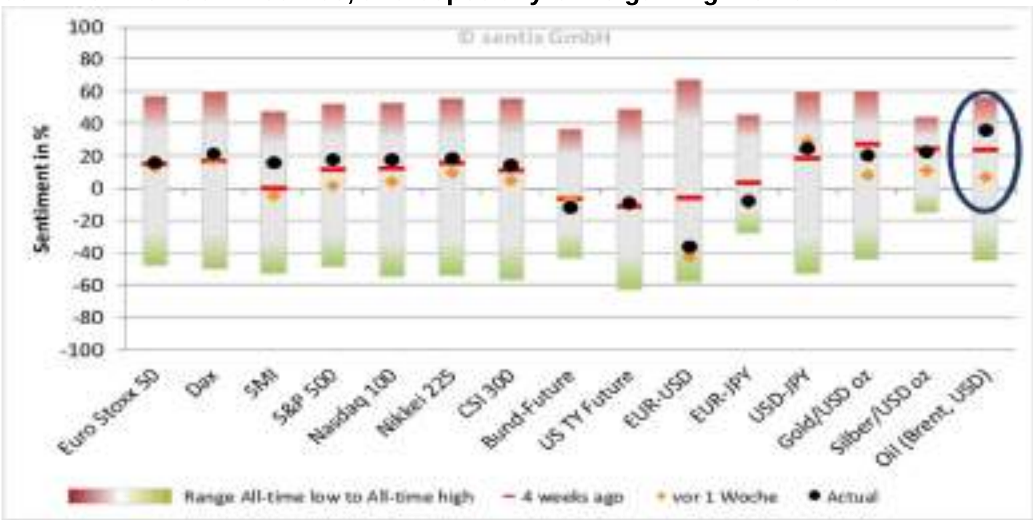
Last week, the CRB Index lost 1.11 points (0.57%) and the intermediate trend remains Neutral. Strength relative to the S&P 500 Index is Negative. $CRB remains above the important level of 190. The $CRB closed below its 20-day MVA. Short-term momentum indicators are Mixed.





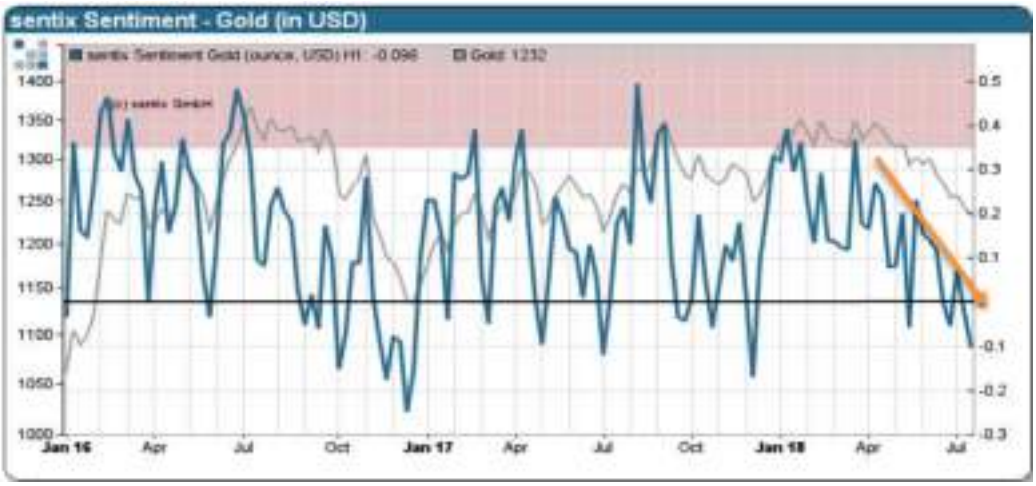
Investors Sentiment Indicators

According to the latest ***sentix*** Investors' survey, **the charts below are showing overall sentiment for Commodities, and especially Oil is gaining momentum**



The past week has had a lasting impact on the mood of investors regarding commodities in general. However, a negative extreme value has not yet been reached.

Gold and silver near sell-out, and the mood on the commodities markets is improving, and chances for the gold & silver bulls similarly, although precious metal fans will have to be patient a little longer, as the mood is depressed.



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

US Dollar weekly charts

US Dollar Index trades at 94.23

Intermediate trend is Positive. $USD will test the 50-day MVA.
$USD has formed a rising wedge indicating a potential reversal.

Short-term momentum indicators are Negative.

EUR USD trades at 1.172

Intermediate trend is Neutral. $EURUSD is in the accumulation phase.
$EUR USD moved above the 50-day MVA.

Short-term momentum indicators are Neutral.

USD CHF trades at 0.992

Intermediate trend is Neutral. $USDCHF has struggled to break above the parity level.

Short-term momentum indicators are rolling over.

USD GBP trades at 0.761

Intermediate trend is Positive. $USDGBP is keeping on the upper side of the channel.

Short-term momentum indicators are Mixed.

USD JPY trades at 111.49

Intermediate trend is Positive. $USDJPY rejected from the 113 levels.
$USD JPY remains above the 50-day MVA.

Short-term momentum indicators are rolling over.

AUD USD trades at 0.742

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

Short-term momentum indicators are Positive.

NZD USD trades at 0.681

Intermediate trend is Neutral. $NZD USD keeps accumulating from the lower trendline. Price remains below the 50-day MVA.

Short-term momentum indicators are Positive.

USD CAD trades at 1.313

Intermediate trend is Positive. $USDCAD closed above the 50-day MVA. $USD CAD is testing the lower trendline.

Short-term momentum indicators are Negative.

USD MXN trades at 19.02

Intermediate trend is Neutral. $USDMXN bounced from the 18.75 support. $USDMXN is below the 200-day MVA.

Short-term momentum indicators are Positive.

Euro weekly charts

EUR GBP trades at 0.8922

Intermediate trend is Positive. $EUR GBP broke out on the upside above the important 0.89 level.

Short-term momentum indicators are Positive.

EUR JPY trades at 130.67

Intermediate trend is Positive. $EUR JPY is rallying but failing to break the 200-day MVA.

Short-term momentum indicators are rolling over.

EURCHF trades at 1.163

Intermediate trend is Neutral. $EUR CHF is stuck between the 50-day and 200-day MVA.

Short-term momentum indicators are Mixed.

JPY weekly charts

AUD JPY trades at 82.77

Intermediate trend is Neutral. $AUD JPY keeps ranging between the S/R levels.
$AUD JPY is above the 50-day MVA.

Short-term momentum indicators are Positive.

GBP JPY trades at 146.44

Intermediate trend is Negative.
$GBP JPY is below the 50-day MVA.

Short-term momentum indicators are Negative.

JPY trades at 89.70

Intermediate trend is Negative. $XJV is going to test the upper trendline

Short-term momentum indicators are rolling over.

EM currencies weekly charts

Intermediate trend is Negative. $USDBRL testing the 50-day MVA. $USBRL is just below the 50-day MVA.

Short-term momentum indicators are Negative.

USD BRL trades at 3.77

Intermediate trend is Neutral. $USDZAR tested the support at 13.2.

Short-term momentum indicators are Neutral.

USD ZAR trades at 13.40

Commodity markets weekly charts

Intermediate trend is Negative. Strength relative to the S&P 500 Index is Negative. Copper made a new low.

Copper closed below the 20-day MVA.

Short-term momentum indicators are Oversold.

The Agriculture ETF added 0.24 (0.70%) last week.

Intermediate trend is Neutral. Strength relative to the S&P 500 Index is Negative. MOO rebounded from the lower trendline.

Units closed above the 20-day MVA.

Short-term momentum indicators are Neutral.

Intermediate trend is Negative. Strength relative to the S&P 500 Index is Negative. Lumber rebounded from the yearly low.

Lumber is below the 20-day MVA. Short-term momentum indicators are Negative and Oversold.

The Grain ETN added 0.97 (4.34%) last week.

Lumber lost $34.90 (6.70%) last week.

Intermediate trend is Negative. Strength relative to the S&P 500 Index is Negative. Lumber rebounded from the yearly low.

Lumber is below the 20-day MVA. Short-term momentum indicators are Negative and Oversold.

Gold & precious metals markets weekly charts

Gold lost $10.10 (0.81%) per ounce last week.

Intermediate trend is Negative. Gold pulled back inside the formed bearish channel.
Gold remains below the 20-day MVA.
Short-term momentum indicators are Negative.

Silver dropped $0.27 (1.68%) per ounce last week.

Intermediate trend is Negative. Silver made a new low.

Silver remains below its 20-day MVA.
Short-term momentum indicators are Negative

Platinum lost $0.80 (0.10%) per ounce last week.

Intermediate trend is Negative. Strength relative to the S&P 500 Index is Negative. $PLAT remains in a bearish channel.

$PLAT trades below its 20-day MVA. Momentum indicators are Negative.

Palladium dropped $43.9 (4.71%) per ounce last week.

Intermediate trend remains Negative. Strength relative to the S&P 500 Index is Negative. $PALL is pulling back to the key level of 900.

$PALL remains below its 20-day MVA.

Short-term momentum indicators are Negative.

Oil, gas & energy markets weekly charts

Crude oil lost $2.75 (3.87%) per barrel last week.

Intermediate trend is Positive. Strength relative to the S&P 500 Index is Negative. $WTIC rebounded from the intermediate support at 67.

Short-term momentum indicators are Mixed.

Gasoline dropped $0.07 (3.44%) per gallon last week.

Intermediate trend is Negative. Strength relative to the S&P 500 Index is Negative. $GASO retested the 20-day MVA and rejected.

$GASO closed below the 20-day MVA. Short-term momentum indicators are Mixed.

Natural Gas lost $0.01 (0.18%) per MBtu last week.

Intermediate trend is Negative. Strength relative to the S&P 500 Index is Positive. $NATGAS found some support at 2.70.

Short-term momentum indicators are Mixed.

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