Creative Global Investments

Morning market commentary & weekly charts

Monday, August 10th, 2015

Carlo R. Besenius
Chief Executive Officer
cbesenius@cg-inv.com
+(352) 2625 8640

Creative Global Investments LLC
115 East 57th Street
11th Floor
New York, NY 10022
Tel: 212 939 7256
Mob: 917 301 3734

Creative Global Investments/Europe
5, op der Heed
L-1709 Senningerberg
Tel: +(352) 2625 8640
Mob: +(352) 691 106 969

Objectivity

Integrity

Creativity

Global Macro Commentary

Chinese inflation grew +1.6% y-o-y in July, up from +1.4% the previous month and ahead of estimates of +1.5%. However, the figure remains well below the government's target of around +3%. Chinese exports fell by -8.3%, the biggest drop in four months and more than forecasts for a -1% drop, mainly as demand from the EU and Japan showed declines in excess of -12%. Imports dipped -8.1% in July, in line with market consensus. The data is likely to add pressure on China to roll out more stimuli to support the economy.

Talks between Greece and its international creditors are progressing and hopes are that a third bailout deal could be agreed by 20th August. The EU Commission and teams from the IMF and the ECB have been working throughout the weekend to final the text of a memorandum of understanding. Greece and international creditors sought to put final touches on a EUR 86BN bailout accord on Monday to keep the country financially afloat and meet an important debt repayment to the European Central Bank within days.

The outlook for Ireland has been amended to positive from stable by the credit ratings agency Fitch. “Strengthening recovery in domestic demand” and “favorable financing conditions” were stated as key rating drivers. The country’s credit rating has also been affirmed at A-.

In the US, data from the Labor Department showed employers added 215,000 jobs in July, missing the consensus forecast of 225,000. It also came in below the monthly average gain of 246,000 for the previous 12 months. The unemployment rate, meanwhile, was unchanged at 5.3%. The Labor Department said the job gains in July were mainly in retail trade, health care, professional and technical services, and financial activities.

Lastly, the global economies are getting relief from Oil prices declining to new lows. Oil prices continue to decline on concerns over global supply and weakening demand for Brent crude. Brent crude for September was trading at US$ $49.73 compared to US$ 52.21 last week, and set for a sixth straight weekly fall.

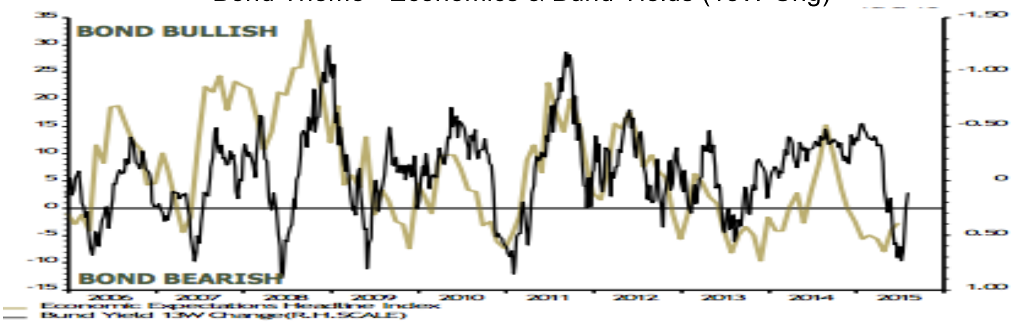
We find it ironic, in which clumsy ways the Federal Reserve and its members are “testing” the market with their rhetoric and intentions to raise rates. Today, Federal Reserve Vice Chairman Stanley Fischer said the central bank wouldn’t raise interest rates until inflation has returned to normal. Obviously, Mr. Fisher’s comments are at odds with those made by Atlanta Fed Governor Dennis Lockhart in an interview on Friday with The Wall Street Journal. In the interview, Lockhart said US economic data would need to deteriorate sharply to prevent the Fed from raising rates in September.

Again, we do see increasing macro evidence of global trade slowing, of inflation declining, and consequently we think that Ms. Yellen has to see those factors equally weighing on the FED’s decision to raise rates, for now, for September for sure. And nothing in currently available global macro data hints at any material changes hereto, which is why we continue to believe that the FED will not change in interest policy in 2015.

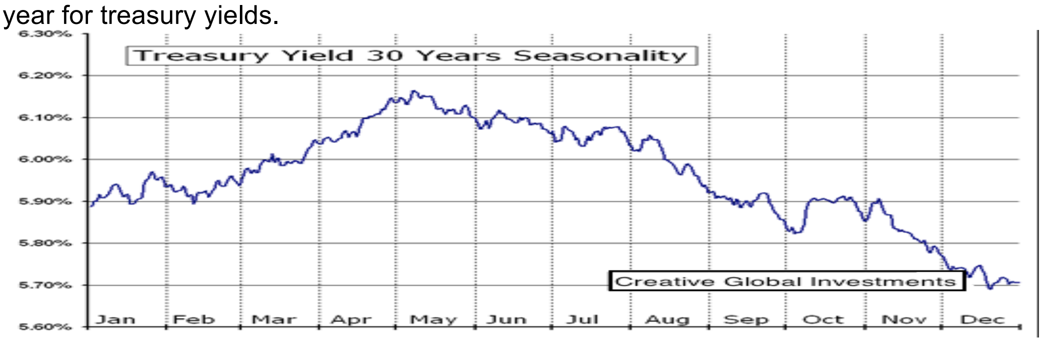
Global Bonds Commentary

Euro bond investors' sentiment has begun to revive in recent weeks. Monthly survey questions focused on investors' views on the economic outlook suggest this recent revival has reflected a growing belief that the macro backdrop has become less bond-bearish on a six-month view. Macro continues to matter for bonds. The latest sentix survey suggests investor sentiment may have been bolstered in recent weeks by a growing belief that the economic backdrop has become less bond-bearish on a six month view

Bond Theme - Economics & Bund Yields (13W Chg)



For US bonds, last Friday's employment report was strong enough to bump up expectations for a September rate hike, however, the reaction in the market was rather unexpected: treasury bonds posted firm gains, interest-rate sensitive stocks moved higher, and the US$ declined. August and September are the weakest months of the year for treasury yields.



The yield on the 30-year T-bond is testing its 200-day moving average, attempting to hold above this level of potential support.

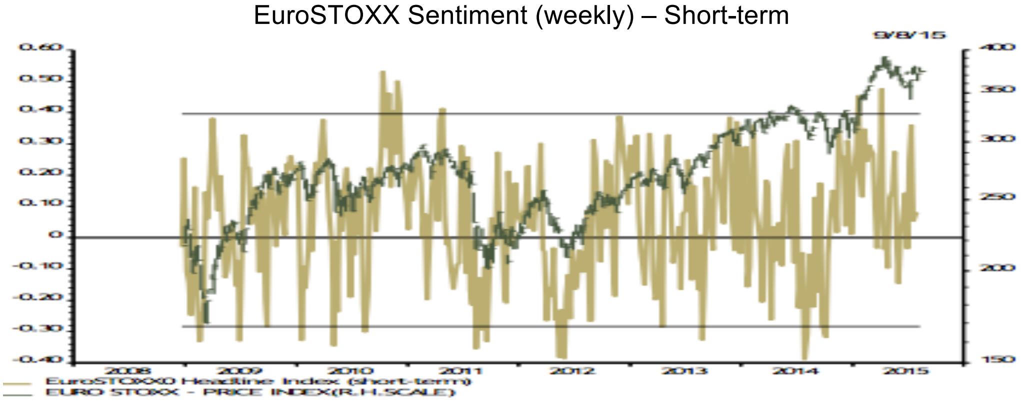
Equities Commentary

The Chinese stock market dropped nearly -40% from its June top, (which we had predicted in our 2015 Global Investment Strategy Outlook), to the July low (which we predicted to in our Q3 Global Strategy Outlook at 3,750) With that market having bounced off the crash low, many are saying that the decline is over, but that assessment might be premature. The advance prior to the crash was parabolic, moving the $SSEC up over +180% in about a year in an ever-steepening upward arc. One thing investors should always expect from parabolic price patterns is that they are most likely to collapse. Although, Chinese equities are currently in a reaction rally phase, with a little help from the government, we believe that lower prices are more likely in the near term.

The downside expectation for a parabolic collapse is that price will return to the level of the previous base, which we can see is down about -65% from the top. Parabolic advances nearly always break down. What happens after the crash is also not easy to predict, but we should expect a decline back to the basing pattern that preceded the parabolic advance, unless new evidence causes us to think otherwise. The reaction rally following the initial crash can be quite encouraging and even profitable, but it would be wrong to assume that such a rally will lead to new highs that will exceed the parabolic top. We would not be surprised if the Chinese stock market's current rally would fail and prices heading much lower, possibly back to the 2014 lows.

Euro equities investors have been less worried in the past week, which lead to elevated Neutrality readings point to a high degree of underlying uncertainty on the near-term outlook for equity indices such as the EuroSTOXX, even though sentiment readings are modestly positive. This suggests there is potential for increased volatility in the coming weeks. Sentiment towards Eurozone equities is only modestly positive, with survey readings well down from the high optimism levels seen in April

EuroSTOXX Sentiment (weekly) – Short-term



In the US, interest rate sensitive stocks, such as Utilities and REITs, tend to move higher through September, outperforming the broad equity market in the process.

The MSCI US REIT Index and the S&P 500 Utilities Sector Index has been outperforming the market since the end of June, defying the threat of higher rates by the end of the year. Expectations for higher rates in the near future are not being reflected in bond and equity market activity.

Weekly Investment Conclusion

Treasury prices are moving higher implying investors are increasingly expecting a delay in the first increase in the Fed Fund rate beyond the September FOMC meeting.

Risks related to international events remain quiet. Focus is on the Federal Reserve and anticipation of its first increase in the Fed Fund rate. Equity and Treasury bond prices are giving divergent signals.

Technical parameters for world equity markets have turned mixed. Best examples are the S&P 500 Index, Nikkei Average and the Euro 350 Index. Short and intermediate technical indicators for major equity markets and most sectors are trending down, but already are approaching oversold levels. Once again, they failed to move to multi-year highs after testing recent highs. Meanwhile, their short-term momentum indicators have started to trend down. However, indicators already are approaching oversold levels, implying limited downside risk.

We are expecting for Developed Markets equities to remain in a sideways to declining pattern until October. Bullish opportunities between now and October will be limited to a few select seasonal opportunities, visible by significant rotation in favorable defensive sectors such as Utilities, moving higher while economic sensitive sectors (e.g. Consumer Discretionary) are moving lower.

For US equities Q2 report season for S&P 500 companies is approaching a close. To date, 436 S&P 500 companies have reported Q2 results: 73% have reported higher than consensus earnings and 51% have reported higher than consensus revenues. On a y-o-y basis, Q2 earnings are down -2.2% and revenues are down -4.1%. For Q3, 56 companies have issued negative earnings guidance and 22 companies have issued positive guidance. Consensus for Q3 on a y-o-y basis is for a -3.6% drop in earnings and a -3.0% fall in revenues. For the full year, consensus is a -1.2% drop in earnings and a -1.7% fall in revenues. Q2 earnings in the US, ex-Energy, are positive. Total earnings for the Energy sector in the S&P 500 index are down -60% from the same period last year, and -30% lower revenues. So, when you take the Energy sector out of the equation, total earnings for the rest of the S&P 500 are up +5% on +2% revenues.

Consumer-related sectors are strong as consumer spending represents about two-thirds of the US economy and it rose +0.2% in June after a +0.7% uptick in May. This growth shows up in the Consumer Discretionary, Retail/Wholesale, and Autos sectors; three of the best performing sectors in Q2 demonstrating consumer spending strength. The auto industry is on pace for its best year in a decade and the Consumer Discretionary and Retail/Wholesale sectors saw some of the most robust year-over-year revenue growth in Q2.

With earnings growth in the US negative, does that mean equities will decline?

We think this is increasingly likely, and the FED holds the final key to that short-term market direction. With the QE programs long gone in the US, and the Federal Reserve set to raise interest rates toward the end of the year, excess liquidity is leaving the marketplace. And, until now, this ‘easy money’ has arguably flowed into risk assets (there’s nowhere else to get yield) driving up P/E ratios and leading to favorable returns in the equity markets.

Technical action by S&P stocks was mixed last week with 26 stocks breaking resistance and 28 stocks breaking support. Notable sector with breakdowns was Consumer Discretionary

Selected sectors with favorable seasonality have started to show encouraging technical signs, most notably agriculture and precious metals.

US equity markets commentary & weekly charts

The VIX Index added 1.20 (9.84%) last week.

Intermediate trend remains down. The Index moved above its 20-day moving average.

Short-term momentum indicators are trending up.

The S&P 500 Index fell 26.36 points (1.25%) last week.

Intermediate trend remains neutral. The Index fell below its 20-day moving average. On Friday it bounced from near its 200-day moving average.

Short-term momentum indicators are trending down.

Percent of S&P 500 stocks trading above their 50-day moving average slipped last week to 47.80% from 50.80%.

Percent of S&P 500 stocks trading above their 200-day moving average slipped last week to 54.40% from 56.40%.

Bullish Percent Index for S&P 500 stocks slipped last week to 51.40% from 52.60% and remained below its 20-day moving average.

The Index continues to trend down.

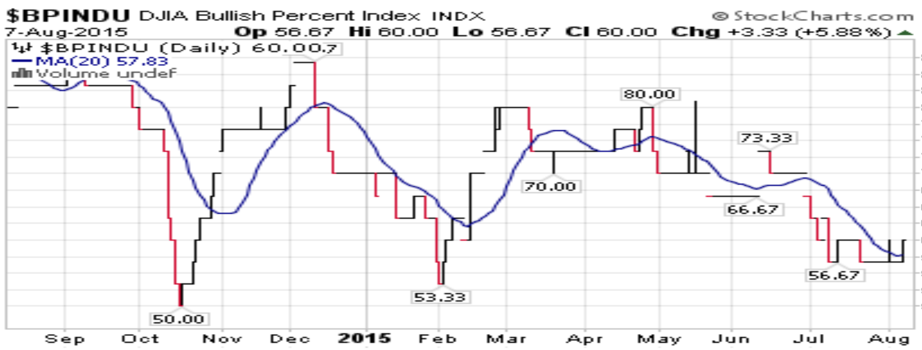
The Dow Jones Industrial Average dropped 319.08 points (1.79%) last week.

Intermediate trend remains down. The Average remained below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

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



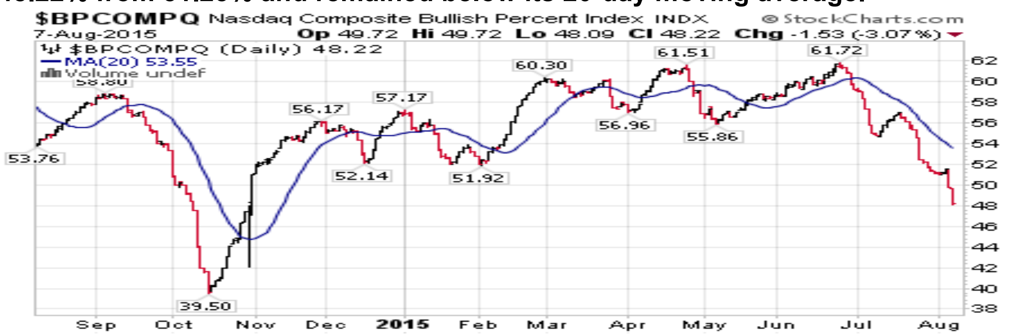
The Dow Jones Transportation Average lost 141.17 points (1.68%) last week.

Intermediate trend remains down. The Average dropped below its 20-day moving average on Friday.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending down.

Bullish Percent Index for NASDAQ Composite stocks plunged last week to 48.22% from 51.25% and remained below its 20-day moving average.



The NASDAQ Composite Index fell 84.74 points (1.65%) last week.

Intermediate trend remains up. The Index fell below its 20-day moving average.

Strength relative to the S&P 500 Index remains neutral.

Short-term momentum indicators are trending down.

The Russell 2000 Index gave up 26.05 points (2.11%) last week.

Intermediate trend remains down. The Index remains below its 20-day moving average and fell below its 200-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

The S&P Energy Index dropped another 17.71 points (3.49%) last week.

Intermediate trend remains down. The Index remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

The Philadelphia Oil Services Index dropped 2.18 points (1.21%) last week.

Intermediate trend remains down. The Index remains below its 20-day moving average.

Strength relative to the S&P500 Index changed to Neutral from Negative.

Short-term momentum indicators are trending up.

The AMEX Gold Bug Index fell 4.35 points (3.89%) last week.

Intermediate trend remains down. The Index remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are mixed.

Latam equity markets commentary & weekly charts

The BOVESPA dropped 2,229 points last week.

Intermediate trend is down. The $BVSP fell below its 20-and 50-and 200 day moving averages.

Strength relative to the S&P 500 Index changed to Negative.

Short-term momentum indicators are trending down.

The Mexican Bolsa gained 3 points last week.

Intermediate trend remains up. The $MXX moved back above its 20- and 50-day moving averages.

Strength relative to the S&P 500 Index changed back to Positive.

Short-term momentum indicators are mixed.

Canadian equity markets commentary & weekly charts

Bullish Percent Index for TSX stocks dropped last week to 43.32% from 44.35% and remained below its 20-day moving average.

The Index continues to trend down.

The TSX Composite Index fell 166.03 points (1.15%) last week.

Intermediate trend remains down. The Index fell below its 20-day moving average.

Strength relative to the S&P 500 Index improved to Positive from Neutral.

Short-term momentum indicators are mixed.

Percent of TSX stocks trading above their 50 day moving average eased last week to 25.10% from 26.72%.

The index likely reached an intermediate low at 14.17% ten days ago.

Percent of TSX stocks trading above their 200-day moving average slipped last week to 29.96% from 32.39%.

Asian equity markets commentary & weekly charts

The SENSEX gained 84 points last week.

Intermediate trend remains up. The $BSE moved back above its 20-day moving average.

Strength relative to the S&P 500 Index changed to Positive.

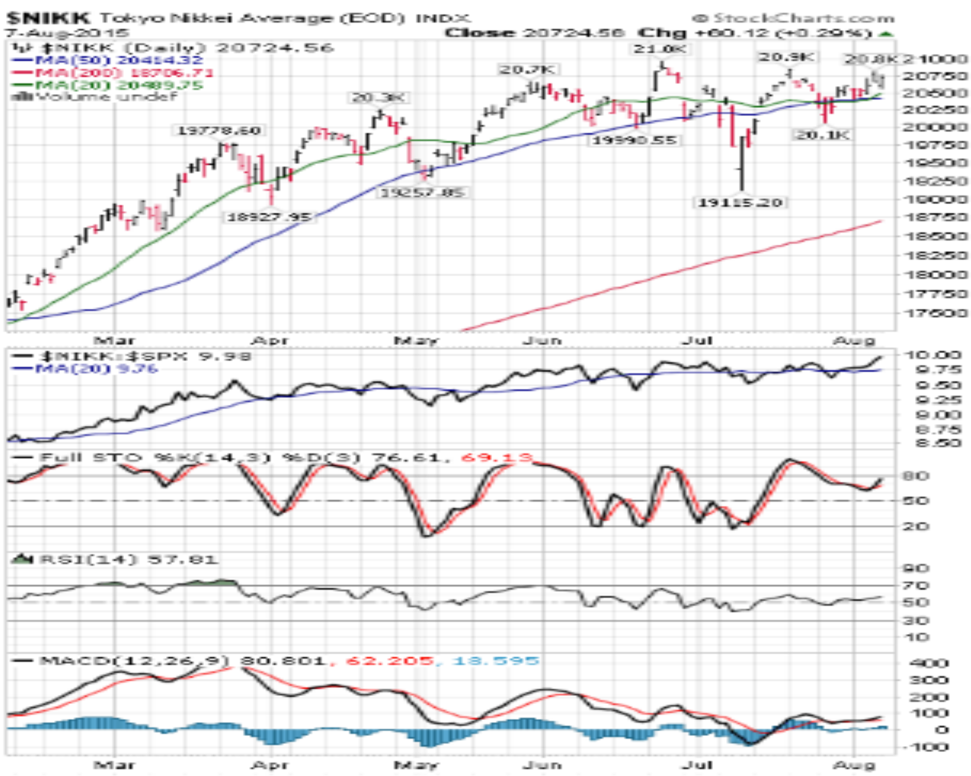
Short-term momentum indicators are mixed.

The Nikkei Average gained 139.32 points (0.07%) last week.

Intermediate trend remains down. The Average remains above its 20-day moving average.

Strength relative to the S&P 500 Index changed to Positive from Neutral.

Short-term momentum indicators are mixed.



The Shanghai Composite Index added 80.47 points (0.22%) last week.

Intermediate trend remains Neutral. The Index remains below its 20-day moving average.

Strength relative to the S&P 500 Index changed to Neutral from Negative.

Short-term momentum indicators are mixed.

iShare Emerging Markets fell $0.82 (2.21%) last week.

Intermediate trend remains down. Units remain below their 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are mixed.

The Australia All Ords Composite Index dropped 209.40 points (3.69%) last week.

Intermediate trend changed to Up from Neutral on a move above 5,690.20. The Index fell below its 20-day moving average.

Strength relative to the S&P 500 Index changed to Neutral from Positive.

Short-term momentum indicators are trending down.

European Equity markets commentary & weekly charts

The DAX 30 added 105 points last week.

Intermediate trend remains mixed. The $DAX rallied back above its 20-day moving average.

Strength relative to the S&P 500 Index changed to neutral.

Short-term momentum indicators are mixed.

The CAC 40 gained 76 points last week.

Intermediate trend remains up. The $CAC rallied back above its 20-day moving average.

Strength relative to the S&P 500 Index is positive.

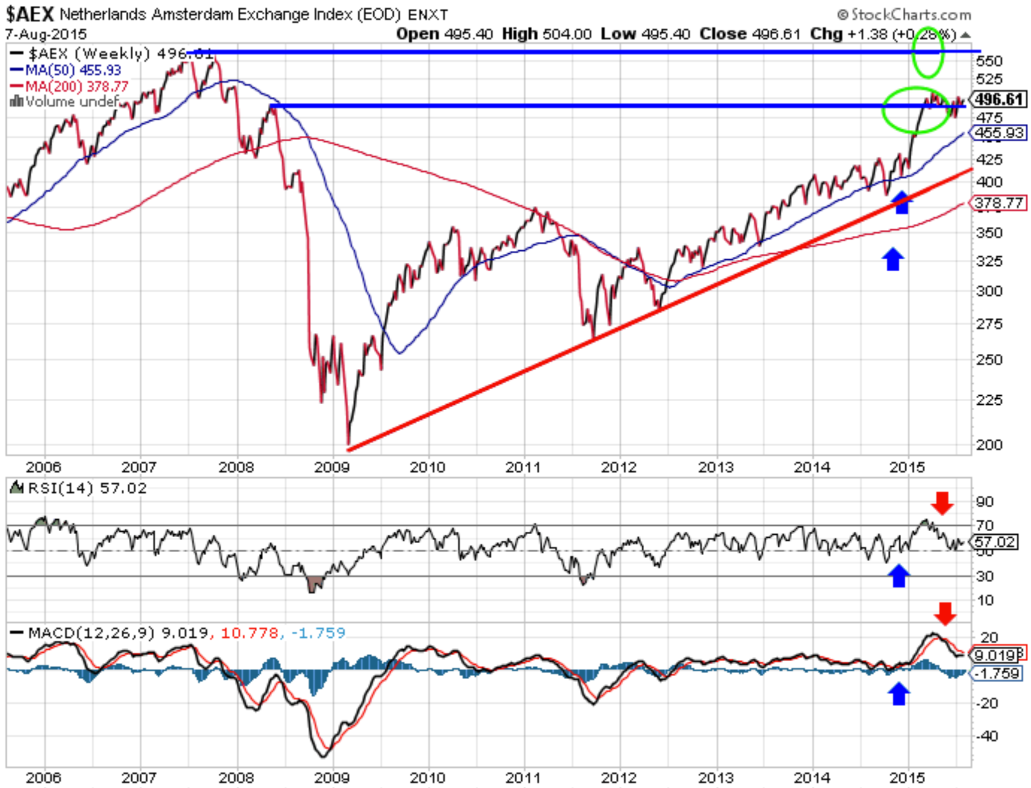
Short-term momentum indicators are trending upwards.

The AEX lost 5 points last week.

Intermediate trend remains up. The $AEX is back above its 20-day moving average.

Strength relative to the S&P 500 Index remains Positive.

Short-term momentum indicators are trending down.



The IBEX 35 lost 46 points last week.

Intermediate trend remains up. The $IBEX rallied back above its 20-day moving average.

Strength relative to the S&P 500 Index changed to Positive.

Short-term momentum indicators are negative.

The FTSE 100 lost 24 points last week.

Intermediate trend changed to down. The $FTSE broke below its 20-day and 50-day and 200-day moving averages.

Strength relative to the S&P 500 Index remains Neutral.

Short-term momentum indicators are mixed.

iShares Europe 350 slipped $0.04 (0.09%) last week.

Intermediate trend remains down. Units fell below their 20-day moving average.

Strength relative to the S&P 500 Index changed to Positive from Neutral.

Short-term momentum indicators are mixed.

Fixed Income Commentary & weekly charts

International Bonds

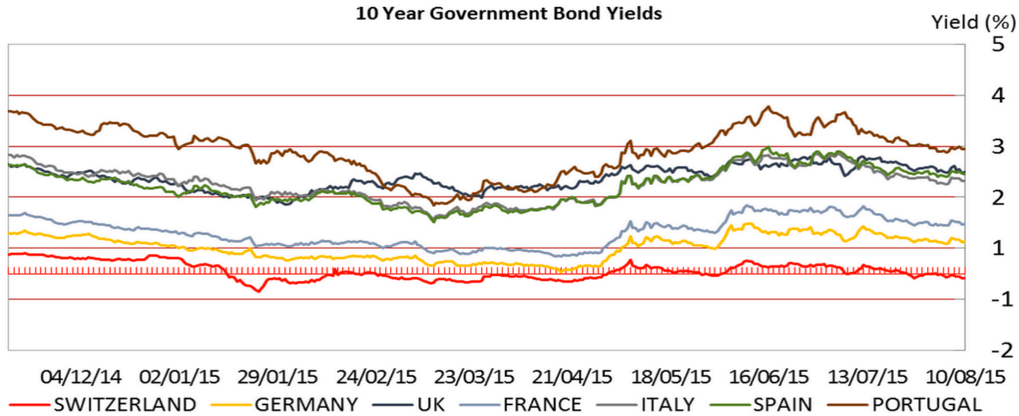
European 10-Year government bonds are entering their period of seasonal strength from mid-May until end of August.

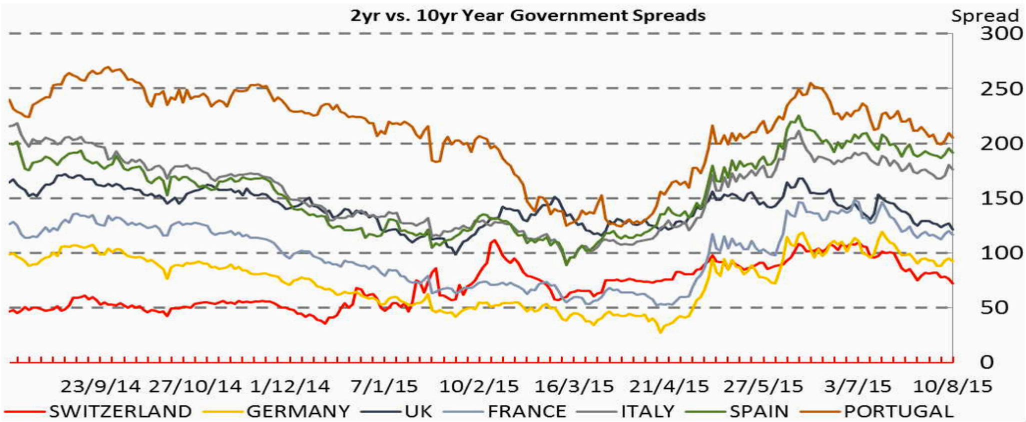
Country	Latest yield	Spread vs bund	Spread vs T-bonds
Australia	2.78%	+2.11	+0.59
Austria	0.94%	+0.27	-1.24
Belgium	1.00%	+0.33	-1.18
Canada	1.42%	+0.75	-0.77
Denmark	0.86%	+0.19	-1.32
Finland	0.83%	+0.15	-1.36
France	0.97%	+0.30	-1.21
Germany	0.67%	—	-1.51
Greece	11.95%	+11.27	+9.76
Ireland	1.23%	+0.56	-0.95
Italy	1.85%	+1.17	-0.34
Japan	0.41%	-0.27	-1.78
Netherlands	0.85%	+0.17	-1.34
New Zealand	3.39%	+2.72	+1.20
Portugal	2.46%	+1.79	+0.27
Spain	2.00%	+1.32	-0.19
Sweden	0.72%	+0.05	-1.47
Switzerland	-0.11 %	-0.78	-2.30
UK	1.85%	+1.18	-0.34

We believe that US, European 10-Y treasuries are too cheap and are offering great investment value at current prices.

As stated in the intro part of this weeks report, we continue to see weakening global macro developments, and consequently we do not see a chance for the Federal Reserve to raise the FED's funding rates until 2016, if so at all.

Hence, why we are expecting for further yield compression between French, Italian, Portuguese, Spanish 10-Y Government bonds and the German bunds to materialize over the coming 2 months, and are advising for investors to increase their weightings into Spanish, Italian, Portuguese, Irish 10-Year bonds.





Major European 10 year benchmark bonds: average price and yield (11:00 UK Time)

Issuer	ISIN	Coupon	Maturity	11:00 Price	11:00 Yield	Yield daily Δ
SWITZERLAND (GOVT)	CH0184249990	1.5	2025-07-24	115.920	-0.092	0.000
GERMANY(FED REP)	DE0001102374	0.5	2025-02-15	98.814	0.629	0.008
UK(GOVT OF)	GB00BTHH2R79	2	2025-09-07	100.040	1.996	0.026
FRANCE(GOVT OF)	FR0012517027	0.5	2025-05-25	95.590	0.975	0.009
ITALY(REP OF)	IT0005090318	1.5	2025-06-01	97.116	1.823	-0.006
SPAIN(KINGDOM OF)	ES00000122E5	4.65	2025-07-30	124.170	1.957	-0.004
PORTUGAL(REP OF)	PTOTEKOE0011	2.875	2025-10-15	103.855	2.442	-0.005
Issuer	**ISIN**	**Coupon**	**Maturity**	**11:00 Price**		**Price daily Δ**
GREECE(REP OF)	GR0128012698	2	2025-02-24	54.340		0.990

US Bonds

Yield on 10 year Treasuries dropped 3 basis points (1.36%) last week.

Intermediate trend changed to Down from Up on a move below 2.187%.

Yield remains below its 20-day moving average. Short-term momentum indicators are mixed.

The long term Treasury ETF added $1.81 91.48%) last week.

Intermediate trend remains up. Units remain above their 20-day moving average.

Short-term momentum indicators are trending up.

Currencies commentary & weekly charts

The Euro slipped 0.26 (0.24%) last week.

Intermediate trend remains neutral. The Euro remained above its 20-day moving average.

Short-term momentum indicators are mixed.

The US$ Index gained 0.39 (0.40%) last week.

Intermediate trend remains Neutral. The Index moved above its 20-day moving average.

Short-term momentum indicators are trending up.

The Japanese Yen slipped 0.20 (0.25%) last week.

Intermediate trend remains down. The Yen remains below its 20-day moving average.

Short-term momentum indicators are mixed.

The Canadian Dollar slipped US 0.28 cents (0.37%) last week.

Intermediate trend remains down. The C$ remained below its 20 day moving average.

Short-term momentum indicators are mixed.

Commodities commentary & weekly charts

The CRB Index dropped another 4.25 points (2.10%) last week.

Intermediate trend remains down. The Index remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

Copper slipped another $0.03 per lb. (1.27%) last week.

Intermediate trend remains down. Copper remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are mixed.

Lumber gained $6.90 (2.74%) last week.

Intermediate trend remains up. Lumber remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

The Grain ETN added $0.57 (1.70%) last week.

Intermediate trend remains up. Units remain below their 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending up.

The Agriculture ETF slipped $0.34 (0.63%) last week.

Intermediate trend remains down. Units remain below their 20-day moving average.

Strength relative to the S&P 500 Index changed to Neutral from Negative.

Short-term momentum indicators are trending up.

Gold & precious metals commentary & weekly charts

Gold slipped $1.00 per ounce (0.09%) last week.

Intermediate trend remains down. Gold remains below its 20-day moving average.

Strength relative to the S&P 500 Index changed to Neutral from Negative.

Short-term momentum indicators are trending up.

Silver gained $0.08 per ounce (0.54%) last week.

Intermediate trend remains down. Silver moved above its 20-day moving average on Friday.

Strength relative to the S&P 500 Index improved to Neutral from Negative.

Short-term momentum indicators are trending up.

Strength relative to Gold remains positive.

Platinum fell $22.80 per ounce (2.31%) last week.

Intermediate trend remains down. $PLAT remains below its 20 day MA.

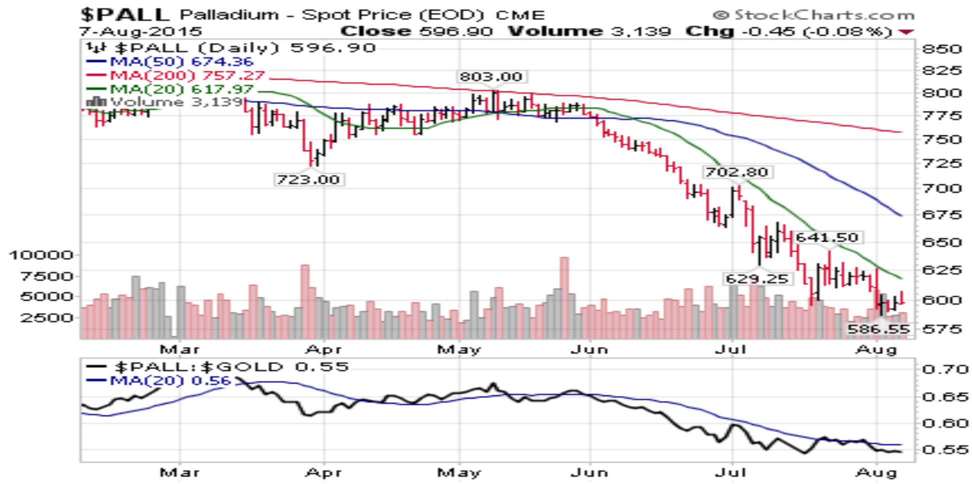
Strength relative to the S&P 500 and Gold remains negative.

Palladium dropped another $13.95 per ounce (2.28%) last week.

Intermediate trend remains down. $PALL remains below its 20-day moving average.

‘Strength relative to the S&P 500 Index and Gold remains negative.

Short-term momentum indicators are mixed.



Oil, gas & energy commentary & weekly charts

Crude oil dropped another $3.25 per barrel (6.90%) last week.

Intermediate trend remains down. Crude remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

Natural Gas added $0.08 per MBtu (2.94%) last week.

Intermediate trend remains up. $NATGAS remains below its 20-day moving average.

Strength relative to the S&P 500 Index changed to Neutral from Negative.

Short-term momentum indicators are mixed.

Gasoline plunged $0.15 per gallon (8.47%) last week.

Intermediate trend changed to Down from Neutral on a move below $1.69. $GASO remains below its 20-day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are trending down.

Carlo R Besenius, CEO & Head of Global Strategy
cbesenius@cg-inv.com
office: +(352) 26 25 86 40
mobile: +(352) 691 106 969
Luxembourg/Europe

Steve Gluckstein, Global Strategist
sgluckstein@cg-inv.com
office: 212 939 7256
mobile: 732 768 8843
New York, NY, USA

Sabine CJ Blümel, Head of Global Automotive Research
sblumel@cg-inv.com
office: +44 (7785) 301588
London, UK

Marc Peters, Head of Global Industrial Strategy
mpeters@cg-inv.com
office: +(352) 26 25 86 40
mobile: +352 621 36 44 50
Luxembourg/Europe

Feliks Lukas, Director of Industrial Consulting
flukas@cg-inv.com
office NY: 212-939-7256
mobile: +(385) 9848 8951
Kastela, Croatia,

Allison M Cimon, Director of Sales & Technology
amcimon@cg-inv.com
office: 646 228 4321
Boston, MA, USA

Gary Schieneman, Managing Director,
Global Accounting and Finance
gschieneman@cg-inv.com
office: 917-868-6842
New York, NY, USA

Jennifer Crisman, COO
jcrisman@cg-inv.com
office: +(352) 26 25 86 40
Luxembourg/Europe