



Creative Global Investments

Weekly Currencies & Fixed Income strategy update

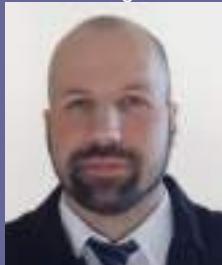
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Objectivity
Integrity
Creativity

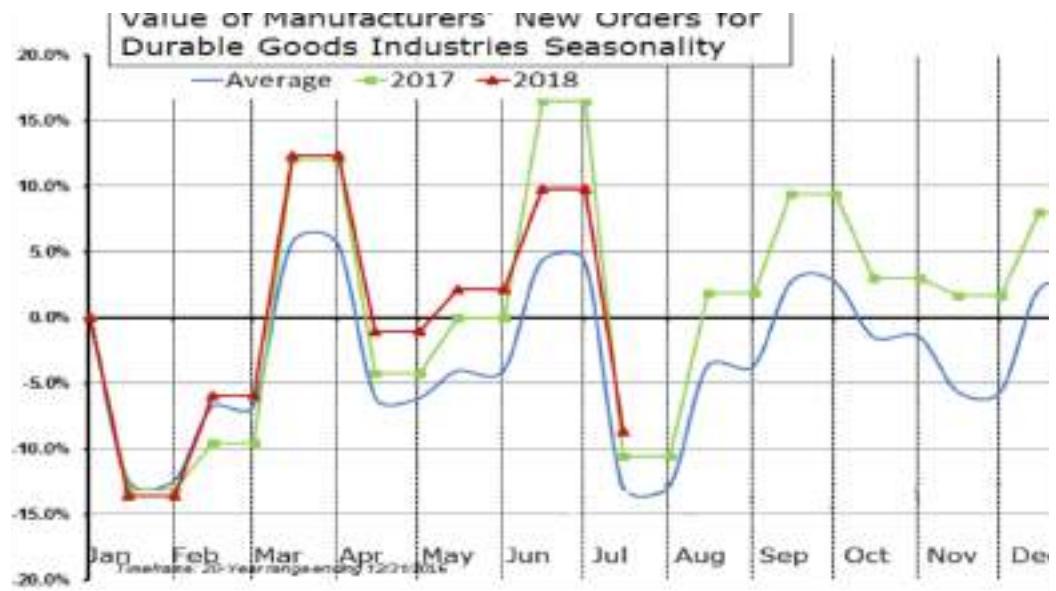
Global macro & geo-political commentary

Most markets globally responded favorably to Federal Reserve Chairman Jerome Powell's comments on Friday at the Jackson Hole symposium. Equity prices on both sides of the border moved higher, bond prices rallied, the USD moved lower and the price of gold moved higher.

A US report on durable goods orders showed a rather weak headline result. The headline showed that durable goods orders declined by -1.7% in July, missing the analyst consensus estimate calling for a decline of -0.8%. However, analysts were encouraged by the 1.4% increase in core capital goods orders, which beat the consensus estimate that called for a 0.5% rise. Stripping out the seasonal adjustments, the Value of Manufacturers' New Orders for Durable Goods Industries actually fell by -16.9%, worse than the average decline for this time of year of -16.4%.

Orders of durable goods are running 4.1% above average y-t-d, buoyed, in part, by strength in computers and related products industries. Weakness in commercial aircraft has been weighing on the aggregate result, running 37.8% below average y-t-d. New Orders of motor vehicles showed surprising strength in the month, down -17.7% in the period. The average decline for this time of year is 29.2% as factory shutdowns in this summer month limit activity. The upbeat factory orders have yet to be met by strong consumer sales of vehicles, which are trending below average y-t-d. As a result, inventories are on the rise, climbing by the fastest pace through the first seven months of the year since 2014. The car industry is becoming vulnerable to price discounting through the 2H unless consumer sales can catch up with growing supplies.

Seasonally, durable goods orders rebound from the summer slump in August and September as the last push to complete products for shipping prior to the end of the year gets underway.



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US economic focus next week is on the next estimate Q2 real GDP. Consensus shows that annualized growth will slip from the first estimate at 4.1%, but remain a robust 4.0% rate.

US Weekly Jobless Claims to be released at 8:30 AM EDT on Thursday are expected to increase to 214,000 from 210,000 last week.

US July Personal Income to be released at 8:30 AM EDT on Thursday is expected to increase 0.4% versus a gain of 0.4% in June. July Personal Spending is expected to increase 0.4% versus a gain of 0.4% in June.

July Chicago Purchasing Managers Index to be released at 8:30 AM EDT on Friday is expected to slip to 62.2 from 65.5 in June.

Canadian Q2 Real GDP to be released at 8:30 AM EDT on Thursday is expected to grow at a 3.0% rate versus a 1.3% rate in Q1.

The most important news in the EU last week were about Greece, that after 8 years, a lot of political maneuvering and EUR289bn later, Greece has now exited its bailout program meaning it can now borrow funds once again on the capital market. For the Euro, which has been dipping into one-year lows of EUR/USD 1.13, the risk still remains in Turkey. Indeed one facet for the Euros slide to 1.13 was fears that Italy and Spain could be overexposed to Turkish debt. Currently, the market isn't sold on the policies of President Erdogan and finance minister Albayrak with credit agencies S&P and Moody's both cutting Turkey debt rating deeper into junk status.

Another key piece of news came out of Germany and German Bundesbank President and ECB member Jens Weidman, who has long been known as an interest rate hawk, once again reiterated his desire to exit the ultra-loose monetary policy that the ECB is currently employing and not delay the return to neutral rates. Weidman has also long been seen as the natural successor to Mario Draghi and the forerunner; however, there are now reports that Angela Merkel pushing for a German to have the top job at the EU Commission rather than the ECB (one country can't hold both roles).

Last weeks Brexit negotiations were a key focus of investors, and are still weighing on the GBP and any more talk of disagreements, breakdown in negotiations or diverging ideologies will add to the drag on the sterling (even no news whatsoever will be perceived as negative). According to UK Brexit Minister Dominic Raab securing a Brexit deal is still the most likely outcome for the UK, however, Dr. Liam Fox's comments are still ringing in the ears of many. The UK has until October to finalize negotiations, a date that is getting closer and closer.

Although the global economy seems to hold its pace, we continue seeing politically related risks, as another side of the trade talks, which could well be that the entire reshuffling that President Trump is intending might backfire, yet one more time, as the history of US-imposed trade tariffs has shown.

Weekly Currencies commentary & charts

We still recommend that investors should reevaluate their current holdings in USD's and USD denominated assets. Investors should 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:

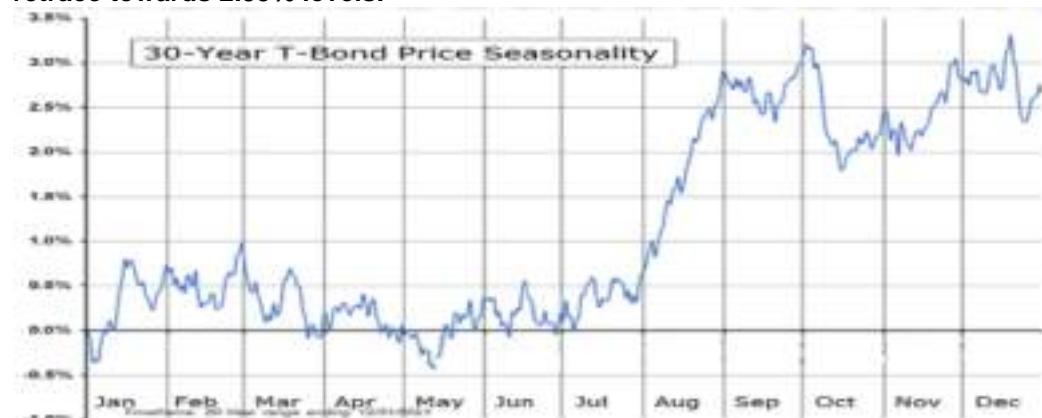
- **Buy US treasuries (10-Y's and 30-Y's)**
- **Buy EURUSD; Buy EM currencies against the USD**
- **Buy Commodities (Oil; Gold; Metals; Agri's**

The USD continued to show short-term momentum signs of rolling over after entering its seasonal period of weakness at the beginning of July. All long-term technical and fundamental indicators continue to point south, so we keep our bearish trend stance and maintain our low-price-target of 82 for 2018 for the USD. Besides, we see technical evidence and dynamics for the EURUSD looks to recover further higher following its past 2 weeks' strength, and see the next upside resistance at 1.1650 level to be rather light, and a push through there opening the door for more upside towards the 1.1700 level. Further up, resistance lies at the 1.1750 level where a break will expose the 1.1800 level. Conversely, support lies at the 1.1600 level where a violation will aim at the 1.1550 level. A break of here will aim at the 1.1500 level. Below here will open the door for more weakness towards the 1.1450. All in all, EUR/USD faces further upside pressure.



Weekly Fixed Income Commentary & Charts

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. 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.



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.



Ten Year Government Bonds:

Australia	2.54%	+2.22	-0.29
Austria	0.54%	+0.22	-2.29
Belgium	0.69%	+0.36	-2.15
Canada	--	--	--
Denmark	0.30%	-0.03	-2.53
Finland	0.52%	+0.19	-2.31
France	0.67%	+0.34	-2.16
Germany	0.33%	--	-2.51
Greece	4.98%	+3.85	+1.35
Ireland	0.89%	+0.56	-3.95
Italy	3.12%	+2.79	+0.29
Japan	0.09%	-0.24	-2.74
Netherlands	0.44%	+0.11	-2.39
New Zealand	2.61%	+2.28	-0.23
Portugal	1.81%	+1.48	-1.03
Spain	1.35%	+1.06	-1.45
Sweden	0.48%	+0.15	-2.36
Switzerland	-0.11%	-0.64	-2.95
UK	1.27%	+0.95	-1.56
US	2.82%	+2.49	--

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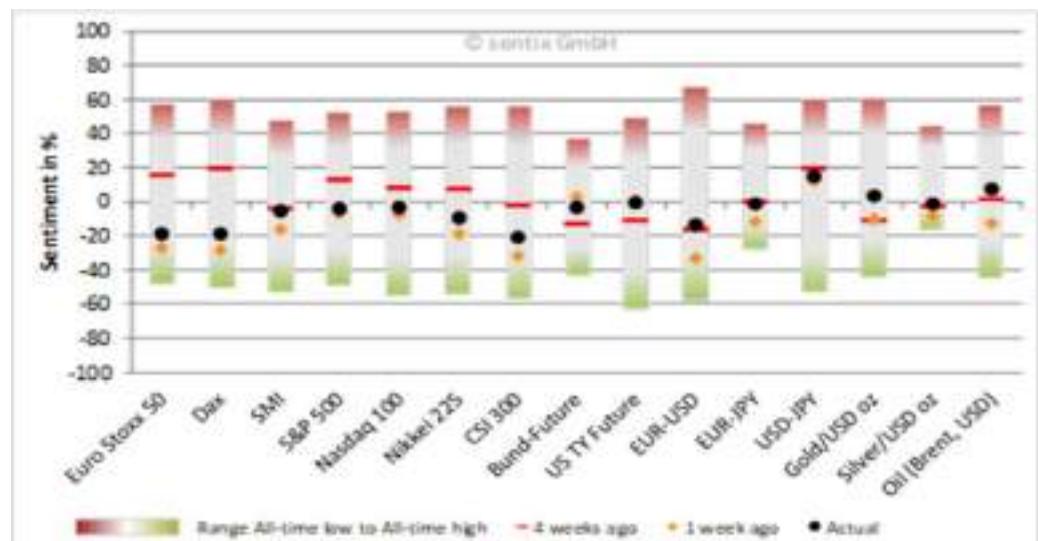
Investors Sentiment Indicators

According to the latest **sentix** Investors' survey, investors seemingly are questioning the embedded strength of USD, and inversely seeing increasingly value in US-Long Bonds and commodities

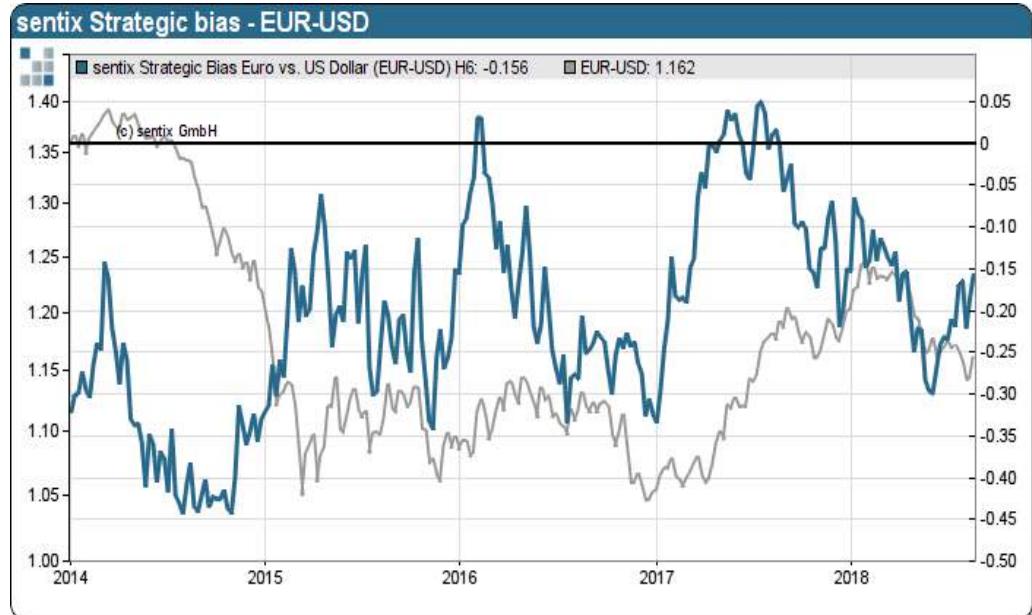
	DAX	ESX50	SMI	S&P 500	Nasdaq	Nikkei	CSI 300	Bunds	T-Bonds	EUR-USD	EUR-JPY*	USD-JPY	Gold	Silver	Oil
Sentiment															
Strategic Bias										X					X
Neutrality Index	X							X							
Overconfidence Index			X									X	X		

* highlights markets for which the sentix indicators display extreme values

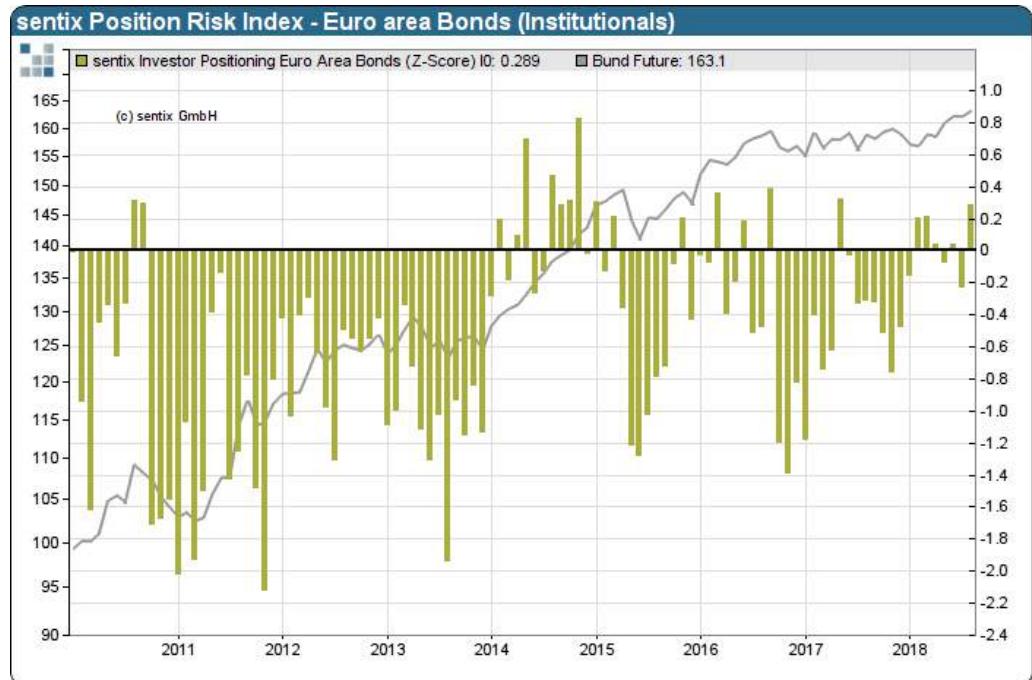
The Strategic bias is surprisingly tipping over to many markets. In the special analysis we examine how investors are currently positioning themselves in equities. In the currency field, on the other hand, the Euro is making new friends at the strategic level. Also to Brent the basic conviction increases.



- **US bonds still offer opportunities, as the EM crisis is not over yet, at least not for the shares.**
- **Commodities: Positive Sentiment for Oil, particularly for Brent & Gold rises**
- **FX: In general, the Euro is currently gaining strength again, also against the USD. The Strategic Bias is increasing and therefore on the short term a new attack in the direction of 1.14/1.15 looks unlikely.**



The professionals have extended their duration to the highest level of the year. Although this is not an extreme positioning, excess quotas have rarely been observed in recent years and have usually acted as a short-term brake on rising prices.



Currencies weekly charts

US Dollar Index trades at 95.06



EUR USD trades at 1.162



Intermediate trend is Neutral. \$USD retraced back to the breakout level.

\$USD remains above the 50-day MVA.

Short-term momentum indicators are Negative.

Intermediate trend is Neutral. \$EURUSD seems to have undergone a fake out. \$EUR USD closed above the 50-day MVA.

Short-term momentum indicators are Positive.

USD CHF trades at 0.983

Intermediate trend is Negative. \$USDCHF broke through the 50-day MVA.

Short-term momentum indicators are Negative.

USD GBP trades at 0.778**USD JPY trades at 111.17**

Intermediate trend is Positive. \$USDJPY broke out of the channel. \$USD JPY closed above the 50-day MVA.

Short-term momentum indicators are Positive.

AUD USD trades at 0.732

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

Short-term momentum indicators are Neutral.

**NZD USD trades at 0.669**

Intermediate trend is Negative. \$NZD USD seems to have bottomed. Price remains below the 50-day MVA.

Short-term momentum indicators are Positive.

**USD CAD trades at 1.303**

Intermediate trend is Neutral. \$USDCAD closed below the 50-day MVA. \$USD CAD is pressuring the support.

Short-term momentum indicators are Neutral.



USD MXN trades at 18.90

Intermediate trend is Negative. \$USDMXN is struggling to close above the 19.15 resistance. \$USDMXN is below the 200-day MVA.

Short-term momentum indicators are Neutral.

**Euro weekly charts****EUR GBP trades at 0.9047**

Intermediate trend is Positive. \$EUR GBP reached a new high.

Short-term momentum indicators are Positive and Overbought.



EUR JPY trades at 129.22**EURCHF trades at 1.143**

Intermediate trend is Positive. \$EUR JPY looks to be moving towards the upper trendline. \$EUR JPY remains above 50-day MVA.

Short-term momentum indicators are Positive.

Intermediate trend is Negative. \$EUR CHF is pulling back towards the support. \$EUR CHF is below the 50-day MVA.

Short-term momentum indicators are Positive.

JPY weekly charts

AUD JPY trades at 81.43



Intermediate trend is Negative. \$AUD JPY rebounded from the lower trendline. \$AUD JPY is below the 50-day MVA.

Short-term momentum indicators are Mixed.

GBP JPY trades at 142.82



Intermediate trend is Negative. \$GBP JPY pulling back towards the previous support at 144.

\$GBP JPY is below the 50-day MVA.

Short-term momentum indicators are Positive.

JPY trades at 89.90**EM currencies weekly charts****USD BRL trades at 4.10**

Intermediate trend is Neutral. \$XJV failed to break above 200-day MVA.

Short-term momentum indicators are rolling over.

Intermediate trend is Positive. \$USDBRL broke out of the range to a new high. \$USDBRL is above the 50-day MVA.

Short-term momentum indicators are Positive and Overbought.

USD ZAR trades at 14.25

Intermediate trend is Positive. \$USDZAR is pulling back to the previous resistance. \$USD ZAR is above the 50-day MVA.

Short-term momentum indicators are rolling over.

Fixed Income weekly charts**\$TNX trades at 28.26**

Intermediate trend is Neutral. \$TNX is at Support. Price remains above the 50-day MVA. Short-term are Mixed.

\$UST2Y trades at 2.63

Intermediate trend is Neutral
 \$UST2Y is rolling over.
 Price is below the 50-day MVA.
 Short-term momentum indicators are Mixed.

\$TYX trades at 29.75

Intermediate trend is Negative.
 \$TYX is correcting towards the trendline.
 Price remains below 50-day MVA.
 Short-term momentum indicators are Negative.

UK 10-year trades at 1.278**Germany 10-year trades at 0.350**

Intermediate trend is Neutral.

Price rebounded from the support once again. Price remains below the 200-day MVA.

Short-term momentum indicators are Positive.

Intermediate trend is Neutral.

Price rebounded from the support at 0.3.

Price remains below the 200-day MVA.

Short-term momentum indicators are Positive.

Intermediate trend is Negative.
 Price failed to break the 200-day MVA.
 Price remains below the 200-day MVA.
 Short-term momentum indicators are Negative.



Intermediate trend is Positive.
 Price is attacking the yearly high.
 Price is above the 200-day MVA.
 Short-term momentum indicators are Positive.



Spain 10-year trades at 1.426

Intermediate trend is Positive.
Price failed to break the 1.5 key level.
Price remains above the 200-day MVA.
Short-term momentum indicators are rolling over.

Greece 10-year trades at 4.205

Intermediate trend is Neutral.
Price failed to break the important level at 4.40.
Price remains below the 200-day MVA.
Short-term momentum indicators are rolling over.

Norway 10-year trades at 1.762**Switzerland 10-year trades at 0.117**

Intermediate trend is Neutral.
Price is steadily moving along the lower trendline.

Price remains below the 200-day MVA.
Short-term are Mixed.

Intermediate trend is Neutral.
Price remains inside a Coil.
Price remains below the 200-day MVA.
Short-term momentum indicators are Mixed.

Intermediate trend is Neutral.
 Price has pulled back towards the 3.7 resistance.
 Price is below the 200-day MVA.
 Short-term momentum indicators are Positive.



Intermediate trend is Positive.
 Price is forming a flag after a breakout.
 Price is above the 200-day MVA.
 Short-term momentum indicators are Negative.



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