



Creative Global Investments

Weekly equities strategy update

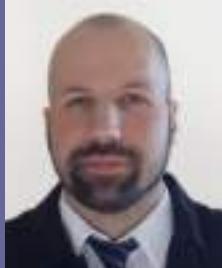
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Objectivity
Integrity
Creativity

Equities commentary & charts

Historically, the month of September has been the weakest month for US, EU and EM equity markets. During the month, analysts globally frequently review their estimates following release of Q2 results and lower their estimates for the remainder of the year, US equities, namely regarding US Dollar adjustments, as the past 5 months of USD strength affecting foreign earnings for US companies has not been assessed sufficiently by US equity analysts and strategists yet.

We see the complaisance for US equities and EPS too high, particularly as analysts and strategists continue to be “late-to-the-plate” on adjusting EPS for the latest swings in the USD. With the USD moving from 88 – 96 within just 5 months, now there is too little recognition by analysts and investors for that embedded USD strength weighing on Q3 and Q4 EPS, which we estimate need to be adjusted due to current USD temporary strength by at least -4 to -6 cents from current full year consensus of 154.

The USD continued to show short-term momentum signs of rolling over after entering its seasonal period of weakness at the beginning of July. 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 15-month bear market started. **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 the next 6 – 9 months for the USD.**



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Additionally for US equities, geo-political and trade related risks still rising, 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.

Short-term political concerns remain elevated. Issues include heightened tariff wars, stalled NAFTA negotiations (resuming with Canada today) and the ramp up of US mid-term election political rhetoric.

NAFTA negotiations are impacting equity markets. US equities moved higher after the US and Mexico reached a trade agreement yesterday. As of yesterday, NAFTA negotiations with Canada were continuing but failed to reach a conclusion and the Canadian Dollar moved lower. If further negotiations reach an agreement, we are expecting for the Canadian Dollar and Canadian equity prices to rise, however, if no agreement is materializing shortly, then we continue expecting for weaker the Canadian Dollar and Canadian equity prices.

And history seems to repeat, as this seems the trend for September for EM currencies and EM markets too, where currency related risks for both bond markets and equity markets are increasing by the day

September has been the weakest month globally for equities, on average, over the past 50 years. In the US, the S&P 500 Index has shed an average of -0.6% with 56% of Septembers showing a negative result. Returns have ranged from a loss of 11.9% in September of 1974 to a gain of 8.8% in September of 2010. Losses tend to be dominated by the last two weeks of the month as investment managers reallocate portfolios ahead of the end of Q3. Between September 19th and the last day of the month on September 30th, the S&P 500 Index has lost an average of 0.91% with 31 of the past 50 (62%) periods showing a decline. The period has typically been the ideal reset to reduce elevated equity prices, allowing investors to add to positions for the strength that is common through Q4.

From a sector point of view, the materials' sector has been the weakest performer, on average, over the past 20 years in the month of September. The S&P 500 Materials Sector Index has shed an average of -2.3% in this last month of Q3 with only 45% of periods showing a gain.

Conversely, energy and health care have been the best performing segments of the market, returning an average of 0.3%.

As for commodities, natural gas enters its seasonally strong period ahead of the winter heating/withdrawal season with positive tendencies for price spanning through to December.

US equity markets currently are short term overbought and showing early technical signs of rolling over. History is about to repeat. Canadian equity markets already have rolled over from their seasonal high on July 13th.

Responses to Q2 reports were mixed again last week. Companies that offered positive guidance (Hewlett Packard Enterprises, Salesforce.com, Lululemon) saw their share prices move smartly higher. Conversely, companies that offered lower guidance (Best Buy, American Eagle Outfitters, Abercrombie &Fitch, Tiffany, Campbell Soup, Dollar Tree) saw their share prices fall significantly.

Seasonal influences for major US equity indices are not following their regular pattern this year yet, however, we see increasing risks from a chart technical perspective. Seasonal influences, that normally turn Negative from the 3rd week in July to mid-October, have not surfaced yet despite market turmoil last week related to trade (Mexico: positive, China: negative, Canada: Negative)

Technical action by individual S&P 500 stocks was bullish last week. Number of stocks breaking intermediate resistance totaled 42 while number of stocks breaking support totaled 13. The Up/Down ratio increased last week to (290/151=) 1.92 from 1.77.

Medium term technical indicators for US equity markets (e.g. Percent of stocks trading above their 50-day moving average, Bullish Percent Index) **slightly higher last week and remain intermediate overbought**

Medium term technical indicators in Canada last week were mixed last week. They remain intermediate neutral and continue to trend lower.

Short term technical indicators for US markets and sectors (20-day moving averages, short term momentum) **were mixed last week**

Short-term technical indicators for Canadian markets and sectors moved lower last week.

Longer-term outlook for S&P 500 company earnings remains positive, but less positive than previous.

Q2 results (99% reported to date) increased 25.0% and sales increased 10.1% on a y-o-y basis.

Consensus is for EPS to rise during the next 4 quarters and to be positive on a y-o-y basis, but at a slightly lower rate than previous, as analysts so far have lowered Q3 earnings guidance on 72 S&P 500 companies while raising guidance on 24 companies.

- Q3 EPS consensus calls for +20% in EPS and a +7.7% in sales.
- Q4 EPS consensus calls for +17.4% in EPS and +6.0% sales.
- Q1 2019 EPS consensus calls for +7.2% in EPS and +6.2% in sales.
- Q2 2019 EPS consensus calls for +7.5% in EPS and +4.5% in sales.

We still recommend that investors should reevaluate their current holdings, and pay close attention to the seasonal forces that likely will come into play in the short term. Seasonally, the next period of strength for US, EU and Asian equities comes into play in the month of October.

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 EM equities**

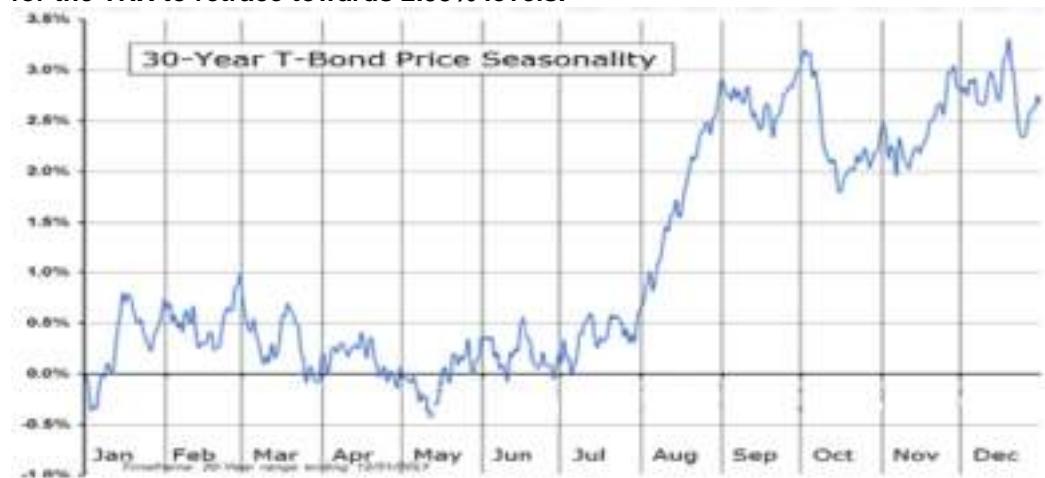
Whilst bond investors have accepted higher interest rates, and there are increasing concerns about the US 10-year yields likely moving higher over the next 2 years, we continue to differ with those general views.

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.



Longer Term Performance table of the major global equities indices:

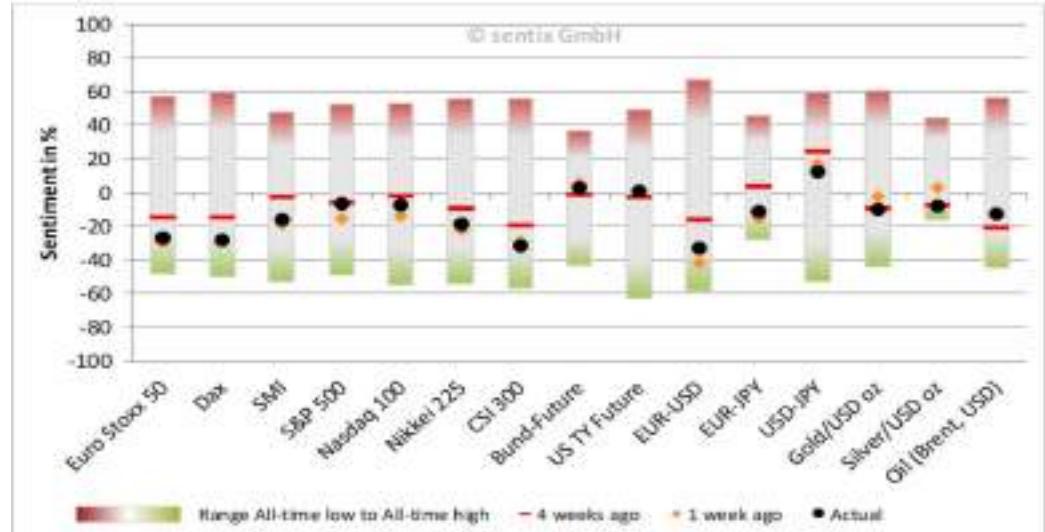
Index	Daily	1 Week	1 Month	YTD	1 Year	3 Years
USA Dow 30	-0.05%	-0.66%	1.77%	4.99%	19.01%	61.17%
USA S&P 500	-0.17%	-0.59%	1.63%	8.34%	17.49%	50.78%
USA Nasdaq	-0.23%	-0.23%	2.95%	17.21%	26.56%	72.75%
USA SmallCap	-0.42%	-0.08%	2.91%	12.89%	23.62%	52.50%
USA S&P 500...	4.79%	12.57%	22.36%	24.91%	18.57%	-50.40%
CA S&P/TSX	-0.62%	-1.40%	-1.58%	-0.30%	7.31%	19.91%
Brazil Bovespa	-1.94%	-4.69%	-7.82%	-2.21%	1.77%	60.68%
UK S&P/BM...	-1.22%	-2.60%	-0.88%	-0.95%	-3.23%	14.37%
Germany DAX	-0.90%	-3.67%	-3.95%	-6.32%	-0.93%	20.55%
UK FTSE 100	-0.43%	-1.81%	-3.10%	-3.41%	0.98%	22.89%
France CAC 40	-1.25%	-4.10%	-3.68%	-0.69%	3.42%	16.64%
EU Euro Stoxx	-1.09%	-3.86%	-4.61%	-5.17%	-3.24%	4.48%
Belgium AEX	-1.09%	-3.14%	-4.39%	0.52%	5.99%	26.44%
Spain IBEX 35	-0.66%	-2.67%	-4.20%	-7.27%	-8.06%	-5.17%
UK FTSE MIB	-0.28%	-1.05%	-4.81%	-6.00%	-5.83%	-4.33%
Switzerland SMI	-0.72%	-2.17%	-2.87%	-5.27%	0.31%	2.71%
Portugal PSI 20	-0.48%	-2.78%	-4.79%	-0.84%	4.16%	5.65%
Belgium BEL 20	-1.08%	-4.00%	-5.22%	-7.87%	-5.81%	7.83%
Germany ATX	-0.44%	-1.38%	-4.16%	-3.94%	2.06%	45.91%
Sweden OMXS30	-0.40%	-2.26%	1.92%	3.96%	6.36%	12.17%
Poland OMXC25	-1.00%	-2.82%	-0.93%	-0.24%	-1.29%	-
Russia MOEX	0.19%	-0.32%	1.78%	10.96%	16.20%	37.85%
Poland RTSI	-0.28%	-0.54%	-5.22%	-6.52%	-2.49%	35.98%
Poland WIG20	-0.61%	-3.09%	0.49%	-6.26%	-8.17%	7.48%
Hungary Budapest Stock	-0.12%	-0.84%	-0.90%	-6.23%	-2.52%	73.06%
Turkey BIST 100	-0.59%	-0.69%	-1.63%	-19.68%	-15.48%	26.99%
Malta TA 35	-0.57%	-0.85%	2.47%	8.93%	18.03%	2.24%
Saudi Arabia Tadawul	-0.62%	-1.24%	-3.78%	9.59%	8.39%	6.60%
Japan Nikkei 225	-0.44%	-1.09%	0.41%	-0.73%	16.74%	27.02%
Philippines S&P/AS...	-1.00%	-1.92%	-0.68%	2.73%	9.50%	23.60%
Malta DJ New ...	-0.71%	-1.53%	3.41%	8.65%	15.89%	51.07%
China Shanghai	-1.68%	-2.35%	-0.03%	-18.23%	-20.12%	-14.42%
China SZSE C...	-1.78%	-3.18%	-0.24%	-23.89%	-23.78%	-16.43%
China China A50	-2.49%	-2.67%	1.19%	-15.50%	-8.03%	11.23%
China DJ Shan...	-1.84%	-2.42%	0.17%	-18.37%	-19.05%	-9.94%
China Hang Se...	-2.61%	-4.13%	-2.07%	-8.94%	-1.34%	30.72%
Taiwan Taiwan	-0.24%	-0.94%	-0.26%	3.31%	4.24%	37.43%
Thailand SET	-1.31%	-1.76%	-0.25%	-3.52%	4.36%	23.44%
Korea KOSPI	-1.03%	-0.75%	0.23%	-7.12%	-1.21%	21.51%
Indonesia IDX Co...	-3.76%	-6.29%	-6.85%	-10.58%	-2.41%	28.72%
India Nifty 50	-0.63%	-2.09%	0.53%	8.71%	15.44%	49.54%
India BSE Se...	-0.56%	-2.01%	0.67%	11.41%	19.84%	50.56%
Philippines PSEI Co...	-1.64%	-1.00%	-0.83%	-9.42%	-2.90%	9.93%
Singapore STI Index	-1.70%	-2.71%	-3.94%	-7.26%	-2.37%	10.20%
Pakistan Karachi ...	-0.46%	-1.63%	-2.91%	2.70%	0.42%	22.63%
China HNX 30	-0.92%	-1.87%	5.29%	-9.79%	3.44%	40.39%
Philippines CSE All...	-0.03%	1.37%	-0.24%	-3.79%	-3.67%	-15.07%

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

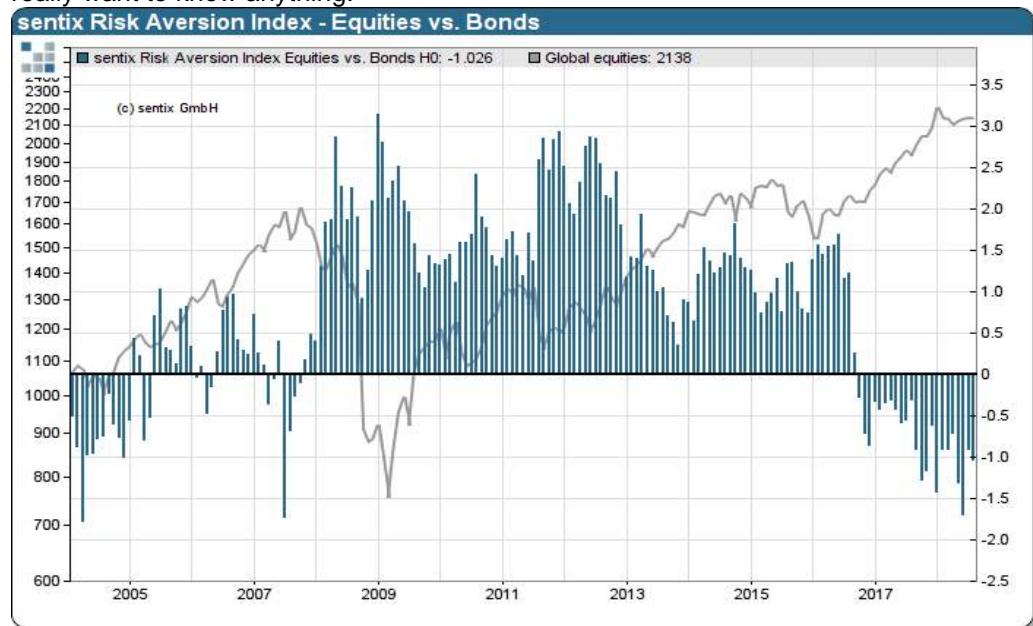
Index	Hourly	Daily	Weekly	Monthly
USA Dow 30	Strong Buy	Strong Buy	Strong Buy	Strong Buy
USA S&P 500	Neutral	Strong Buy	Strong Buy	Strong Buy
USA Nasdaq	Strong Buy	Strong Buy	Strong Buy	Strong Buy
USA SmallCap 2000	Strong Buy	Strong Buy	Strong Buy	Strong Buy
USA S&P 500 VIX	Strong Buy	Strong Buy	Neutral	Sell
CA S&P/TSX	Strong Sell	Strong Sell	Neutral	Strong Buy
BRA Bovespa	Strong Sell	Strong Sell	Strong Sell	Buy
MX S&P/BMV IPC	Strong Sell	Sell	Strong Buy	Buy
DE DAX	Strong Sell	Strong Sell	Strong Sell	Sell
GB FTSE 100	Strong Sell	Strong Sell	Strong Sell	Buy
FR CAC 40	Strong Sell	Strong Sell	Strong Sell	Buy
EU Euro Stoxx 50	Strong Sell	Strong Sell	Strong Sell	Strong Sell
AT AEX	Strong Sell	Strong Sell	Strong Sell	Strong Buy
ES IBEX 35	Strong Sell	Strong Sell	Strong Sell	Strong Sell
IT FTSE MIB	Buy	Sell	Strong Sell	Strong Sell
CH SMI	Strong Sell	Strong Sell	Neutral	Neutral
PT PSI 20	Strong Sell	Strong Sell	Strong Sell	Strong Sell
BE BEL 20	Strong Sell	Strong Sell	Strong Sell	Sell
AT ATX	Strong Sell	Strong Sell	Strong Sell	Buy
SE OMXS30	Strong Sell	Neutral	Strong Buy	Strong Buy
DK OMXC25	Strong Sell	Sell	Strong Buy	Strong Buy
RU MOEX	Neutral	Strong Buy	Strong Buy	Strong Buy
DK RTSI	Strong Sell	Neutral	Strong Sell	Strong Sell
PL WIG20	Strong Sell	Sell	Strong Buy	Neutral
HU Budapest SE	Sell	Strong Buy	Strong Buy	Strong Buy
TR BIST 100	Strong Sell	Strong Sell	Sell	Sell
ES TA 35	Strong Sell	Strong Buy	Strong Buy	Strong Buy
SA Tadawul All S...	Strong Sell	Strong Sell	Sell	Strong Buy
JP Nikkei 225	Strong Sell	Neutral	Strong Buy	Strong Buy
AU S&P/ASX 200	Strong Sell	Strong Sell	Strong Buy	Strong Buy
NZ DJ New Zealand	Strong Sell	Buy	Strong Buy	Strong Buy
CN Shanghai	Strong Sell	Strong Sell	Strong Sell	Strong Sell
PH SZSE Compo...	Strong Sell	Strong Sell	Strong Sell	Strong Sell
CN China A50	Strong Sell	Strong Sell	Strong Sell	Sell
CN DJ Shanghai	Strong Sell	Strong Sell	Strong Sell	Strong Sell
HK Hang Seng	Strong Sell	Strong Sell	Strong Sell	Neutral
TW Taiwan Weigh...	Neutral	Strong Buy	Strong Buy	Strong Buy
TH SET	Strong Sell	Strong Sell	Neutral	Buy
KR KOSPI	Strong Sell	Strong Sell	Sell	Sell
PH IDX Composite	Strong Sell	Strong Sell	Strong Sell	Sell
IN Nifty 50	Strong Sell	Neutral	Strong Buy	Strong Buy
IN BSE Sensex	Strong Sell	Neutral	Strong Buy	Strong Buy
PH PSEI Composite	Strong Sell	Neutral	Strong Buy	Neutral
SG STI Index	Strong Sell	Strong Sell	Strong Sell	Strong Sell
PK Karachi 100	Strong Sell	Strong Sell	Strong Sell	Neutral
VN HNX 30	Strong Sell	Neutral	Buy	Neutral
PH CSE All-Share	Strong Buy	Strong Buy	Strong Sell	Strong Sell

Investors Sentiment Indicators

According to the latest **sentix** Investors' survey, investors seemingly keep acting careless with US stocks. While the sentiment data continue to show no clear direction in important markets, we measure selective improvements in the strategic confidence. For the DAX, these indicate opportunities in Q4. Interestingly, however, the bias to bonds is also improving. In Japan, we see an exciting difference between equities and the currency. In the commodities area, investors' confidence in silver fell further.



Risk appetite for equities is falling, but that for bonds is falling more sharply. And so relatively risk aversion remains negative. This is a dangerous constellation because there is much negative going on in the bond universe of which the shareholders do not really want to know anything.



Above all, US stocks are regarded too calmly. US bonds, on the other hand, offer opportunities. The EM crisis is not over yet, at least not for the shares.

- **Equities: Improvement in sentiment**
- **Commodities: Positive Sentiment for Gold rises**
- **Bonds: US Treasuries remain interesting**

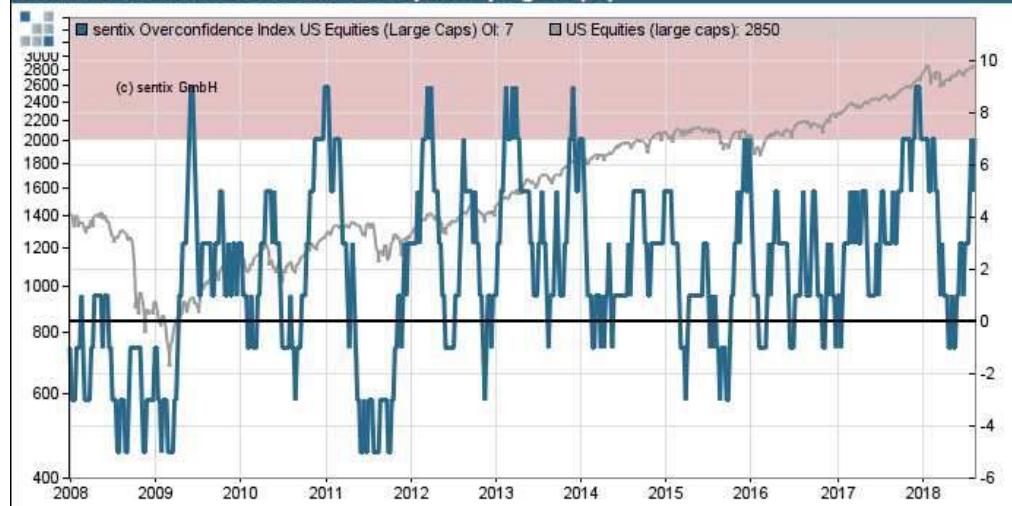
	DAX	ESX50	SMI	S&P 500	Nasdaq	Nikkei	CSI 300	Bunds	T-Bonds	EUR-USD	EUR-JPY*	USD-JPY	Gold	Silver	Oil
Sentiment															
Strategic Bias						X									
Neutrality Index								X	X	X			X		
Overconfidence Index				X							X	X			

* highlights markets for which the sentix indicators display extreme values

Signs of rising overconfidence in the latest US equities Index

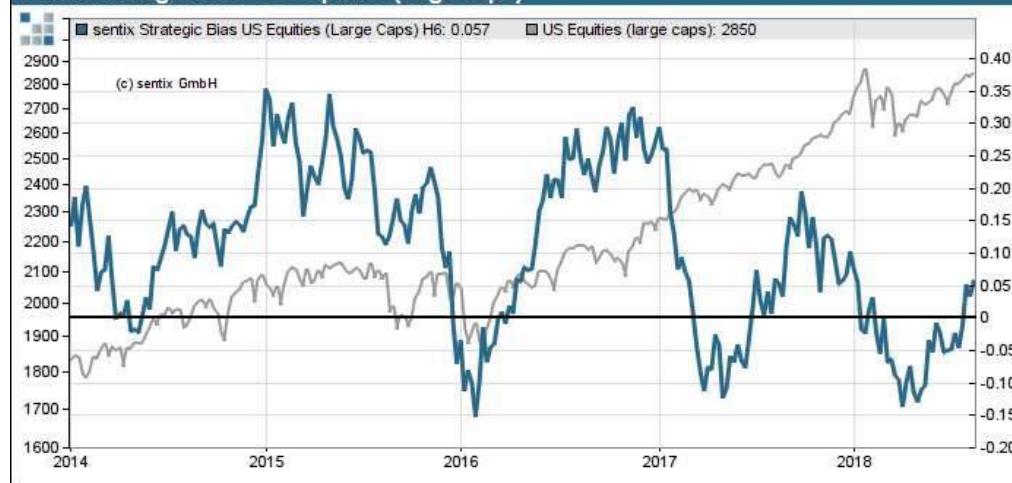
Since their low in early April, US stocks have defied all adversities. Neither USD strength, trade war nor EM crisis - none of this can harm US stocks. This development is now reflected in an increased overconfidence. This means that the steady increase leads investors to perpetuate the trend and ultimately to take risks that are too high.

sentix Overconfidence index - US equities (large caps)



US equities basic trust kept increasing. Or is it just another form of overconfidence? When statistically examining the development in the Strategic Bias, there is no buy-signal yet. The climb is too flat. If we look at the change of the last few weeks, we can become more optimistic for Q4. But the next 3-4 weeks remain risky.

sentix Strategic bias - US equities (large caps)



Asian equity markets weekly charts

The BSE lost 381.59 points (0.99%) last week.

\$BSE rallied to a new high.
Price closed above the 50-day MVA.

Short-term momentum indicators are Positive and Overbought.



The Nikkei dropped 78.14 points (0.34%) last week.

Intermediate trend is Neutral. Strength relative to the S&P 500 Index is Negative. \$NIKK rebounded from the lower trendline once again.

The \$NIKK moved above its 20-day MVA. Short-term momentum indicators are Mixed.



Intermediate trend is Negative. \$SSEC is close to a yearly low. Strength relative to the S&P 500 Index is Negative.

The \$SSEC remains below the 20-day MVA. Short-term momentum indicators are Mixed.



The Hang Seng dropped 558.73 points (1.98%) last week.

Intermediate trend remains Negative. \$HSI broke through the support and made a new low.

The \$SSEC remains below the 20-day MVA. Short-term momentum indicators are Negative.



European equity markets weekly charts

The DAX 30 dropped 191.90 points (1.53%) last week

Intermediate trend remains Neutral. \$DAX looks to test the support once again. \$DAX remains below the 20-day MVA. Strength relative to the S&P 500 Index is Negative. Short-term momentum indicators are Negative.



The CAC 40 lost 65.30 points (1.19%) last week.

Intermediate trend is Neutral. \$CAC keeps to the middle of an expanding channel. \$CAC remains above the 200-day MVA.

Short-term momentum indicators are Neutral.



The AEX 25 dropped 4.35 points (0.77%) last week.



Intermediate trend is Neutral. \$AEX closed above the 200-day MVA. Strength relative to the S&P 500 Index is Negative.

Short-term momentum indicators are Negative.

The IBEX 35 lost 283.70 points (2.94%) last week.



Intermediate trend is Negative. Strength relative to the S&P 500 is Negative. Index Is testing the 9250 support.

The Index is below the 20-day MVA.

Short-term momentum indicators are Negative.

The FTSE dropped 46.74 points (0.62%) last week.



Intermediate trend is Negative. FTSE remains inside the range. FTSE is below the 50-day MVA.

Short-term momentum indicators are Negative.

The RTSI added 1.06 points (0.10%) last week.



The SMI lost 79.34 (0.88%) last week.



Intermediate trend is Neutral. RTS has been correcting towards the 50-day MVA.

Short-term momentum indicators are Positive.

Intermediate trend is Neutral. SMI has pulled back to the 200-day MVA.

Price moved below the 50-day MVA.

Short-term momentum indicators are Negative.

US equity markets weekly charts

The VIX Index added 1.25 points (10%) last week.

Intermediate trend remains Negative. The Index remains below the 20-day MVA. VIX might retest the upper trendline.



The S&P 500 Index dropped 5.45 points (0.19%) last week.

Intermediate trend is Positive. The Index remains above the 20-day MVA. \$SPX is at the new high.

Short-term momentum indicators are Positive.



Percent of S&P 500 stocks trading above their 50-day moving average rose last week from 69.80 to 70.40.

The Index remains above the 200-day MVA.



Percent of S&P 500 stocks trading above their 200-day moving average dropped last week to 68.60 from 67.40.



Bullish Percent Index for S&P 500 stocks dropped last week to 67.40 from 67.60 and remained above 50-day moving average.



The Dow Jones Industrial Average dropped 165.56 points (0.64%) last week.



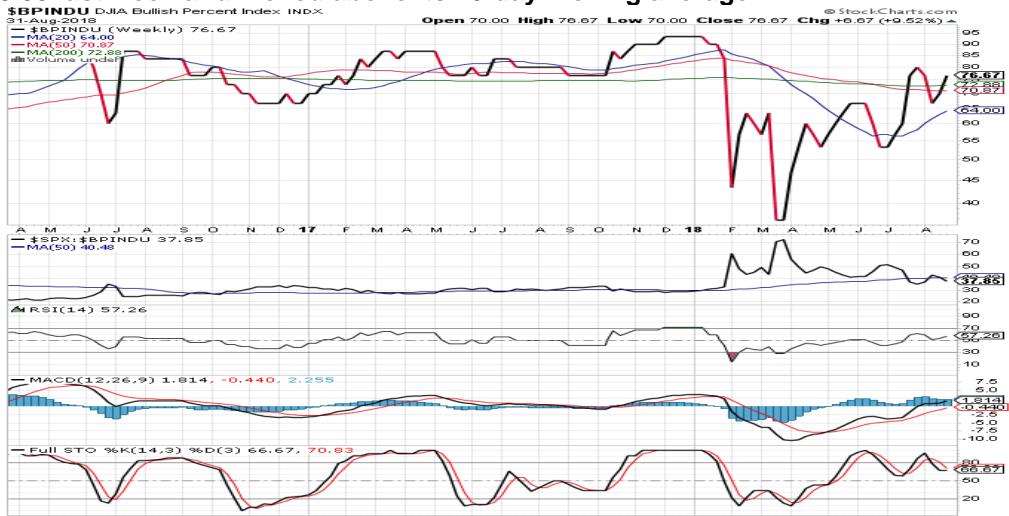
The Index remains above the 200-day MVA.

The Index remains above the 50-day MVA.

\$INDU made a new high. Strength related to the S&P 500 is above the 50MVA.

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

Bullish Percent Index for Dow Jones Industrial Average dropped to 76.67 from 83.33 last week and moved above its 20-day moving average.



The Index moved above the 200-day MVA.

The Dow Jones Transportation Average dropped 78.67 points (0.69%) last week.



Dow Jones Transportation Index is struggling to surpass the yearly high. Strength relative to the S&P 500 is Neutral. The \$TRAN remains above its 20-day MVA.

Short-term momentum indicators are Positive.

Bullish Percent Index rose last week to 60.03 from 58.83 and rose above its 20-day moving average.



The Index is above the 200-day MVA.

The NASDAQ Composite Index added 45.99 points (0.57%) last week.



Intermediate trend is Positive.

\$COMPQ made a new high. Strength relative to the S&P 500 Index is Positive.

The Index is above the 20-day MVA.

Short-term momentum indicators are Positive.

The Russell 2000 Index lost 0.31 points (0.02%) last week.



\$RUT is close to the top of the channel. Strength relative to the S&P 500 Index is Positive.

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

The S&P Energy Index lost 3.15 points (0.57%) last week.



Intermediate trend remains Negative. \$SPEN broke out towards the 200-day MVA. Strength relative to the S&P 500 Index is Negative.

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

The AMEX Gold Bug Index dropped 9.19 points (6.28%) last week.



Intermediate trend is Negative.

\$HUI made yet another low.

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

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

Americas equity markets weekly charts

The BOVESPA lost 1736 points (2.23%) last week.



Intermediate trend is Neutral.

\$BVSP rejected from the MVA and might test the trendline again.

BVSP moved below the 50-day MVA.

Short-term momentum indicators are Neutral.

Intermediate trend is Neutral. MXX retraced from the upper trendline. \$MXX remains above the 50-day MVA.

Short-term momentum indicators are Positive.



Bullish Percent Index for TSX Composite rose last week to 59.18 from 58.53 and remained below its 20-day moving average.

The Index remains below the 200-day MVA.



The TSX Composite Index lost 175.62points (1.07%) last week.

Intermediate trend remains Neutral. The Index has formed an expanding channel.

The Index moved above the 20-day MVA. Short-term momentum indicators are rolling over.



The index remains below the 200-day MVA.



Percent of TSX stocks trading above their 200-day dropped last week to 53.14% from 56.02%

The index moved above the 50-day MVA.



EM equity markets weekly charts

Emerging Markets iShares lost \$1.52 (3.48%) last week.

Intermediate trend is Negative. Strength relative to the S&P 500 Index is Negative. EEM is at Support.

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



The Australia All Ordinaries Index gained 35.40 points (0.55%) last week.



Intermediate trend is Positive. Strength relative to the S&P 500 Index is Negative. \$AORD is at the yearly high.

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

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