



Creative Global Investments

Morning Market Commentary

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Objectivity
Integrity
Creativity

FED officials continue speaking from both sides of their mouths

Federal Reserve officials continue to gauge financial markets by controversial policy speak. Equity markets moved sharply lower on Friday on "hawkish" comments on the Fed Fund rate by Eric Rosengren. Then yesterday "dovish" officials, such as Fed Governor Brainard were implying less of a chance for an increase in the Fed Fund rate. This is the perfect parody for global financial markets. Just imagine corporate executives acting like FED officials, and coming out with controversial statements about earnings expectations all the time, this would lead to serious SEC/FAC investigations on conflicts of interest. Or just imagine another foreign central Bank, like the ECB, or BoJ or the Central Bank of China to "mislead" financial markets the way that the FED is. Unimaginable.

Where do equity markets go from here?

Seasonal influences for many equity markets, commodities and sectors historically have tuned neutral/negative during the highest period of volatility from mid-September to mid-October period.

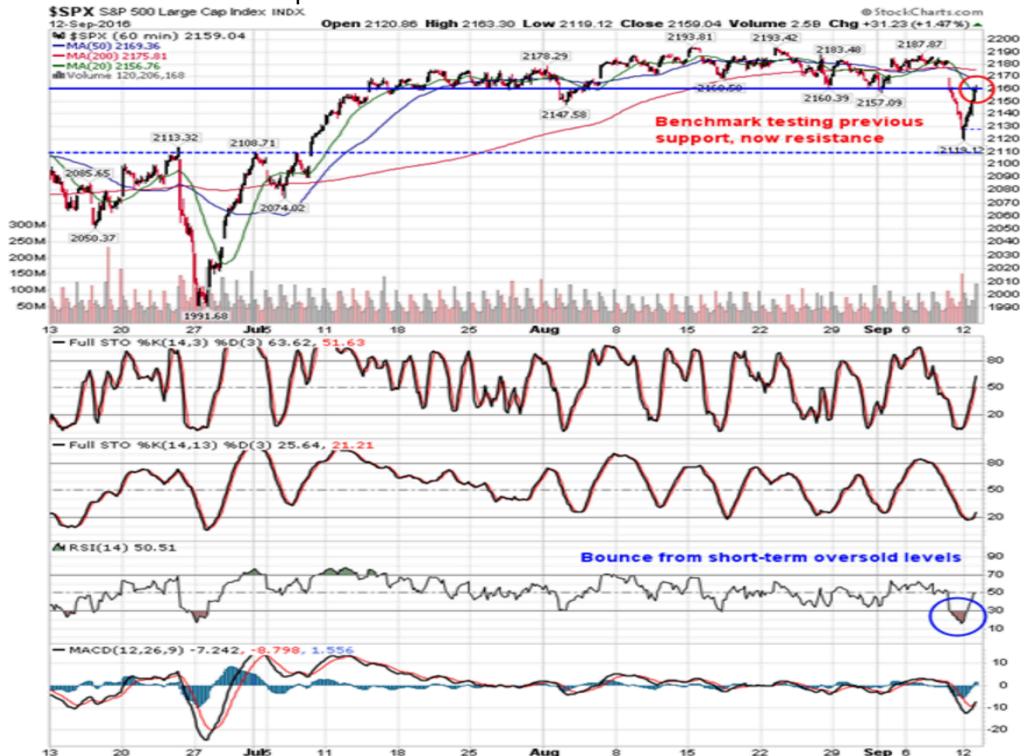
Equity markets around the world extended declines before US equity markets open. Both the Shanghai Composite Index and the DAX Index broke below short term support levels



The \$SPX rebounded back yesterday by around 1.6% at the highs of the session, recouping much of Friday's losses as stocks bounce from short-term oversold levels. The benchmark halted its advance around its 50-day moving average, which was broken during Friday's decline. Short-term horizontal resistance is apparent at 2160, a level that had supported the market for the past couple of months. Volume on

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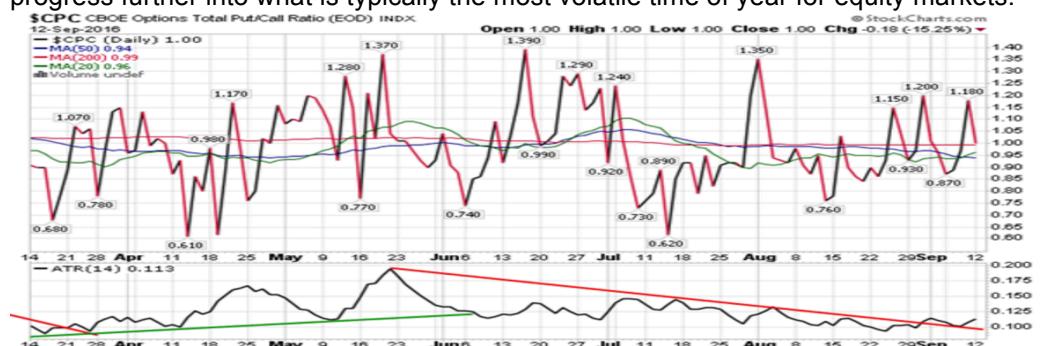
the day was lighter than Friday, but above the recent average as the speculation continues as to the Fed's path forward to normalize rates.



The VIX plunged back to 15% after exploding briefly to over 20%.



Sentiment (put-call ratio) ended neutral at 1.00. The average true range (ATR) of the ratio has been pushing above its declining trendline over the past few days, hinting of the start of a new positive trend. A rising trend in the average true range is indicative of volatility in the options market, often the result of investor indecision, which can have bearish implications for equity prices. However, caution isn't always immediately warranted. The last time that the ATR broke above a declining trend was mid to late March; an intermediate peak in the S&P 500 Index was not realized for a number of weeks to follow in the middle of April. The danger level to watch is around 0.12. Should the technical indicator exceed this level and continue to rise, the volatility in options markets may lend itself to equity market weakness. Something to look out for as we progress further into what is typically the most volatile time of year for equity markets.



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