Creative Global Investments

Morning market commentary & charts

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Objectivity

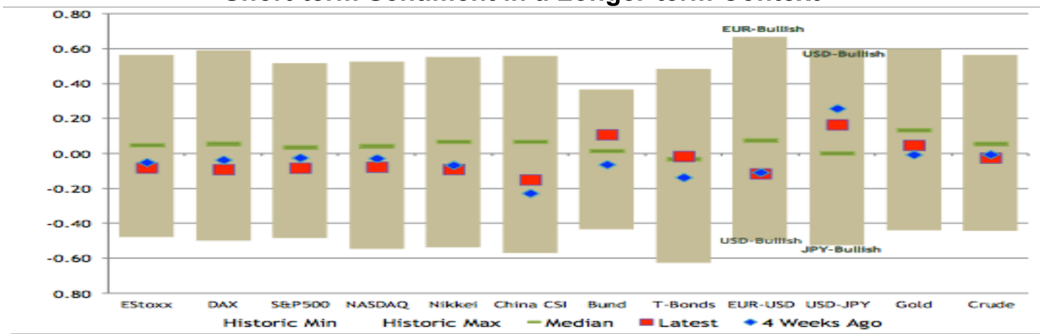
Integrity

Creativity

Investor sentiment indicators turn bullish on equities, bonds and Oil

The latest sentix Economic Indices, released yesterday, revealed a further decline in both Eurozone (EZ) economic expectations and current situation readings, while the EZ overall headline reading fell from 13.6 to 11.7 (lowest level since January). This more downbeat assessment of the Eurozone macro outlook is also coloring investors' views of bonds. Monthly survey readings on the macro outlook as a bond 'theme' indicate that economics is seen as having become more 'bond bullish' on a six-month view. This is consistent with the gradual improvement in sentiment towards bunds that has been seen in recent months. The sentix survey continues to indicate that macro matters for bonds.

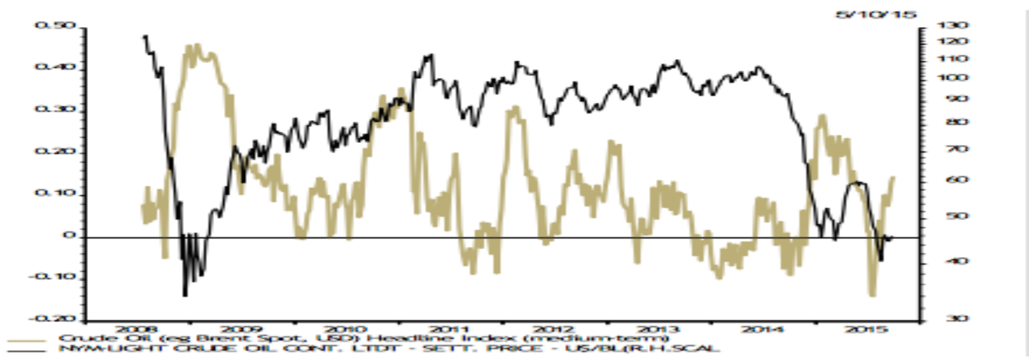
Short-term Sentiment in a Longer-term Context



Note: China bluechips (eg CSI 300 Index) data as from late-2009 only.

The demand for oil is growing worldwide, with the global growth rate higher than at any point since 2010. According to oil demand statistics collected by the Joint Organization Data Initiative, oil demand rose +3.3% in 1H of 2015, compared to 1H 2014. This data comes from 59 countries that account for about 80% of the world's oil consumption and suggests that in 2015 demand will increase by an average of 1.65 MN barrels per day. This fits in line with the International Energy Agency's (IEA) estimate that global oil consumption this year will increase by 1.7 MN barrels per day. The lion's share of the increase belongs to China, which reported a petroleum consumption growth of 1.3 MN barrels per day, a more than +13% lift, the fastest increase in demand in five years. Last week's sentix survey respondents have become more optimistic on Crude Oil in terms of the near-term outlook and their medium-term strategic bias.

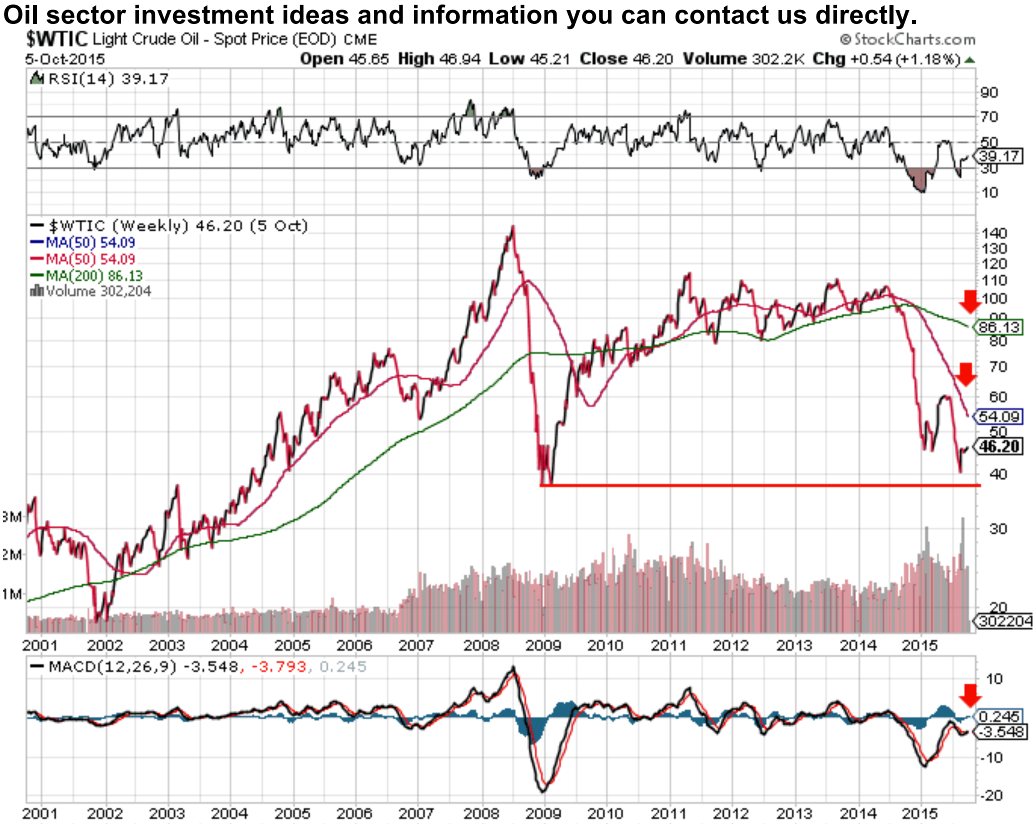
Crude Oil Sentiment (weekly) – Medium-term



Standard & Poor's Ratings Services said today that it has taken rating actions on 14 EMEA-based oil and gas exploration and production (E&P) companies after completing a review of the sector. The rating cuts reflect weak debt coverage measures in 2015 and 2016 and material negative discretionary cash flow (DCF) after capital expenditures (capex) and dividends.

As our +33 years in the finance industry have shown repeatedly, when the rating agencies move towards downgrades, as they are another "Johnny come lately" agency, the bottom of the sector is near.

We believe that the bottom for the Oil commodity and for the sector is in place, since it's bottom for WTI tested the $40/brl level in August, and we are advising investors to buy select integrated producers at current levels. For more Energy & Oil sector investment ideas and information you can contact us directly.



The US trade deficit is not all about Oil isn't it?

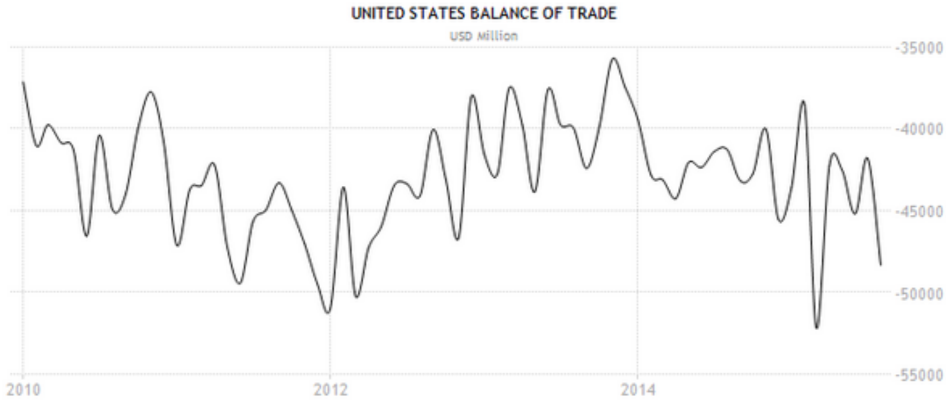
So, after Goldman Sachs, and a few other "Johnny come lately's" now Mr. Bernanke comes out of retirement and proclaims that the US economy is not in a shape to support a 1% Fed Funds rate.

As our readers know to well, this has been our call since March 2014, when we were predicting for a global macro slowdown to impact the US economy more negatively than consensus had anticipated. Well, as it seems, the market can be wrong, as it has been for many times, and that Independent unbiased Research shops do have a better feel for reality macro-economics.

We have been warning since September in 2014, that the parabolic temporary strength of the US$ is lethal for the US and its global competitiveness. The US trade deficit announced by the Commerce Department today jumped almost 16% in August to $48.3 BN, largely because of a strong US$ that reduced exports to their lowest level in three years.

The US also saw an increase in imports tied to the release of the latest iPhones and other consumer electronics. Economists consensus predicted the deficit would rise to a seasonally adjusted $48.1 BN. Exports fell -2% to $185.1 BN in August, the Commerce Department said today, with much of the decline resulting from fewer sales overseas of US-produced petroleum and other industrial supplies. Lower oil prices contributed to the decline in export sales. Yet imports rose 1.2% to $233.4 BN even though US demand for foreign oil fell to an 11-year low. Imports of cell phones and other consumer electronics shot up 30% to $9.01 BN.

The US trade deficit with China, where most cell phones are made, increased 14.4% to $32.9 BN in August. The gap with the European Union rose 17% to $14.5 BN.



US equity markets commentary & charts

Fear in equities is fading. The easy buying opportunities are now behind us, but assuming the market can exceed some of these short-term levels of resistance, identified above, upside potential is still present.

The Volatility Index (VIX) is back below 20 and the average true range of the put-call ratio is also on the decline. We've talked extensively about the strategy of using volatility as buying opportunities; be opportunistic when the VIX spikes and peaks above 21 and become cautious when the VIX plunges and hits a low below 12. The strategy has been very effective over the past few years, clearly identifying high and low points in broad market indices.

Seasonally, volatility typically peaks into the month of October, declining through the remainder of the year.

The VIX peaked on August 24 around 53.29, coinciding with the low in the S&P 500 Index; the VIX has since declined further, falling back within a range that has in recent years represented a normal trading environment.

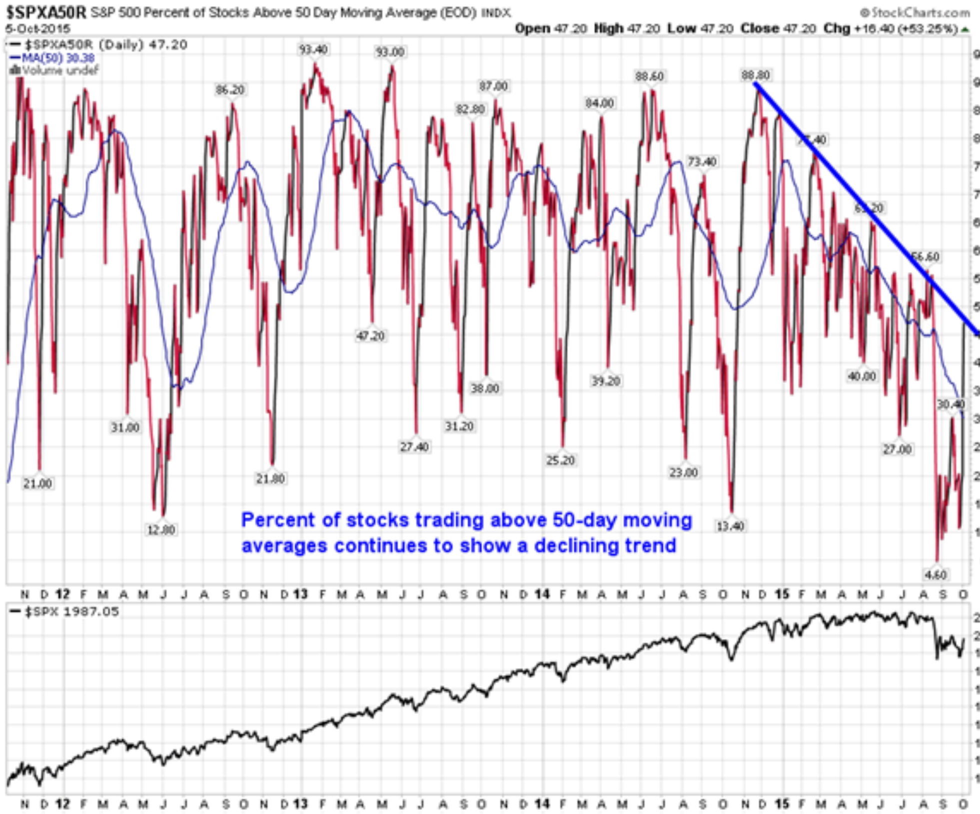
Yesterday's rally in the broader market pushed the S&P 500 Index back within a range a resistance presented between 1970 and 2040.

More specifically, the large-cap benchmark is testing previous short-term resistance around 1990.

The indicator is not out of the danger zone just yet. For the past year the technical indicator has been trending lower as an increasing number of stocks lose support at this significant intermediate moving average. As more and more stocks break support and fewer components are left to carry the weight, the broader market would be expected to show significant weakness, just as what occurred during the waterfall decline in August.

The opposite is also true; as an increasing number of stocks regain support at this significant intermediate average, the expectation would be that the broader market strength would be supported by its underlying constituents. Until the negative trend in the percent of stocks trading above 50-day moving averages is broken, the broader market may still be at risk, vulnerable to another breakdown in stocks.

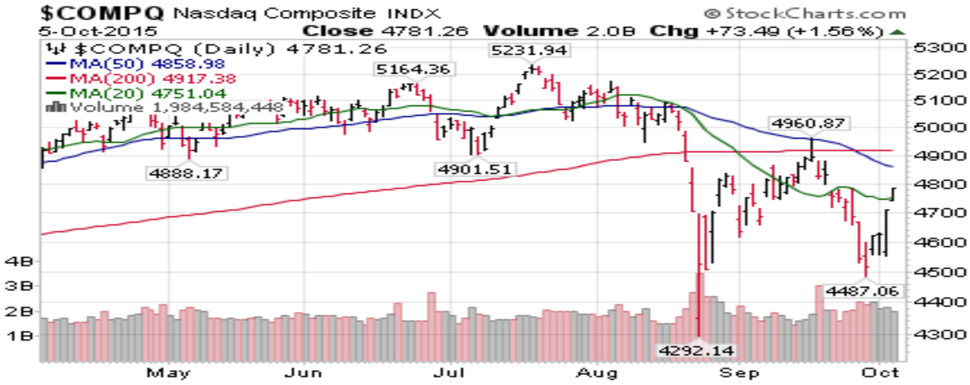
The percent of stocks within the S&P 500 Index trading above their 50-day averages has been a reliable breadth indicator, and has improved significantly since hitting a low of 4.6% near the end of August, now hovering around 47%.



Resistance at the declining 50-day moving average is directly overhead, a critical test in confirming whether or not the present rebound in equities from the double-bottom low has legs.

The recent bounce from double-bottom support has provided appealing entry points to seasonally favored sectors, such as Transportation, Banks, Technology, and Consumer stocks, all of which are showing outperformance versus the broader market.

Double bottom patterns continue to evolve by North American equity indices. All moved above their 20-day moving average.

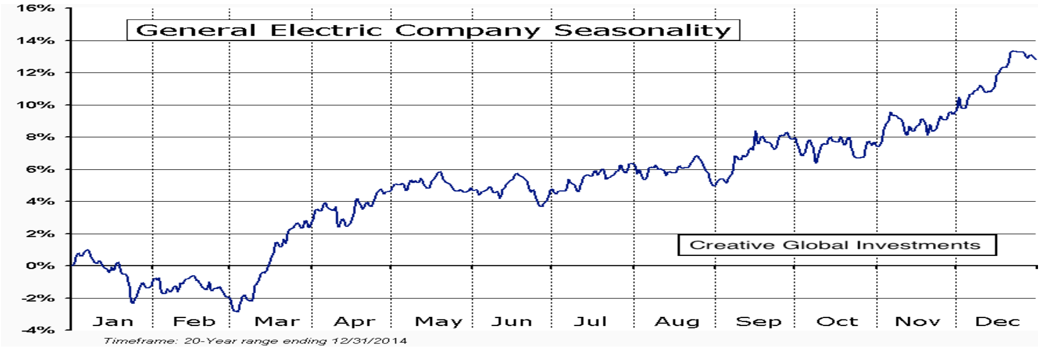


Amongst US stocks, the industrial sector rallied as shares of General Electric surged following news that activist investor Nelson Peltz had taken position in the multinational conglomerate.

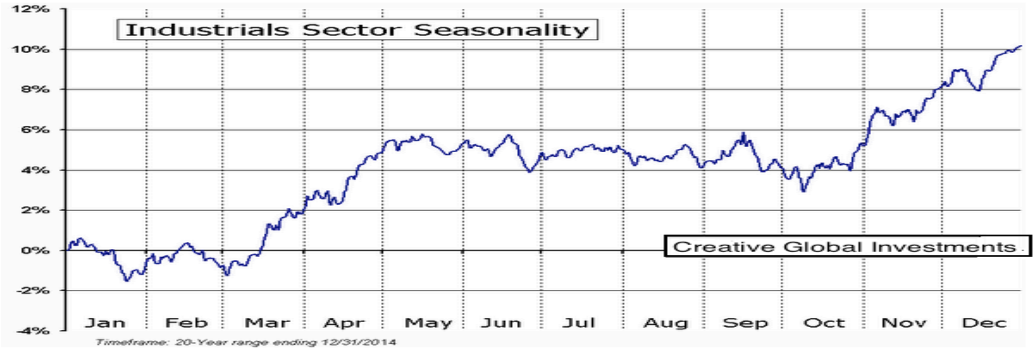
Shares of GE broke above its 200-day moving average, which had recently acted as a level of resistance.

Momentum indicators are trending positive, as is performance relative to the S&P 500 Index, a trend that is typical through September and into October.

The stock is presently testing resistance around the multi-year highs near $27.50.



Industrials enter a period of seasonal strength later in October, benefitting from the strength in the broader market that runs from November through April.



Canadian equity markets commentary & charts

Double bottom patterns also continue to evolve in Canadian equity indices.

Seasonally, the TSE has entered its strongest period of the year as the 20-year chart below shows.

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