



Creative Global Investments

Morning market commentary & weekly charts

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Objectivity

Integrity

Creativity

Global Macro Commentary

On Thursday, the European Central Bank said it's considering expanding quantitative easing (QE) across the Eurozone.

Then Friday morning, the People's Bank of China cut its one-year deposit rate and one-year lending rate by 25 basis points each to 1.5% and 4.35%, respectively. The PBoC also cut the reverse requirement ratio for all banks by 50 basis points to 17.5%, with an extra 50 bps reduction for some lenders. China's rate cut came after markets there were closed.

US recession on the horizon?

Last week we got more evidence of weakening more US government macro data. From the Energy Information Administration to the Department of Agriculture to the Department of Labor to the Department of Commerce, there appears to be a confluence of weak data that signals the US could be headed for a recession, and very likely in the next 9 to 12 months.

Whilst a lot of Economic Fundamentals Point to More Expansion Ahead, just a few key points should suffice to offset the weaknesses in government agency data, which detail further below.

Personal consumption expenditures are on track to grow at a very healthy 3.5% pace in Q3 (following what we estimate to be upward revised growth of 3.4% in Q2) Given the recent strength in housing starts, we now look for growth of residential investment in Q3 of roughly 8%

Q2 GDP growth was revised up from 2.3% to 3.7%, but was boosted 1% by the unwinding of effects related to heavy snowfall and residual seasonality. Our forecast for 2H GDP growth remains unchanged at 2.2%

Growth of final sales will average a solid 3% during the 2H The actual GDP growth rate in Q3 will look weak at only 1.5%, but that statistical result is due to the swing in inventories, not final demand.

Aggregate S&P 500 earnings have been negative for 3 quarters now.

Some US government agency data that has some folks concerned and offer you quick insights that will likely allay your fears. The US Energy Information Administration reports show that from August to September, US crude oil production declined by 120,000 barrels per day. As long as oil prices remain low, it could lead to further reduction in spending on projects, even putting some companies out of business. As the third largest industry in the US, that could affect a significant number of jobs.

Globally, but particularly in the US, we are in an Energy and Industrial recession, which we see increasingly lead other sectors into economic recession. Whilst for now, lower oil prices feed into raw-material costs across virtually every industry, reducing cost of production and in many cases boosting margins, and also feeding through temporary increased consumption, we do see a slowing in some of the data points already.

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The US Department of Agriculture (USDA) Economic Research Service reports that US wheat exports have fallen to their lowest level in 44 years. The report cites that the US's +22% surge since July 2014 is mostly to blame. Though the US is consistently one of the world's largest wheat exporters, the total value of exports for 2014 was only \$7.8 BN.

The US Department of Labor's weak jobs reports over the last few months have some thinking that US companies of all sizes are scaling way back on their hiring. The theory goes that as global demand wanes with a stronger US\$, companies are left with growing inventories and can put growth plans on hold.

At the end of the day, more jobs are still being added to the US economy each quarter on a net basis, and the unemployment rate is falling. Some note that these are only part-time jobs and not real jobs, but part-time jobs are still jobs. There's more personal income being added to the economy, which funnels into more consumption. Indeed, employment, personal income and manufacturing and trade sales have all been rising, helping to offset the weakness in industrial production in recent months.

US Department of Commerce in the retail world, September sales were only half of what economists were expecting, and August gains were neutralized by revisions. Confidence remains elevated despite some recent backtracking, supported by the pace of recent job gains, the lowest unemployment rate of the expansion, and recent improvements in real incomes.

Global Currencies Commentary

After the ECB Press conference and a positive unemployment claims, which lead to a weakening EUR/USD a lot of traders are wondering if EUR/USD will still fall. From a technical analysis aspect, we are still looking forward to a bullish EUR/USD. The EUR/US\$1.10 area is a very strong point at which price is also converging at a very strong trend line which is likely to hold and push EURUSD higher to 1.1836. The EUR/USD is likely to tread ground for a few days as it digests its recent losses and tries to find some support around the 1.1000 levels. If last week's action was driven by Mr. Draghi's rhetoric, this week's price gyrations will be influenced by what the Fed will say.



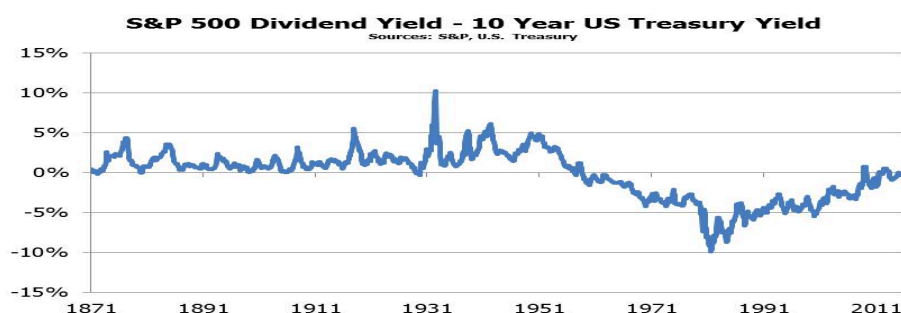
Global Fixed Income & Equities Commentary

As we have shown in the past 3 weeks weekly reports, 10-Year and 30-Year government bonds in the US, Europe and Japan have entered their period of seasonal weakness, and particularly relative and inversely to equities.

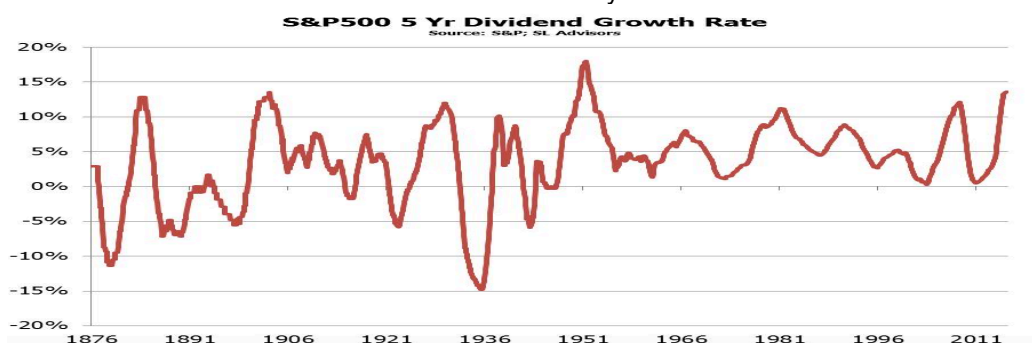
Given the historically lowest interest rates for those economies, we are expecting a fairly strong short to medium term equities' outperformance over bonds.



The chart below goes back to 1870 and shows that investors were deeming stock dividends as risky and uncertain, and investors did not trust for dividends to grow, and rather putting greater value on the security of bonds. This spread began to reverse in the late 1950s and since then, bond yields have remained the higher of the two. Historically, prior to the 1950's, dividend growth (defined as the trailing 5-year annualized growth rate) was more variable prior to the 1950s. However, since then, S&P 500 dividend yield dipped below Treasury yields, dividend growth has never been negative. The 5-year annualized growth rate since 1960 is 5.8%. Assessing a long term return target for equities, by adding a 5% growth rate to today's 2% dividend yield, so 7% total annual returns, is a powerful argument for equities at this stage in time.



The long term trend suggests that Treasury yields will remain below dividend yields for at least 18 months, which makes that 2% equities' yield in a diversified portfolio of stocks looks a whole lot more attractive than a 2% yield that's fixed.



Weekly investment conclusion

Economic data this week focuses on the FOMC meeting on Wednesday. Consensus is that the FOMC wants to increase the Fed Fund rate to reflect improving economic conditions, but wants more evidence of sustainable growth. We remain convince that there is not enough US intrinsic macro strength, besides global macro weakening, for the FED to raise rates in 2015, and very likely the same for 2016.

For US stocks, 173 out of 500 S&P 500 companies have released Q3 results to date, which have been mixed:

77% reported above mean earnings estimates while 43% reported above mean sales estimates. On a y-o-y basis, earnings declined -3.8%. 19 companies have issued negative guidance and 7 companies have issued positive guidance. Q4 projections are for a -2.0% decline in earnings and a -2.0% decline in sales. **Projections for Q1 2015 are for a 3.6% increase in earnings and a 3.8% increase in sales. Given the continued strength of the US\$, and the weighted impact on Q1 earnings, we see this as an impossibility, and hence are expecting for those expectations to come down sharply.**

Short and intermediate technical indicators for most equity markets and primary sectors are trending higher and are overbought. However, technical signs of a peak have yet to appear. Technical action by individual S&P 500 stocks was exceptionally bullish last week: 78 stocks broke resistance and 27 broke support.

Seasonal influences for most equity markets in the world as well as economically sensitive primary sectors turn positive this week. In the US, Canada and Europe, tax loss selling transactions will become a focus between now and mid-December. The average start to the period of seasonal strength for the broad market is Wednesday, but don't be surprised if the period starts with a whimper rather than a roar.

Both the S&P 500 Index and Dow Jones Industrial Average moved above their 200-day moving average, an encouraging technical sign. However, overhead resistance is formidable. Upside potential remains, but likely will be gained begrudgingly between now and year-end.



Technology companies rallied to new multi-year and all-time highs. The S&P 500 Technology Sector broke-out to close at a new 52-week high. Investors can thank the better than expected results from Microsoft, Amazon, and Alphabet for the breakout, which pushed major benchmarks above their respective 200-day moving averages. Since the start of the period of seasonal strength for Technology, which was triggered with the double-bottom low charted at the end of September, the sector is up a massive 13.5% in less than a month. Outperformance has been evident since the end of August, highlighting the demand for stocks in this market segment well ahead of the recent surge. The Relative Strength Index (RSI) for the sector benchmark is now firmly embedded in overbought territory, potentially exhausting upside momentum over the near term. Support, upon a retracement, would be expected around the now broken 200-day moving average, or around 5% below present levels.

Seasonally, October and November are two of the strongest months of the year for the

sector and investors subsequently digest the gains in December. It will be difficult for November to top the gains that have already been realized in October.



The surge in Technology, which is the largest sector amongst many of the market benchmarks, fuelled a breakout above 200-day moving average lines for the S&P 500 Index, Nasdaq Composite, and Dow Jones Industrial Average. Investors have quickly put aside concerns that were prominent in August pertaining to China, particularly now that the People's Bank of China unexpectedly dropped its benchmark interest rates. The positive catalysts with respect to earnings and central bank announcements over the past two sessions have forced investors out of safe-haven bond positions and back into stocks, quickly eliminating the vast majority of the late summer weakness.



The S&P 500 Index is now less than 3% away from all-time highs. While not as overbought as the technology sector, the large-cap benchmark has charted a significant move over a short period of time and a retracement should still be expected at some point. Investors that are still waiting on the sidelines may want to wait to commit new capital, depending on their risk tolerances and time horizon.



US equity markets commentary & weekly charts

The VIX Index dropped 0.76 (5.00%) last week.

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



The S&P 500 Index gained 42.04 points (2.07%) last week.

Intermediate trend remains up. The Index remains above its 20-day moving average. Short-term momentum indicators are trending up and are overbought.

However, signs of a peak have yet to appear.



Percent of S&P 500 stocks trading above their 50-day moving average rose last week to 76.20% from 62.80%.

The index is trending up and is overbought. However, signs of a peak have yet to arrive.



Percent of S&P 500 stocks trading above their 200 day moving average increased last week to 47.40% from 42.00%.

The index continues to trend higher.



Bullish Percent Index for S&P 500 stocks jumped to 62.60% from 52.80% last week and remained above its 20-day moving average.

The Index continues to trend higher.



The Dow Jones Industrial Average gained 430.73 points (2.50%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index remains positive. The Average remains above its 20-day moving average.

Short-term momentum indicators are trending up.



Bullish Percent Index for Dow Jones Industrial Average stocks jumped last week 83.33% from 70.00% and remained above its 20-day moving average.

The Index continues to trend higher, but is overbought.



The Dow Jones Transportation Average added 207.97 points (2.57%) last week.

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

The Average remains above its 20-day moving average. Short-term momentum indicators are trending up.



Bullish Percent Index for NASDAQ Composite stocks increased last week to 45.58% from 44.00% and remained above its 20-day moving average.

The Index continues to trend higher.



The NASDAQ Composite Index gained 145.17 points (2.97%) last week.

Intermediate trend changed to up from down on Friday on a move above 4,960.87. Strength relative to the S&P 500 Index turned positive on Friday.

The Index remains above its 20-day moving average.

Short-term momentum indicators are trending up.

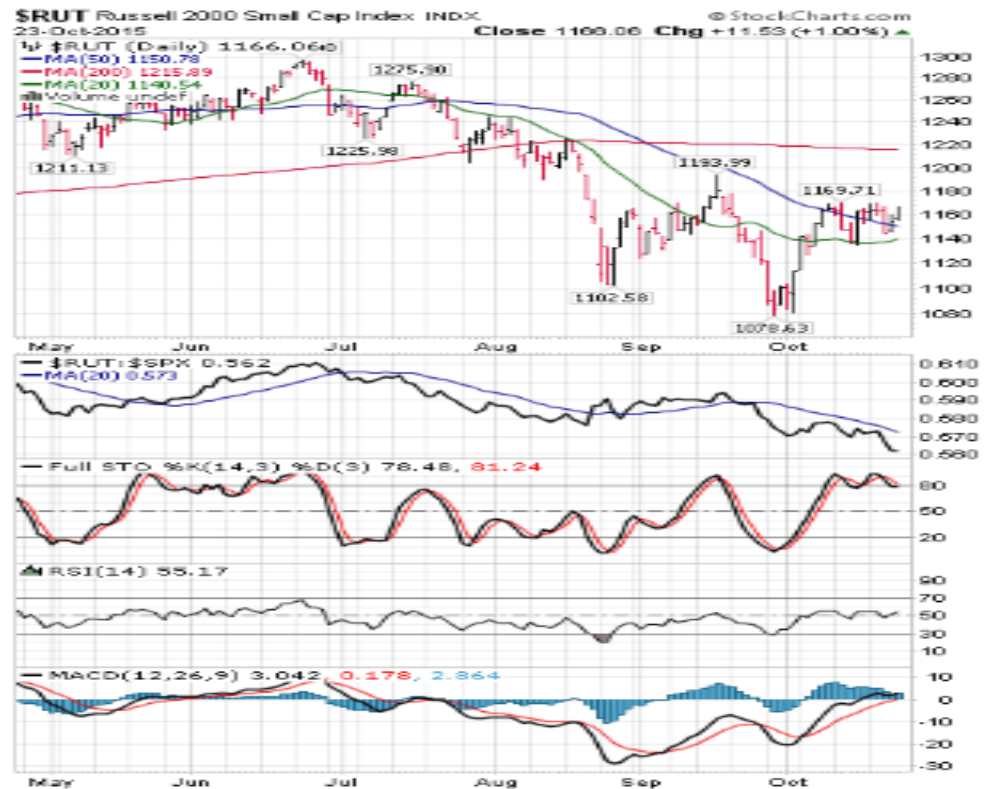


The Russell 2000 Index added 3.75 points (0.32%) last week.

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

The Index remains above its 20-day moving average.

Short-term momentum indicators are mixed.



The S&P Energy Index dropped 5.10 points (1.00%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index changed to neutral from positive. The Index remains above its 20-day moving average.

Short-term momentum indicators are trending down.



The Philadelphia Oil Services Index added 1.03 points (0.58%) last week.

Intermediate trend remains neutral. Strength relative to the S&P 500 Index changed to neutral from positive.

The Index remains above its 20-day moving average.

Short-term momentum indicators are trending down.



The AMEX Gold Bug Index added 1.83 points (1.36%) last week.

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

The Index remains above its 20-day moving average.

Short-term momentum indicators are trending down.



LatAm equity markets commentary & weekly charts

The Bovespa added 378 points last week.

Intermediate trend changed to neutral from down. Strength relative to the S&P 500 Index changed to neutral from negative.

The Average remains above its 20-day moving average.

Short-term momentum indicators are trending up.

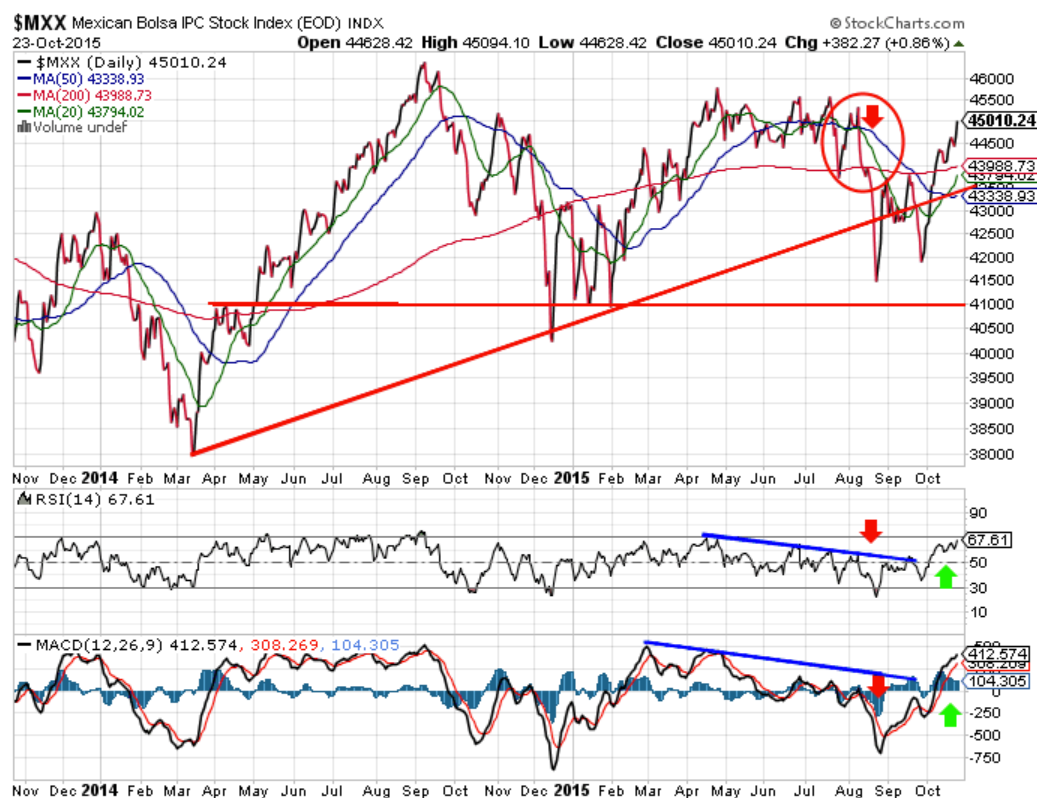


The Mexican Bolsa added 559 points last week.

Intermediate trend changed to neutral from down. Strength relative to the S&P 500 Index changed to neutral from negative.

The Average remains above its 20-day moving average.

Short-term momentum indicators are trending up.



Canadian equity markets commentary & weekly charts

Bullish Percent Index for TSX Composite stocks advanced to 51.82% from 49.39% last week and remained above its 20-day moving average.

The Index continues to trend up.



The TSX Composite Index added 115.56 points last week.

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

The Index remains above its 20-day moving average.

Short-term momentum indicators are mixed.



Percent of TSX stocks trading above their 50 day moving average increased last week to 72.87% from 65.18%.

The index remains intermediate overbought.



Percent of TSX Composite stocks trading above their 200 day moving average increased last week to 31.17% from 29.15%.

The index continues to trend up.



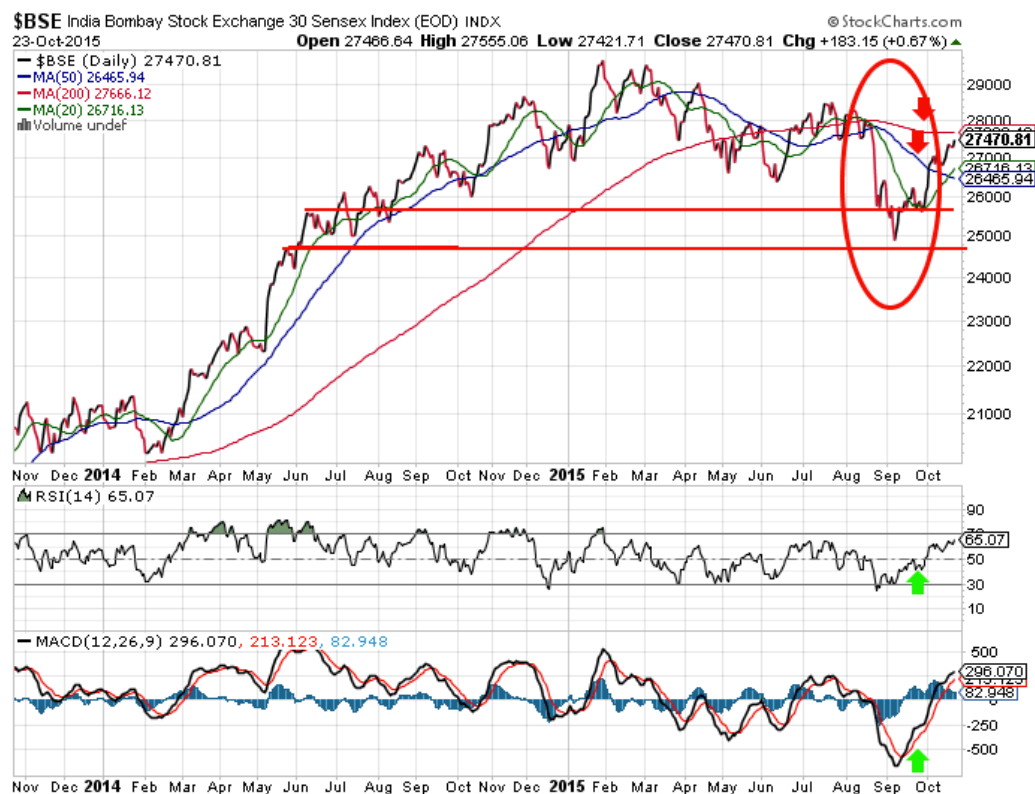
Asian equity markets commentary & weekly charts

The SENSEX added 202 points last week.

Intermediate trend changed to neutral from down. Strength relative to the S&P 500 Index changed to neutral from negative.

The Average remains above its 20-day moving average.

Short-term momentum indicators are trending up.



The Nikkei Average gained 533.50 points (2.92%) last week.

Intermediate trend changed to neutral from down on Friday on a move above 18,770.51. Strength relative to the S&P 500 Index changed to neutral from negative.

The Average remains above its 20-day moving average.

Short-term momentum indicators are trending up.



The Shanghai Composite Index gained 21.08 points (0.62%) last week.

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

The Index remains above its 20-day moving average.

Short-term momentum indicators are mixed.



Emerging Markets ETF advanced \$0.04 (0.11%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index slipped to neutral from positive.

Units remain above their 20-day moving average.

Short-term momentum indicators are trending down.



The Australia All Ords Composite Index added 84.40 points (1.59%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index is neutral.

The Index remains above its 20-day moving average.

Short-term momentum indicators are trending up.



European Equity markets commentary & weekly charts

The DAX 30 added 644 points last week.

Intermediate trend changed to neutral from down. Strength relative to the S&P 500 Index remains positive.

The index remains above its 20-day moving average.

Short-term momentum indicators are trending up.



The CAC 40 added 215 points last week.

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

The index remains above their 20-day moving average.

Short-term momentum indicators are trending up.

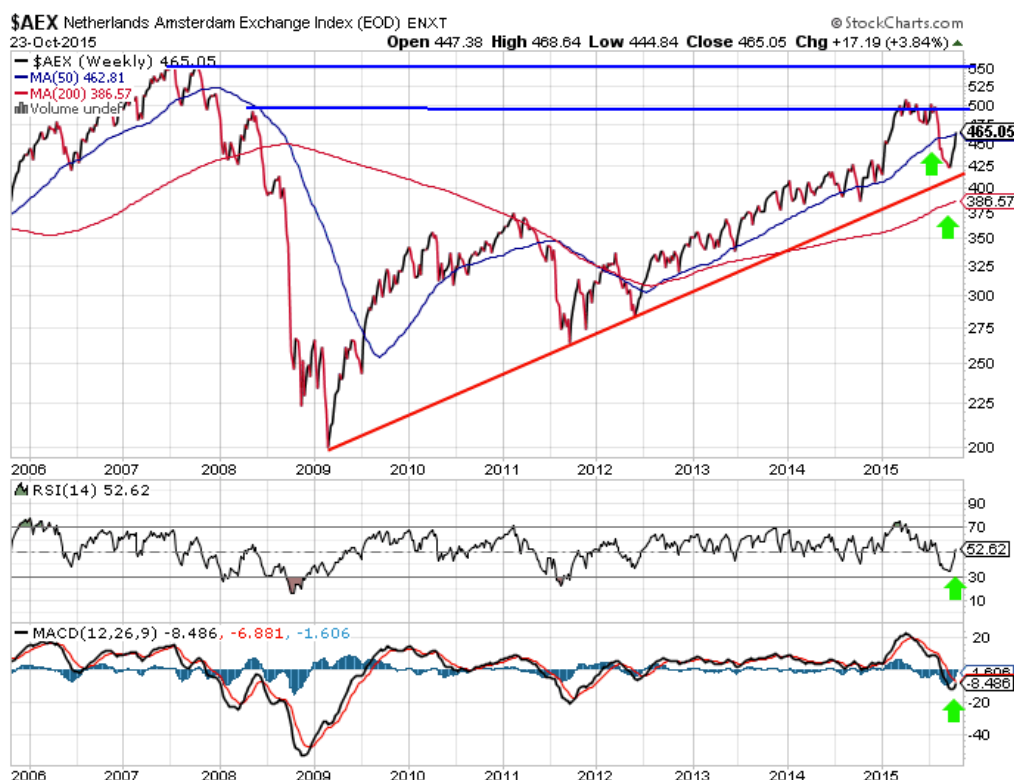


The AEX 25 added 17 points last week.

Intermediate trend changed to neutral from down. Strength relative to the S&P 500 Index remains positive.

The index remains above its 20-day moving average.

Short-term momentum indicators are trending up.



The IBEX 35 added 253 points last week.

Intermediate trend changed to neutral from down. Strength relative to the S&P 500 Index remains positive.

The index remains above its 20-day moving average.

Short-term momentum indicators are trending up.



The FTSE 100 added 83 points last week.

Intermediate trend changed to neutral from down. Strength relative to the S&P 500 Index remains negative.

The index remains above its 20-day moving average.

Short-term momentum indicators are mixed.



Europe iShares added \$0.30 (0.71%) last week.

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

Units remain above their 20-day moving average.

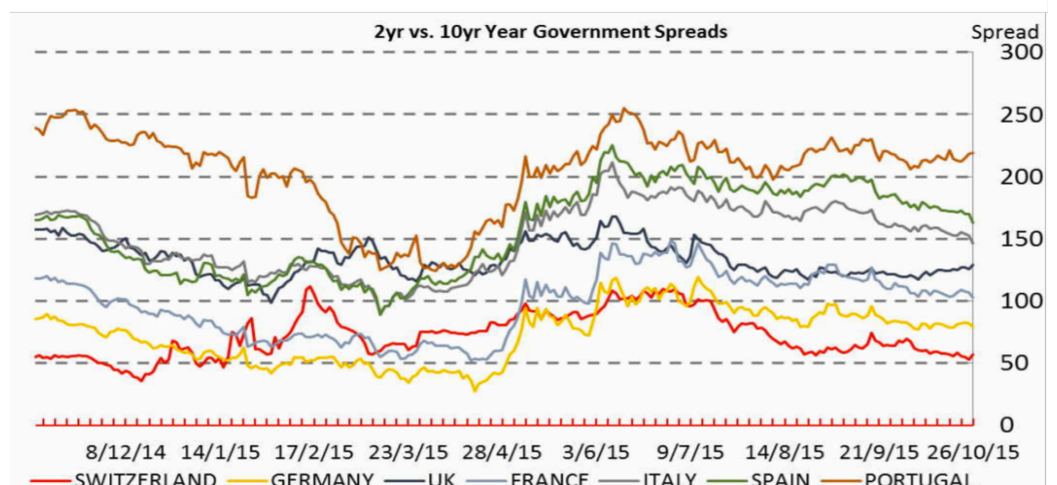
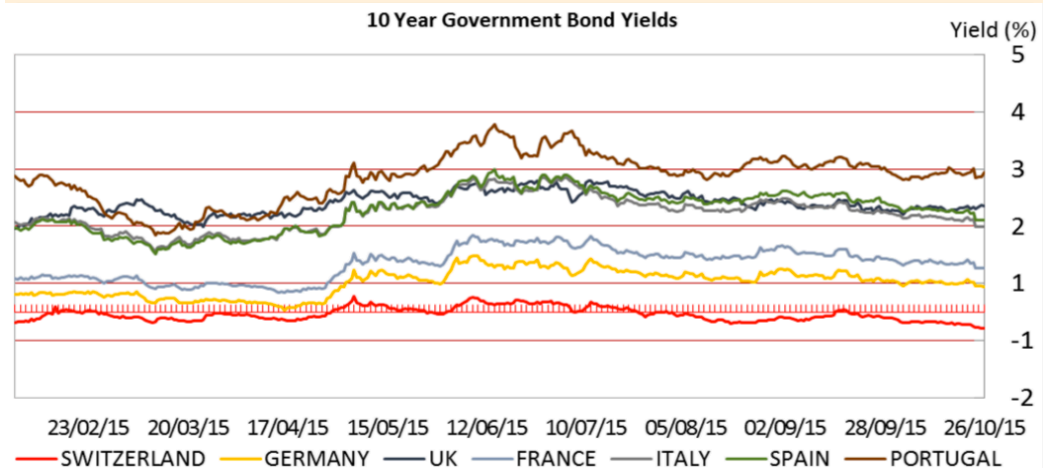
Short-term momentum indicators are trending up.



Fixed Income markets commentary & weekly charts

EURO Bonds

Country	Latest yield	Spread vs bund	Spread vs T-bonds
Australia	2.68%	+2.17	+0.59
Austria	0.78%	+0.27	-1.30
Belgium	0.80%	+0.29	-1.28
Canada	1.48%	+0.97	-0.60
Denmark	0.82%	+0.31	-1.26
Finland	0.76%	+0.25	-1.32
France	0.85%	+0.34	-1.23
Germany	0.51%	—	-1.57
Greece	7.65%	+7.14	+5.57
Ireland	1.08%	+0.57	-1.00
Italy	1.49%	+0.98	-0.59
Japan	0.32%	-0.19	-1.76
Netherlands	0.67%	+0.16	-1.41
New Zealand	3.33%	+2.82	+1.25
Portugal	2.44%	+1.93	+0.36
Spain	1.64%	+1.13	-0.44
Sweden	0.69%	+0.18	-1.39
Switzerland	-0.31 %	-0.82	-2.39
UK	1.87%	+1.36	-0.21





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	117.750	-0.294	-0.015
GERMANY(FED REP)	DE0001102374	0.5	2025-02-15	100.563	0.438	-0.014
UK(GOVT OF)	GB00BTHH2R79	2	2025-09-07	101.241	1.862	-0.004
FRANCE(GOVT OF)	FR0012517027	0.5	2025-05-25	97.583	0.763	-0.002
ITALY(REP OF)	IT0005090318	1.5	2025-06-01	100.107	1.488	-0.006
SPAIN(KINGDOM OF)	ES00000122E5	4.65	2025-07-30	127.259	1.607	-0.003
PORTUGAL(REP OF)	PTOTEKOE0011	2.875	2025-10-15	103.732	2.448	0.079
Issuer	ISIN	Coupon	Maturity	11:00 Price	Price daily Δ	
GREECE(REP OF)	GR0128012698	2	2025-02-24	73.577	0.617	

US Bonds

Yield on 10 year Treasuries dropped 6.0 basis points (2.97%) last week.

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

Short-term momentum indicators are mixed.



The long term Treasury ETF slipped \$0.73 (0.59%) last week.

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



The Euro plunged 3.42 (3.01%) last week after the ECB kept rates unchanged.

Short-term momentum indicators are trending down and are oversold, but have yet to show signs of bottoming.



Short-term momentum indicators are trending up and are overbought. However, signs of a peak have yet to appear.



The Japanese Yen dropped 1.33 (1.59%) last week.

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

Short-term momentum indicators are trending down and are oversold. However, signs of a bottom have yet to appear.



The Canadian Dollar dropped US 1.58 cents (2.04%) last week.

Intermediate trend remains neutral. The C\$ fell below its 20-day moving average.

Short-term momentum indicators are trending down and are oversold. However, they have yet to show signs of bottoming.



Commodities commentary & weekly charts

The CRB Index fell 5.74 points (2.88%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index remains negative. The Index moved below its 20-day moving average.

Short-term momentum indicators are trending down.



Copper dropped \$0.05 per lb. (2.08%) last week.

Intermediate trend remains down. Strength relative to the S&P 500 Index turned negative. Copper dropped below its 20-day moving average.

Short-term momentum indicators are trending down.



Lumber added \$2.90 (1.12%) last week.

Intermediate trend remains neutral.

Strength relative to the S&P 500 Index remains positive. Lumber remains above its 20-day MA. Momentum: up.



The Grain ETN slipped \$0.08 (9.25%) last week.

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

Units remain below their 20-day moving average.

Short-term momentum indicators are trending down.



The Agriculture ETF added 1.30 points (2.69%) last week.

Intermediate trend changed to up. Strength relative to the S&P 500 Index remains neutral.

Units remained above their 20-day moving average.

Short-term momentum indicators are trending up.



Gold & precious metals commentary & weekly charts

Gold dropped \$20.30 per ounce (1.72%) last week in response to a higher US\$.

Intermediate trend remains up. Strength relative to the S&P 500 Index changed to negative from positive.

Gold remains above its 20-day moving average.

Short-term momentum indicators are trending down.



Silver dropped \$0.28 per ounce (1.74%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index changed to neutral from positive. Silver remains above its 20-day moving average.

Short-term momentum indicators are trending down.

Strength relative to gold remains positive.



Platinum dropped \$22 per ounce (2.15%) last week.

Trend remains down.
Strength relative to S&P 500 slipped to neutral.

\$PLAT remains above its 20-day MA.
Momentum: Mixed.



Palladium dropped \$5.55 per ounce (0.79%) last week.

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

\$PALL remains above its 20-day moving average.

Short-term momentum indicators are trending down.

Strength relative to Gold remains neutral.



Oil, gas & energy commentary & weekly charts

Crude Oil dropped \$1.77 per barrel (3.58%) last week.

Intermediate trend remains up. Strength relative to the S&P 500 Index changed to negative.

Crude fell below its 20-day moving average. Short-term momentum indicators are trending down.



Natural gas dropped another \$0.09 per MBtu (3.58%) last week.

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

\$NATGAS remains below its 20-day moving average.

Short-term momentum indicators are trending down.

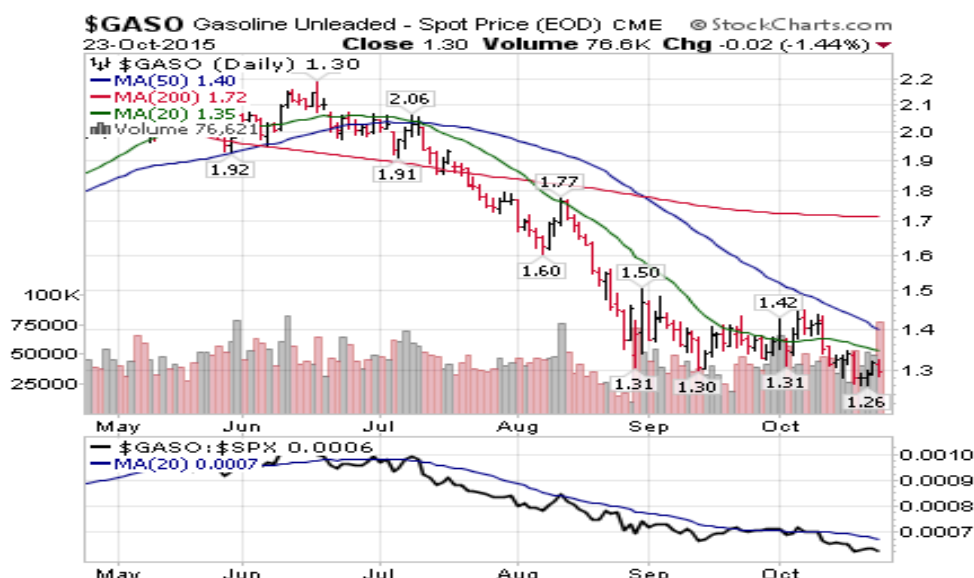


Gasoline dropped \$0.07 per gallon (4.96%) last week.

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

\$GASO remains below its 20-day moving average.

Short-term momentum indicators are trending down.



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