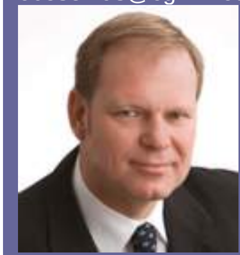
Creative Global Investments

Weekly equities strategy update

Friday, November 2nd, 2018

Carlo R. Besenius
Chief Executive Officer
cbesenius@cg-inv.com



Creative Global Investments LLC
115 East 57th Street
New York, NY 10022
Tel: 212 939 7256
Mob: 917 301 3734
CGI/Europe/Luxembourg
Tel: +(352) 26 25 86 40
Mob: +(352) 691 106 969

Stjepan Kalinic
Market Strategist (CMT)
skalinic@cg-inv.com

Creative Global Investments LLC
115 East 57th Street 11th Floor New York, NY 10022
Tel: 212 939 7256
Mob: +385 9152 95916

Objectivity

Integrity

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Equities commentary & charts

With the holiday season around the corner and the period of seasonal strength for global equities taking off, we believe that investors this year have to factor three themes in their modeling for year-end performance results.

• US Midterm elections, which have historically fueled equity market volatility and preceded mostly year-end market rallies. November 7, after months of uncertainty impacting investors' minds, the political makeup of Congress will be significant for country and sectorial equities' allocations going forward beyond the cope of 2018.

• Q3 Corporate earnings season is in full gear, and already we have seen a number of high-profile earnings misses and downward guidance revisions. To what extent market participant's focus on earnings disappointments could make the difference between a further market setback and a full-scale correction.

• Fixed income safe heaven for now, as over the past month, just as were predicting, bonds have again proven their value as a portfolio stabilizer. If equity market volatility continues to escalate, which we see for sure in the eventuality of a GOP loss of Congress, then fixed income allocations could help cushion the blow by making portfolios less vulnerable to unpredictable market swings. We see 10-year Treasuries to inexpensive relative to US equities, and advise investors to increase weightings towards 10-Year Treasuries, in spite of seasonal period of weakness.

Investors are facing too many fast changing unknowns, such as an all-time low 3.7% US unemployment, globally slowing (and most likely more downward adjustments and revisions of US and EU GDP growth rates {a phenomenon not rarely seen post political elections}), and likely an unsustainable US GDP rate in the 2.7% to 3.7% range, besides still measured inflation (which we continue to forecast for 2019) however, which the Federal Reserve tries to fight with another December likely rate cut.

We therefore advise for investors to staying high in cash and diversify and remain opportunistic through the volatility we could see over the duration of 2018.

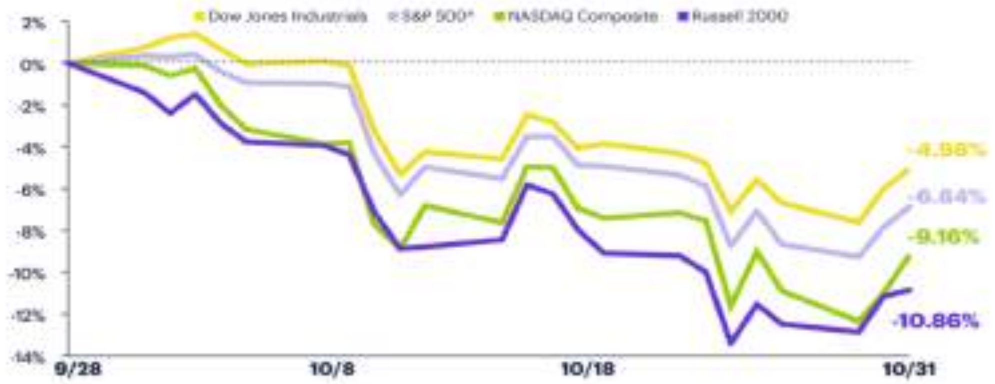
When the equities markets started to fall as of early October, as we were predicting for a -6% to -8% correction in the US and in the Europe, it seemed easy to shrug off the decline.

After all, economic growth rates were robust, unemployment remained low, and occasional bouts of volatility didn't stop the major indexes from climbing to all-time highs in September.

However, as we know, October has traditionally been a scary down month for equity investors in the US and in Europe, with sustained market volatility to be more than just the usual October volatility at work.

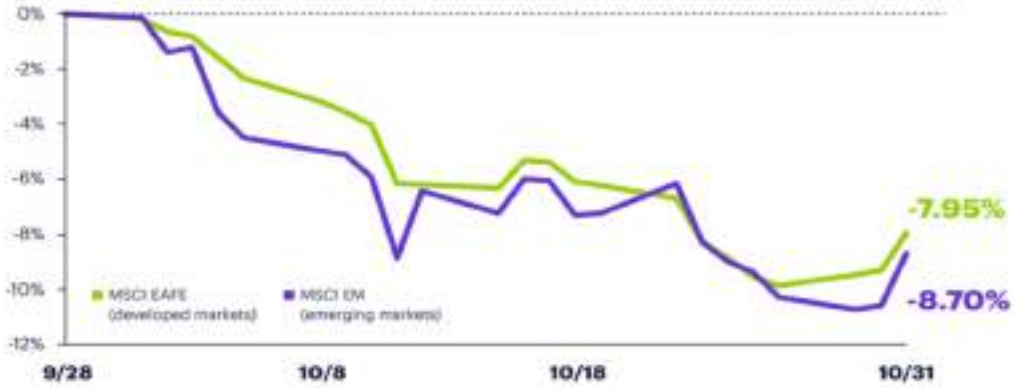
Again, we see November 6th US election as a pivotal point for asset allocations between bonds and equities, and even significantly impacting the future direction of the USD, as a GOP status quo would continue to weigh on the USD for the next two years.

From the market's highs on September 20 through October 31, both the Dow Jones Industrial Average and the S&P 500® Index have retreated within range of a -10% correction.



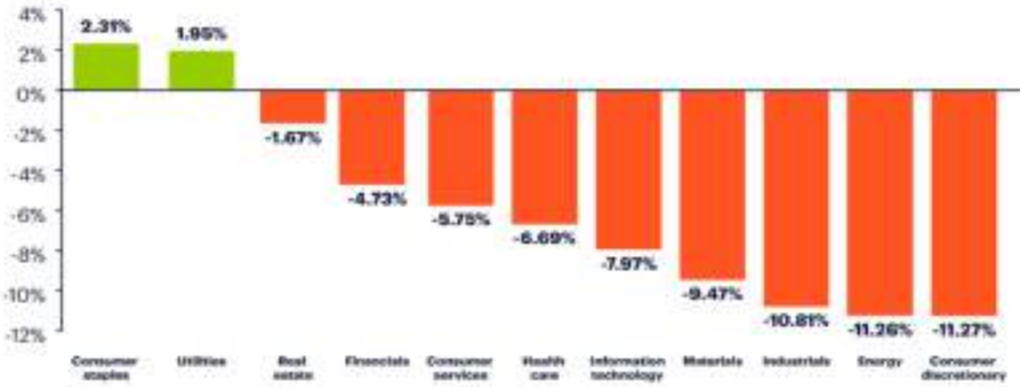
Although International equities did fare a tad better in October, with Latin American stocks experiencing a remarkable resurgence, with Brazil's equity markets appearing to react favorably to the election of a hardline authoritarian, Jair Bolsonaro, as Brazil's new president.

In Europe and Asia, stocks sold off on many of the same concerns that afflicted US markets, additionally concerned with rising trade barriers and concerns about global economic growth. In China, economic sentiment continued to weaken due in no small part to the trade war being waged by the Trump administration.



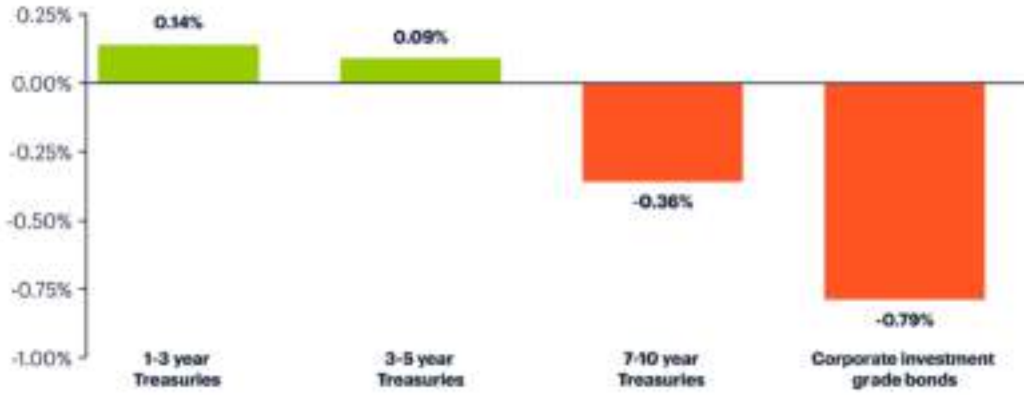
In the US, equity headwinds, including tariffs, rising interest rates, and political uncertainty, created a downdraft of volatility in October. Although tech stocks took it on the chin, information technology is still up more than 9% ytd, underscoring just how lofty valuations within the sector have become.

Financials were hit hard by a softening housing market, with building and construction ETFs performing especially poorly in October. Despite rising interest rates, which typically expand banking profit margins, financials are now among the worst performing sectors ytd, eclipsed closely by materials. Conversely, consumer staples and utilities gained modest ground in October.



High-quality bonds provided much-needed ballast to diversified portfolios in October. With investors seeking a haven from equity market volatility, demand for US Treasuries spiked and yield spreads widened.

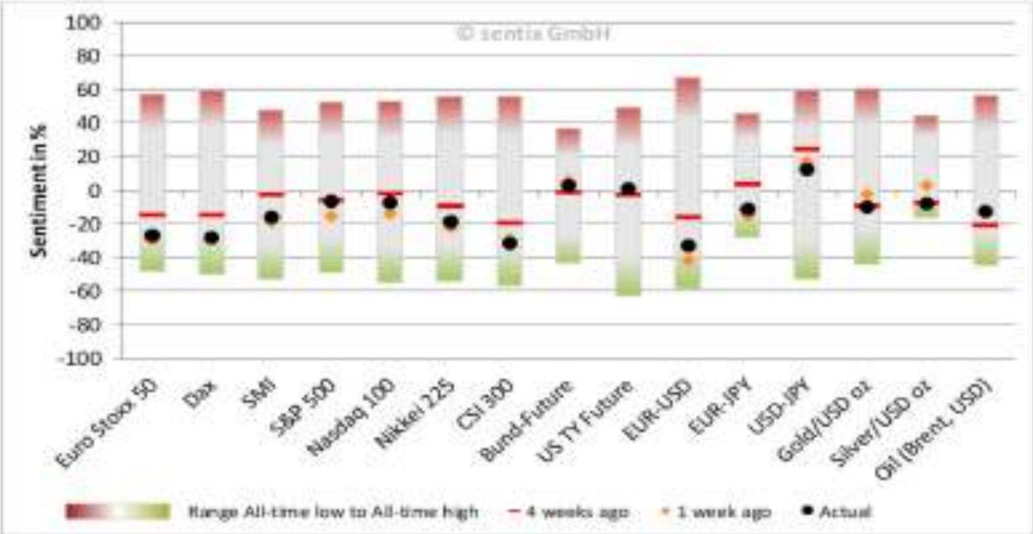
The yield on the benchmark 10-year Treasury note, which had climbed as high as 3.23% on October 8, fell to 3.15% by month-end.



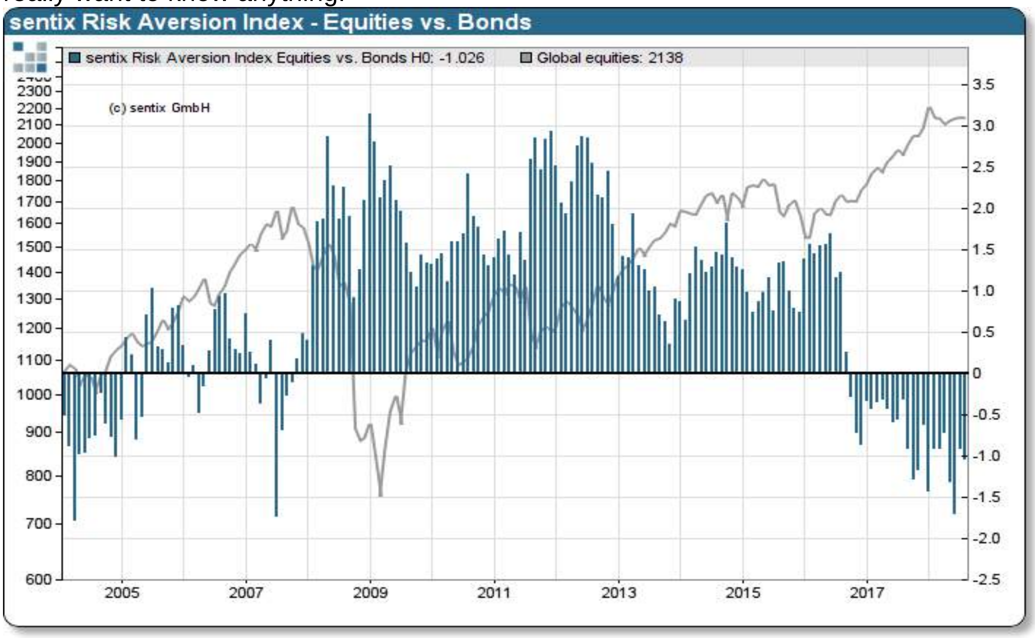
Municipal bonds, which were strong performers earlier in the year, saw returns decline for the second consecutive month.

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.

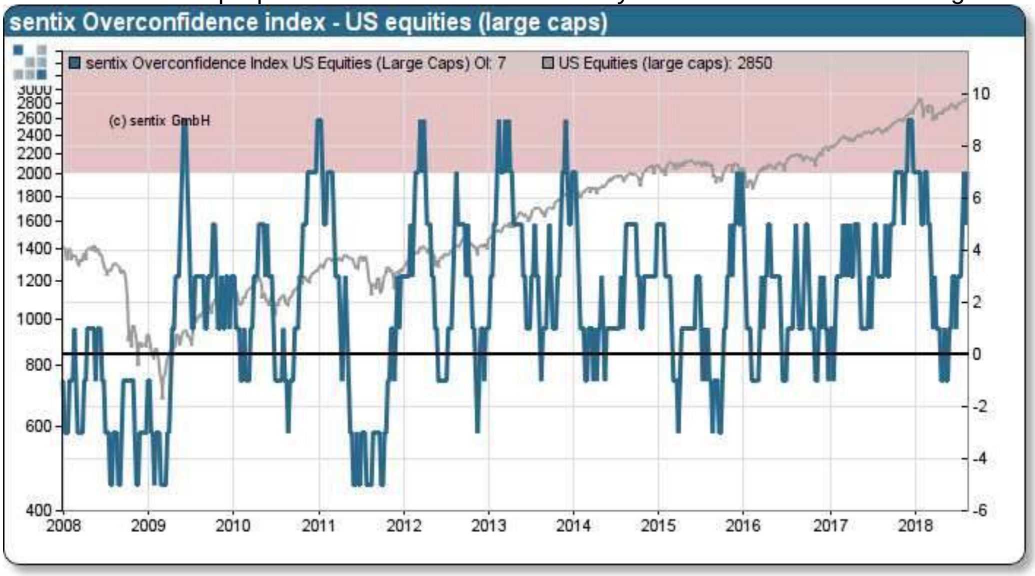
- **Equities: Improvement in sentiment**
- **Commodities: Positive Sentiment for Gold rises**
- **Bonds: US Treasuries remain interesting**

	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.



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.

Asian equity markets weekly charts

$BSE continues the bearish movement. Price closed below the 200-day MVA.

Short-term momentum indicators are Positive and Overbought.

The BSE lost 966.32 points (2.82%) last week.

Intermediate trend is Negative. Strength relative to the S&P 500 Index is Negative. $NIKK is testing the 21000 support.

The $NIKK remains below its 20-day MVA. Short-term momentum indicators are Negative and Oversold.

The Nikkei dropped 1347.48 points (5.98%) last week.

Intermediate trend is Negative. $SSEC rejected from the former support.
Strength relative to the S&P 500 Index is Positive.

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

The Shanghai Composite Index added 48.38 points (1.90%) last week.

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

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

The Hang Seng dropped 843.77 points (3.30%) last week.

European equity markets weekly charts

The DAX 30 dropped 353.21 points (3.06%) last week.

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

The CAC 40 lost 117.29 points (2.31%) last week.

Intermediate trend is Negative. $CAC found some support at 4900 level.
$CAC remains below the 200-day MVA.

Short-term momentum indicators are Negative.

The AEX 25 dropped 17.65 points (3.36%) last week.

Intermediate trend is Negative. $AEX remains below the 200-day MVA. Strength relative to the S&P 500 Index is Positive.

Short-term momentum indicators are Negative.

The IBEX 35 lost 161.70 points (1.82%) last week.

Intermediate trend is Negative. Strength relative to the S&P 500 is Positive. Index has reached yet another lower low.

The Index is below the 20-day MVA.

Short-term momentum indicators are Negative.

The FTSE dropped 64.54 points (0.92%) last week.

Intermediate trend is Negative. FTSE broke the 7,000 level.
FTSE is below the 50-day MVA.

Short-term momentum indicators are Negative.

The RTSI dropped 28.66 points (2.54%) last week.

Intermediate trend is Neutral. RTS has rejected from the June low.

Short-term momentum indicators are Negative.

The SMI lost 206.29 (2.33%) last week.

Intermediate trend is Negative. SMI has found temporary support at 8600.
Price remains below the 200-day MVA.

Short-term momentum indicators are Negative.

US equity markets weekly charts

The VIX Index added 4.27 points (21.47%) last week.

Intermediate trend remains Positive. The Index remains above the 20-day MVA. VIX failed to take the early month high.

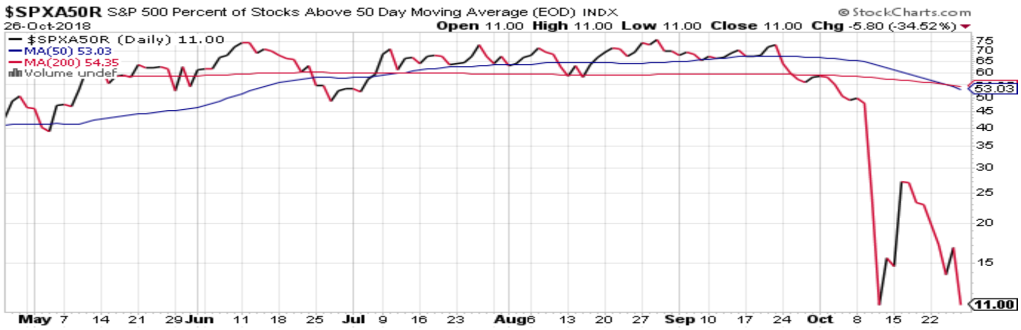
The S&P 500 Index dropped 109.09 points (3.94%) last week.

Intermediate trend is Negative. The Index remains below the 20-day MVA. $SPX might retest February lows.

Short-term momentum indicators are Negative.

Percent of S&P 500 stocks trading above their 50-day moving average dropped last week to 11.00 from 23.00.

The Index remains below the 200-day MVA.



Percent of S&P 500 stocks trading above their 200-day moving average dropped last week to 35.00 from 47.00.

The Index remains below the 200-day MVA.

The Index remains below the 50-day MVA.

Bullish Percent Index for S&P 500 stocks dropped last week to 31.80 from 43.00 and remained below 50-day moving average.

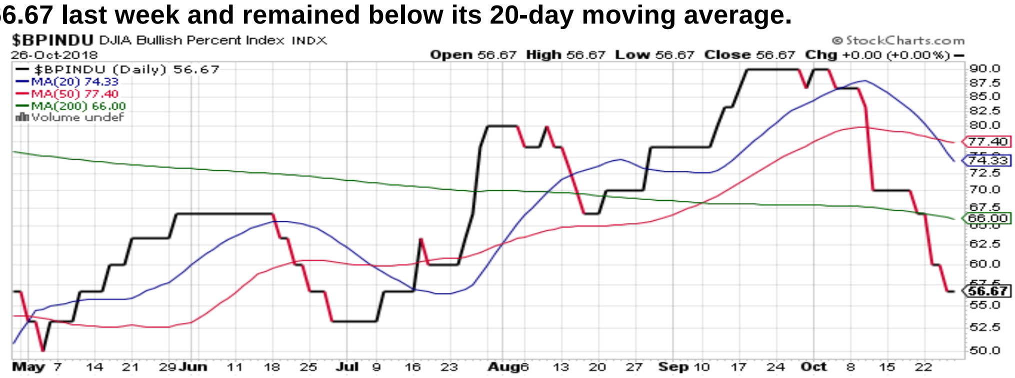
$INDU is retracing towards the support. Strength related to the S&P 500 is above the 50MVA.

The INDU remains below its 200-day MVA. Short-term momentum indicators are Negative.

The Dow Jones Industrial Average dropped 756.03 points (2.97%) last week.

The Index moved below the 200-day MVA.

Bullish Percent Index for Dow Jones Industrial Average dropped to 56.67 from 66.67 last week and remained below its 20-day moving average.



The Dow Transportation Index broke the 10,300 support.
Strength relative to the S&P 500 is Negative. The $TRAN remains below its 200- day MVA.

Short-term momentum indicators are Negative and Oversold.

The Dow Jones Transportation Average dropped 473.14 points (4.53%) last week.

Bullish Percent Index dropped last week to 34.00 from 40.49 and remained below its 20-day moving average.

The Index is below the 200-day MVA.

The NASDAQ Composite Index dropped 281.81 points (3.78%) last week.

Intermediate trend is Negative.
$COMPQ made a new low. Strength relative to the S&P 500 Index is Negative.

The Index is below the 200-day MVA.

Short-term momentum indicators are Negative.

The Russell 2000 Index lost 58.22 points (3.78%) 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 38.43 points (7.06%) last week.

Intermediate trend remains Negative. $SPEN crashed out of the range. Strength relative to the S&P 500 Index is Negative.

The Index remains below the 200-day MVA. Short-term momentum indicators are Negative and Oversold.

The AMEX Gold Bug Index dropped 10.93 points (7.03%) last week.

Intermediate trend is Neutral.
$HUI is climbing along the lower trendline.
Strength relative to the S&P 500 Index is Positive.

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

Americas equity markets weekly charts

The BOVESPA gained 1500 points (1.78%) last week.

Intermediate trend is Neutral.
$BVSP is ranging just below the yearly high.

BVSP remains above the 50-day MVA.

Short term momentum indicators are Mixed.

The Mexican Bolsa dropped 1634 points (3.44%) last week.

Intermediate trend is Negative. MXX looks to test the 44500 low.
$MXX remains below the 50-day MVA.

Short-term momentum indicators are Negative.

Bullish Percent Index for TSX Composite dropped last week to 40.98 from 46.53 and remained below its 20-day moving average.

The Index remains below the 200-day MVA.

The TSX Composite Index lost 581.84 points (3.76%) last week.

Intermediate trend remains Negative. The Index has gapped below the 15,300 support.

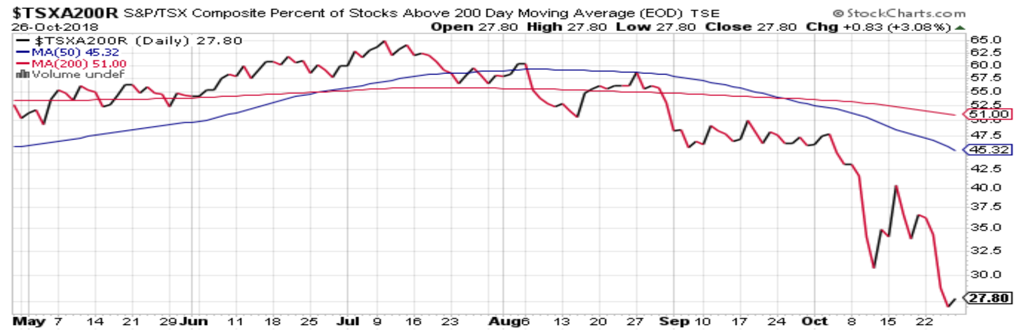
The Index remained below the 200-day MVA. Short-term momentum indicators are Negative and Oversold.

Percent of TSX stocks trading above their 50-day moving average dropped to 13.28 from 25.84 and remained below the 200-day moving average.

The index remains below the 200-day MVA.

Percent of TSX stocks trading above their 200-day dropped last week to 27.80% from 36.67%

The index remains below the 50-day MVA.



EM equity markets weekly charts

Emerging Markets iShares lost $1.00 (2.52%) last week.

Intermediate trend is Negative. Strength relative to the S&P 500 Index is Neutral.
EEM broke and rejected the pullback to the lower trendline.

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

The Australia All Ordinaries Index lost 283.10 points (4.68%) last week.

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

The $AORD remains below the 200-day MVA. Short-term momentum indicators are Negative.

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Carlo R Besenius, CEO
Chief Global Strategist
cbesenius@cg-inv.com
office: +(352) 26 25 86 40
mobile: +(352) 691 106 969
Luxembourg/Europe
Marc Peters,
Head of Global Industrial Strategy
mpeters@cg-inv.com
office: +(352) 26 25 86 40
mobile: +352 621 36 44 50
Luxembourg/Europe
Gary Schieneman,
Managing Director,
Global Accounting and Finance
gschieneman@cg-inv.com
office: 917-868-6842
New York, NY, USA
Steve Gluckstein,
Global Strategist
sgluckstein@cg-inv.com
office: 212 939 7256
mobile: 732 768 8843
New York, NY, USA

Sabine CJ Blümel, Head of Global Automotive Research
sblumel@cg-inv.com
office: +44 (7785) 301588
London, UK

Stjepan Kalinic,
Global Strategist/Technician
skalinic@cg-inv.com
office: 212 939 7256
mobile: +(385) 9152 95916
Kastel Sucurac, Croatia
Allison M Cimon,
Director of Sales & Technology
amcimon@cg-inv.com
office: 646 228 4321
Boston, MA, USA

Per Bjørnholt,
Managing Director Industrial Solution
pbjornholt@cg-inv.com
office: 212 939 7256
New York, NY, USA

Jennifer Crisman, COO
jcrisman@cg-inv.com
office: +(352) 26 25 86 40
Luxembourg/Europe