Creative Global Investments

Weekly global equities strategy & charts

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Objectivity

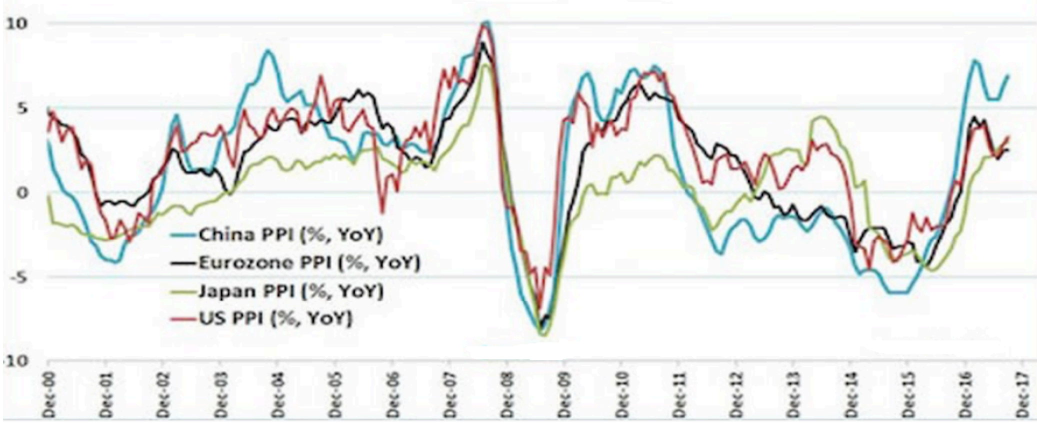
Integrity

Creativity

Global Macro & geo-political commentary

In Asia, China Producer Price Index (PPI) gained +6.9% y-o-y gain in October. For about 2/3 of the world GDP is now experience a spike in prices, lead by the price of Oil going up, average hourly trends are moving higher, the Fed's new UIG inflation is trending higher.

Producer Prices



On Friday, vice finance minister Zhu Guangyao announced one day after US President Donald Trump reiterated calls for better access to Chinese markets in meetings with Chinese President Xi Jinping, that China is raising the limit on foreign ownership in joint-venture firms involved in the futures, securities and funds markets to 51% from the current 49%. Raising foreign ownership limits in financial firms will grant access to a tantalizing multi-trillion US$ financial services market, as China seeks to position itself as a major global finance hub.

Xi Jinping continues to lead with broad economic reforms, by opening up China's capital markets, internationalizing the Yuan, and seeking technical know-how through the pursuit of massive inbound and outbound investments.

In Europe, the IMF's published its latest Regional Economic Outlook, which looks at more than 40 countries from Germany and the UK to Turkey and Russia, said the current recovery looks increasingly assured, partly driven by central bank stimulus and low interest rates, but also by improving fundamentals, as evidenced by a pick-up in investment across a broad range of economies.

Growth in the Eurozone has been positive for 18 quarters, lately around 2.5%, however with many countries, particularly in eastern Europe posting growth above 3% for some time, indicating the recovery has not only become broader but also stronger.

The IMF's updated World Economic Outlook will be published at September meetings in Washington, currently forecasts region-wide growth of 2.4% for 2017 and 2.1% for 2018, but much has progressed, and we see the IMF forecasts being behind the curve, and hence stick with our global GDP forecasts for 2017 in excess of 3.1%, and at 3.3% for 2018.

In the Americas, the Republican plan announcement to implement a 20% corporate tax cut after a one-year delay. There's a definite risk-off tone in currency markets, but trying to decipher if investors hate the plan or are merely booking profits will be the crucial determinant. Investors concerns were sending the DJIA down 130 points, and for the USD, long bonds and equities in general it was tumultuous on Thursday and Friday as the major concern was that GOP dissent is running high, creating a high level of angst that this vital piece of legislation will even pass a vote.

Equities commentary & charts

For equities globally, short-term uncertainties remain, including North Korean "sabre rattling", slow progress by Congress to pass crucial legislation (notably tax reform) and increased scrutiny by special council on Russia's influence on the Presidential election. Economic news this week is expected to focus on US October PPI, CPI and Retail Sales. All are expected to record modest declines relative to September reports.

Asian equity markets were mixed overnight, post US President Trumps visiting 5 Asian countries China, Vietnam, Japan, South Korea, and the Philippines. Short and medium term technical indicators for the Emerging Market indices remain intermediate overbought and are showing short-term technical signs of moving lower.

We continue recommending for investors to be "over-weighting" in Japanese and Chinese equities with partial hedging of the Yen and Yuan respectively, as the BoJ's continued easing, and the PBoC similarly, has the potential to drive both currencies lower against major currencies including the US$, Euro, and AUD.

Foreign investors are still tremendously underweight in Japanese and Chinese equities, both on a trade weighted and an overall GDP-weighted basis, and we think there is room for significant further upward momentum in the short-medium term.

European Equity markets opened mixed, with the EURSTOXX 50 +0.03% higher, the CAC 40 -0.01%, while the DAX 30 was up + 0.11% by 03:40 a.m. ET (10:40 GMT). Short and medium term technical indicators for the European equity indices remain intermediate overbought and are showing short-term technical signs of moving lower. Investors also continue to show concerns over Brexit negotiations, following reports over the weekend that 40 Conservative members of the UK parliament seemingly agreed to sign a letter of no-confidence in Prime Minister May, 8 votes short of the number needed to trigger a party leadership contest and force Theresa May from office.

Separately, Brexit minister David Davis said that the UK would not provide the EU with a Brexit final bill, to which EU members agreed not to be the decisive preconditions to continue the Brexit talks and negotiations.

EU financial stocks were broadly lower, as with BNP Paribas and Socgen declining -0.73% and -0.77%, while Germany's Deutsche Bank and Commerzbank dropped -0.55% and -1.87%. Among peripheral lenders, Italy's Intesa SanPaolo retreated -0.82%, while Spanish banks Santander and BBVA fell -0.04% and -0.24%. UK financial stocks were also broadly lower like Lloyds Banking and the Royal Bank of Scotland retreating -0.72% and -0.73% respectively, and Barclays and HSBC dropping -0.78% and -1.07%.

Arcelor/Mittal declined 0.78% after rallying on Friday when the steel company reported better-than-expected Q3 core profit and upbeat expectations for 2018, citing favorable market conditions.

Although a few indices like the DAX 30, the CAC 40 are near all-time highs, one has to keep in mind that EU equity indices are entering their historic year-end seasonal rally, which gives investors a great entry opportunity to fully load up on financial and industrial stocks, and on high dividend yielding stocks, which historically have outperformed over this period.

US Equity markets are showing early technical signs of an intermediate peak. Short and medium term technical indicators for the S&P 500 Index, NASDAQ Composite Index, DJIA remain intermediate overbought and showed short-term technical signs of moving lower. The Russell 2000 Index and the Dow Jones Transportation Average already are passed their peak. They reached their intermediate peaks six weeks ago and are down 2.6% and 5.7% respectively.

Technical action by individual S&P 500 stocks was bullish last week despite modest declines set by North American indices. Notable among sectors breaking resistance were Consumer Discretionary and Consumer Staple stocks Number of stocks breaking resistance totaled 60 while number of stocks breaking support totaled 25. Number of stocks trading in an uptrend increased to 300 from 295, number of stocks trading in a neutral trend increased to 66 from 65 and number of stocks in a downtrend decreased to 134 from 140. The Up/Down ratio was increased last week at (300/140=) 2.24. Medium term technical indicators (Percent of stocks trading above their 50-dayMVA, Bullish Percent Index) remain at intermediate overbought levels and continue to trend down. Short-term technical indicators (short term momentum, above/below 20-dayMVA) for equity indices began showing signs of rolling over.

Although seasonal influences for equity markets turned positive in mid-October and remain positive until the first week in January, particularly for economic sensitive sectors (e.g. Materials, Industrials, Financials and Technology), seasonal influences are being overwhelmed by technical influences. Seasonality on a wide variety of equity indices, commodities and sectors began to turn neutral/positive in early October and continue to improve. During the past 20 years, the S&P 500 Index normally bottomed on October 10th. Historically, the month of November has been the strongest month of the year of the S&P 500 Index.

Earnings reports from US companies continue to pour in this week. Another 17 S&P 500 companies are scheduled to release fiscal Q3 results including 3 Dow Industrial company. The outlook for S&P earnings and revenues remains positive. 58 companies have issued negative Q4 guidance and 25 companies have issued positive guidance. 91% reported Q3 results by the end of last week.

- Q3 EPS are expected to increase 6.1% (up from 5.9% last week) on a 5.9% increase in revenues (up from 5.8% last week). Q4 EPS are expected to increase 10.0% (down from 10.4% last week) on a 6.4% increase in revenues (6.2% increase last week).
- FY 2017 EPS are expected to increase 9.4% (down from 9.5%) on a 6.2% increase in revenues (down from 6.3%).
- Q1 2018 earnings are expected to increase 10.5% (up from 10.4%) on a 6.2% increase in revenues).
- Q2 2018 earnings are expected to increase 10.1% (down from 10.2%) on a 6.2% increase in revenues (down from 6.3%).

Earnings and revenue prospects beyond Q3 report season are good for US based companies with international exposure. Consensuses for S&P 500 EPS are expected to exceed y-o-y 10% in Q4 of 2017 and in Q1 and Q2 of 2018.

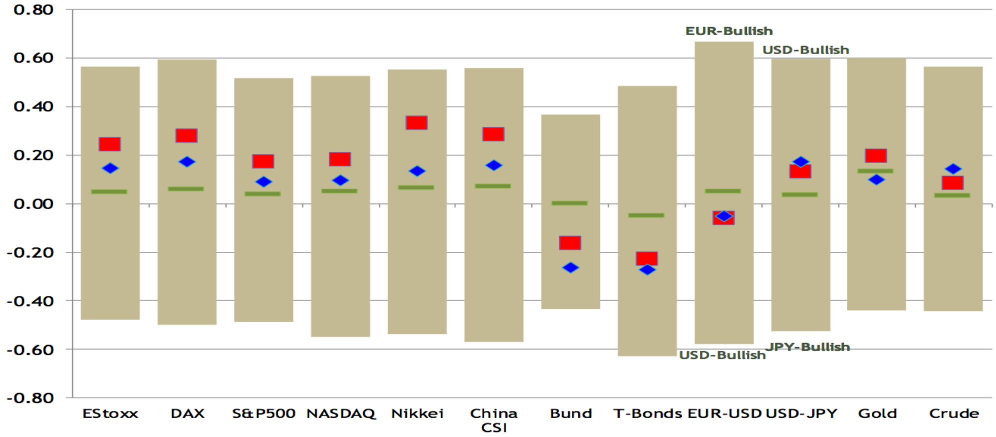
From a currency transactional and translational affect, US companies earnings will benefit significantly from weakness in the USD on a y-o-y basis, as revenues and earnings from international operations will benefit from higher valued foreign currencies. The USD averaged 100 in Q4of 2016 and 101 in the Q1 of 2017.

However, in general, investors should be cautious about the Relative Strength Index for the Dow Jones Industrial Average, as it moved significantly above 70%, which is an indicator the DJIA is considerably overbought. On Friday October 20th, the RSI closed at 88.10%, a level not seen during the past 20 years, and on Friday, November 10th the Index had dropped to 61.93%. Historically, confirmation of a rollover of the Index from near its high level has been followed at best by a flat trend and, more frequently, by a downtrend lasting 3-6 months. The time to buy both markets is when their RSI is near or below the 30% level and are starting to turn up. **We are advising for investors to take at least partial profits on strength in seasonally attractive sector and industry equities and Exchange Traded Funds with the understanding that their next intermediate uptrend likely will not resurface until next February.**

Investor Sentiment indicators

Medium-term strategic bias on equities continues to show signs of moving onto a less positive path. The latest ***sentix*** survey suggests sentiment and investors' strategic bias on Eurozone equities has firmed. Sentiment for Chinese and Japanese equities, when looking at medium-term strategic bias readings, is still heading higher.

However, at a sector sentiment level there is little sign of heightened risk aversion, with sentiment on defensives such as Healthcare and Food & Beverage weakening over the past month, while high optimism on Technology and Industrials has headed even higher. On the other side of the sentiment divide a couple of sectors stand. Media readings edged higher over the month, but pessimism is still near 10-Y extremes, while relative pessimism on Retail is nearing the extremes reached in 2008.



Asian equity markets weekly charts

The BSE lost 317 points (1.10%) last week.

$BSE pulled back to the temporary support at 33300.

Short-term momentum indicators are rolling over.

The Nikkei Average added 142.30 points (0.63%) last week.

Intermediate trend is Positive. Strength relative to the S&P 500 Index is Positive. $NIKK is showing first signs of trend exhaustion.

The $NIKK remains above its 20-day moving average. Short-term momentum indicators are rolling over.

The Shanghai Composite Index gained 60.63 points (1.81%) last week.

Intermediate trend changed from Neutral to Positive. $SSEC rebounded from the lower trendline once again.

The $SSEC moved above the 20-day moving average. Short-term momentum indicators are Positive.

European equity markets weekly charts

The DAX 30 dropped 351.39 points (2.61%) last week.

Intermediate trend changed from Positive to Neutral.

$DAX moved below the 20-day moving average. Strength relative to the S&P 500 Index is Positive.

Short-term momentum indicators are rolling over.

The CAC 40 lost 137.25 points (2.49%) last week.

Intermediate trend changed from Positive to Neutral. $CAC is going to test the 5350 support.

Short-term momentum indicators are Negative.

The AEX 25 dropped 7.83 points (1.41%) last week.

Intermediate trend changed from Positive to Neutral. Index moved below the 20-day moving average.

Short-term momentum indicators are Negative.

$IBEX is testing the support at 10100. Strength relative to the S&P 500 remains Negative.

The Index moved below the 20-day moving average.

Short-term momentum indicators are Negative.

The IBEX 35 lost 256.80 points (2.48%) last week.

Intermediate trend is Neutral. FTSE retraced below the resistance. Price moved below the 20-days moving average.

Short-term momentum indicators are Negative.

The FTSE dropped 127.36 (1.68%) last week.

US equity markets weekly charts

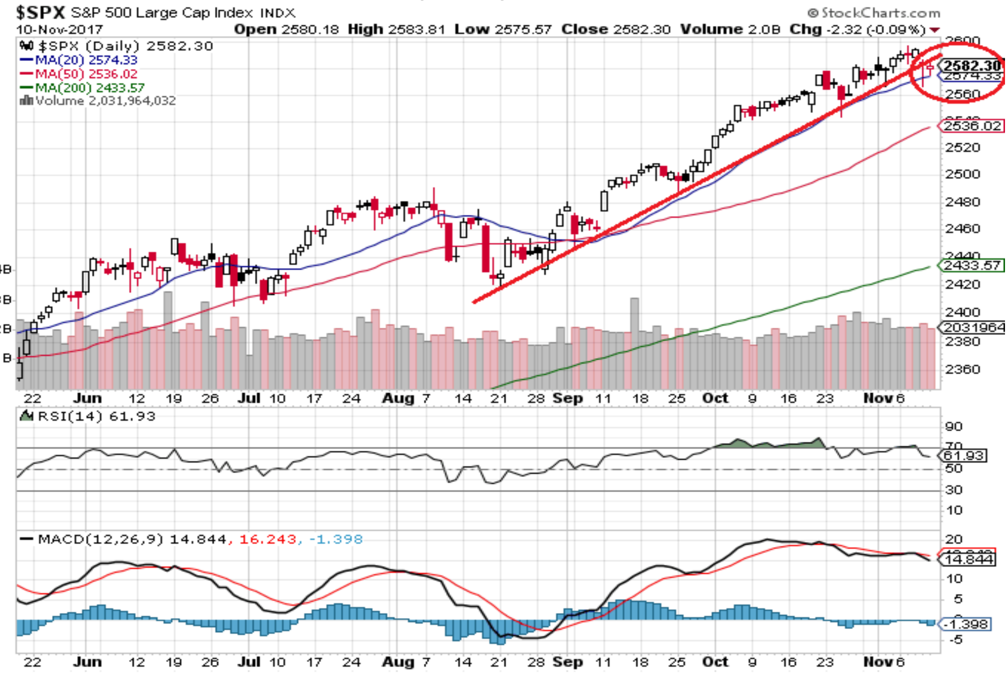
Intermediate trend remains Neutral. The Index is above the 20-day moving average. VIX rebounded from the support.

The VIX Index added 2.15 (23.52%) last week.

The S&P 500 Index lost 5.54 points (0.21%) last week.

Intermediate trend changed from Positive to Neutral. The Index closed above its 20-day moving average. $SPX is showing signs of an exhaustion at the top.

Short-term momentum indicators are rolling over.

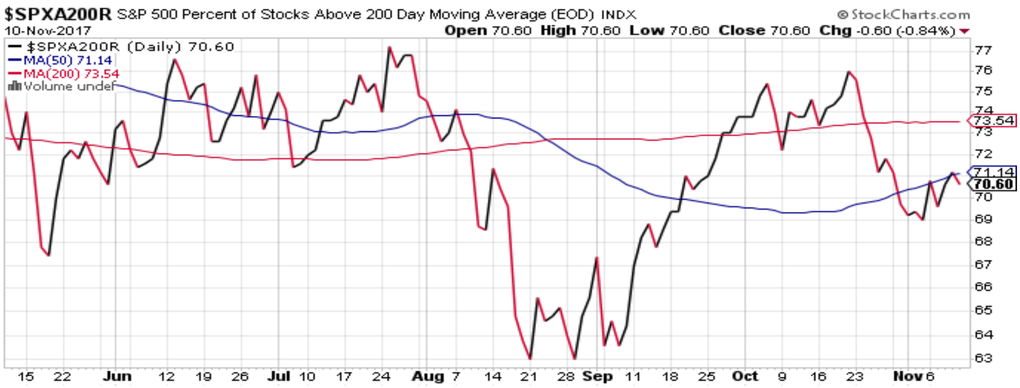


Percent of S&P 500 stocks trading above their 50-day moving average dropped last week to 63.00 from 65.60.

The Index moved below the 200-day moving average.

Percent of S&P 500 stocks trading above their 200-day moving average rose last week to 70.60 from 69.00

The Index remains closely tied to the 200MVA.



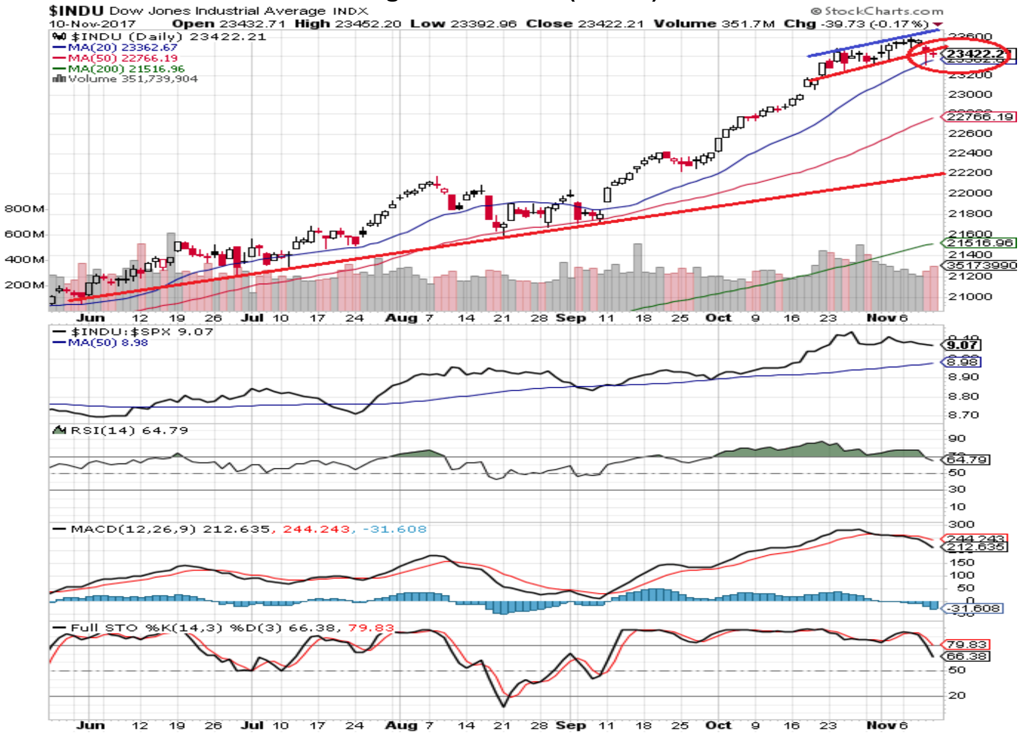
Bullish Percent Index for S&P 500 stocks dropped last week to 71.40 from 71.60 and remained below the 200-day moving average.

The Index remains closely tied to the 200MVA.

The Dow Jones Industrial Average lost 116.98 (0.50%) last week.

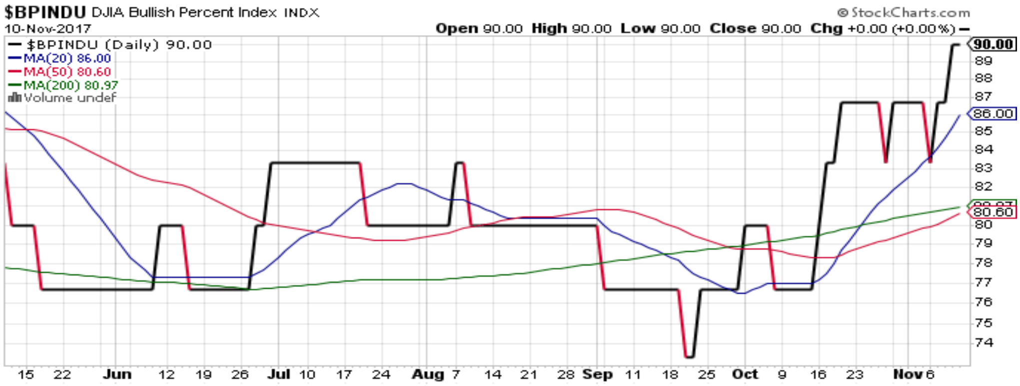
$INDU is threatening to break below the 20MVA. Strength related to the S&P 500 remained above the 50MA.

The INDU remains above its 20-day moving average. Short-term momentum indicators are rolling over.

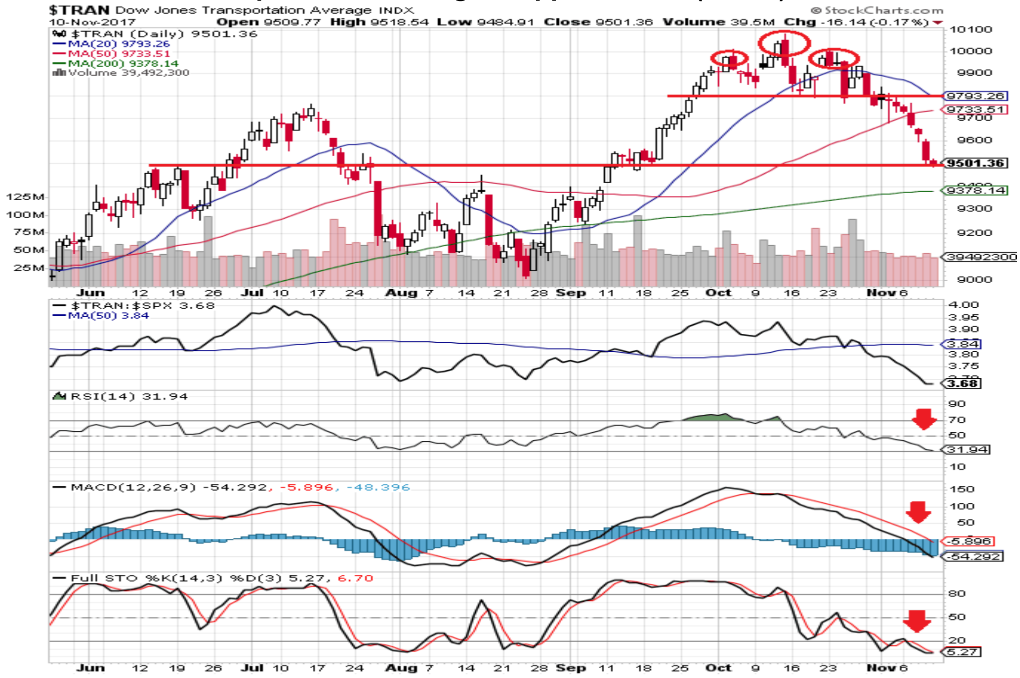


Bullish Percent Index for Dow Jones Industrial Average rose last week to 90.00 from 86.67 and remained above its 20-day moving average.

The Index remains above the 20-day moving average.



The Dow Jones Transportation Average dropped 253.64 (2.60%) last week.



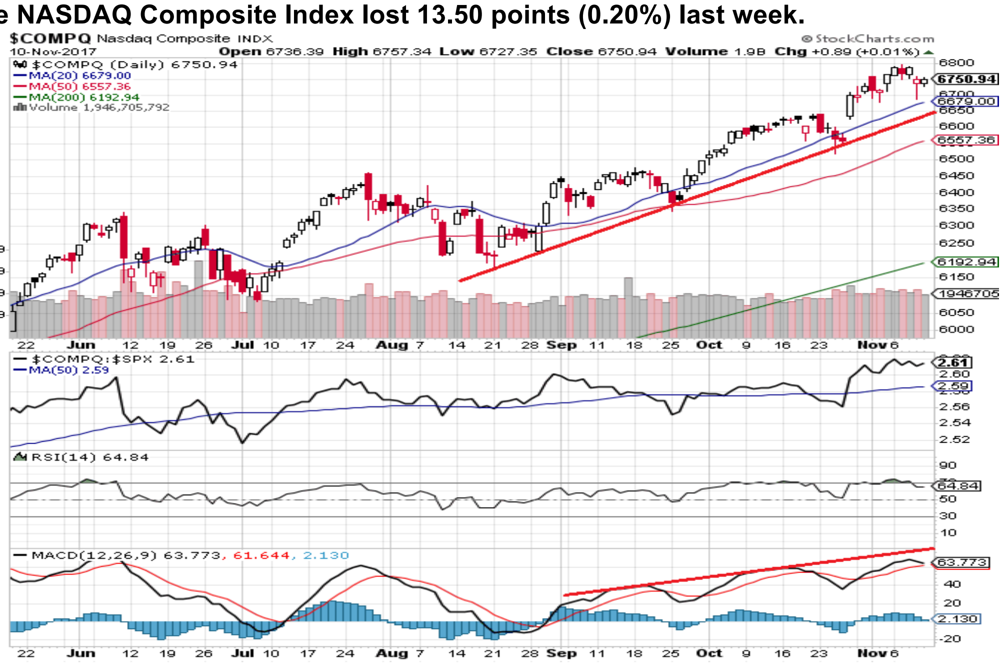
Dow Jones Transportation Index broke the neckline all the way down to 9500 key levels.
Strength relative to the S&P 500 remains Negative. The $TRAN remains below its 20-day moving average.

Short-term momentum indicators are Negative.

Bullish Percent Index dropped last week to 60.39 from 62.35 and remained below its 20-day moving average.

The Index moved below the 200-day moving average.

The NASDAQ Composite Index lost 13.50 points (0.20%) last week.



$COMPQ is ranging around the new top. Strength relative to the S&P 500 Index is Positive.

The Index remains above the 20-day moving average.

Short-term momentum indicators are rolling over.

The Russell 2000 Index dropped 19.64 points (1.31%) last week.

$RUT is forming an expanding bearish channel. Strength relative to the S&P 500 Index changed to Negative.

The Index moved below the 20-day moving average. Short-term momentum indicators are Negative.

The S&P Energy Index added 5.53 points (1.09%) last week.

Intermediate trend changed from Neutral to Positive. $SPEN broke above the resistance and rejected the retest. Strength relative to the S&P 500 Index changed from Neutral to Positive.

The Index is above the 20-day moving average. Short-term momentum indicators are Mixed.

The Philadelphia Oil Services Index gained 6.09 points (4.52%) last week.

$OSX is testing an important resistance. Strength relative to the S&P 500 changed from Neutral to Positive.

The Index moved above its 20-day moving average. Short-term momentum indicators are Positive.

The AMEX Gold Bug Index gained 1.01 points (0.54%) last week.

$HUI remains in a tight range.
Strength relative to the S&P 500 Index remains Negative.

The Index remains below its 20-day moving average. Short-term momentum indicators are Mixed.

Americas equity markets weekly charts

The BOVESPA dropped 1749 points (2.37%) last week.

$BVSP broke through the important support and rejected the pullback.

BVSP remains below the 20-day moving average.

Short term momentum indicators are Negative.

The Mexican Bolsa lost 506.54 points (1.04%) last week.

Intermediate trend is Negative. $MXX broke through the (although violated) lower trendline.

Short-term momentum indicators are Negative.

Canadian Equity markets weekly charts

Bullish Percent Index for TSX Composite dropped 1.33 points (1.92%) last week and moved below its 50-day moving average.

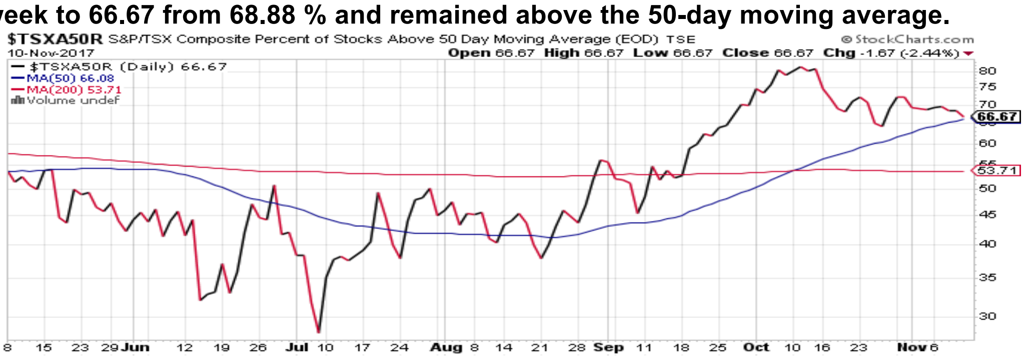
The Index remains above the 200-day moving average.

The TSX Composite Index gained 19.10 points (0.12%) last week.

Intermediate trend changed from Positive to Neutral. The Index rebounded from the lower trendline but is showing signs of exhaustion.

The Index remains above the 20-day moving average. Short-term momentum indicators are rolling over.

Percent of TSX stocks trading above their 50-day moving average dropped last week to 66.67 from 68.88 % and remained above the 50-day moving average.



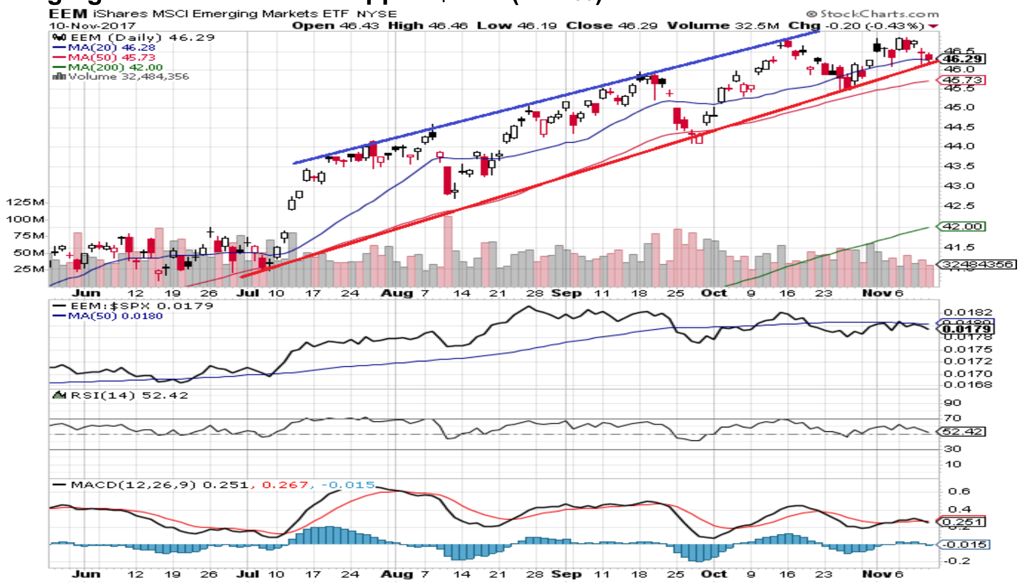
The index remains above the 50-day moving average.

Percent of TSX stocks trading above their 200-day rose last week to 64.17% from 63.49%

The index remains above the 200-day moving average.

EM equity markets weekly charts

Emerging Markets iShares dropped $0.05 (0.11%) last week.



Intermediate trend is Positive. Strength relative to the S&P 500 Index is Negative.

Units is just above the 20-day moving average. Short-term momentum indicators are Mixed.

The Australia All Ordinaries Index gained 73.10 points (1.21%) last week.

Intermediate trend changed back to Positive Strength relative to the S&P 500 Index changed from Neutral to Positive. $AORD reached a new high.

The $AORD is above 20-day moving average. Short-term momentum indicators are significantly Overbought.

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