



# Creative Global Investments

## Market commentary & charts

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Objectivity

Integrity

Creativity

### FED raises Fed Funds rate by 0.25%, now what?

In the US, the Commerce Department said retail sales ticked up 0.1% in November, disappointing expectations for a 0.3% gain. Core retail sales, which exclude automobiles, gained 0.2% last month, compared to expectations for an increase of 0.4%.

The Federal Reserve said that Industrial production for November fell 0.4%, worse than expectations for a decline of 0.2%. Industrial production rose by 0.1% in October, whose figure was revised from a previously reported unchanged reading.

Given the continued weaker than expected macro data from the US, we believe that the FED's rate hike of today of +0.25% is going to have a negative impact on the already overspent, and highly indebted consumer.

**We believe that consumption will slow more dramatically post FED rate hike, as the consumer's psychology is very fragile.**

Although the FED guides towards a likely hurdle rate of around 1.25% by the end of 2017, we do believe that they are so far behind the curve, that this rate hike could have a much more pronounced affect on consumption than what the market currently is expecting.

The Fed's median outlook for rates rose to three quarter-point increases in 2017 from two as of September. That would be followed by another three increases in both 2018 and 2019 before the rate levels off at a long-run "normal" 3.0%.

That normal level is slightly higher from three months ago; a sign that the Fed feels the economy is still gaining traction.

The Fed continued to describe that pace as "gradual," keeping policy still slightly loose and supporting some further improvement in the job market and sees unemployment falling to 4.5% next year and remaining at that level, which is considered to be close to full employment.

**We are advising on the short term (until year end 2016) to buy 10-Year Treasuries at current levels and also to sell the US\$, as with expectations so high for the FED to raise, we believe that the impacts of a rate rise are already priced into bond prices and also into forex prices relative to the US\$.**

**With regards to equities, it is obvious that financials are going to benefit from the higher implicit spreads post Fed rate hike, and as we have had Global financials a an overweight since September 30<sup>th</sup> in our Tactical Asset Allocation model, we maintain our weighting and reiterate our positive stance on Banks.**

**Although US financials have been performing very well over the past 2 months, particularly post Trump reflation hype, we clearly prefer European Banks, due to historically low valuations, particularly price to book ratios being below 0.5x.**

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We had issued a "buy" recommendation on Deutsche Bank on September 29<sup>th</sup>, 2016 at US\$ 12.68, which today is trading at \$18.32. Despite a tremendous +44% in just 6 weeks since our "buy" recommendation, our 3 – 6 months price target for Deutsche Bank remains at \$22 per share, which leaves another 20% upside from current levels.



The long-term chart on Deutsche Bank looks even more interesting.



The following chart shows how the European Banks have performed relative to the 10-Year Bund yields as of late. The correlation of interest rates (10y Bund yield) to the Banking sector (Euro STOXX Banks) is explaining the massive fund flows into the Financials sector, which was also observed in the US.



According to recent MSCI World Sectors analysis, Financials are the cheapest by far:

MSCI sector	Dividend yield	Price/Earnings	Price/Book
Consumer discretionary	1.97	17.1	2.7
Consumer staples	2.57	23.9	4.3
Energy	3.53	25.3	1.4
Financials	3.31	12.5	1.1
Healthcare	2.09	20.0	3.5
Industrials	2.38	18.6	2.6
Information technology	1.58	20.3	3.6
Materials	2.25	21.0	1.9
Real estate	3.46	19.2	1.6
Telecommunication services	4.20	17.0	2.2
Utilities	3.72	16.4	1.6
Total	2.57	17.8	2.0

source: MSCI

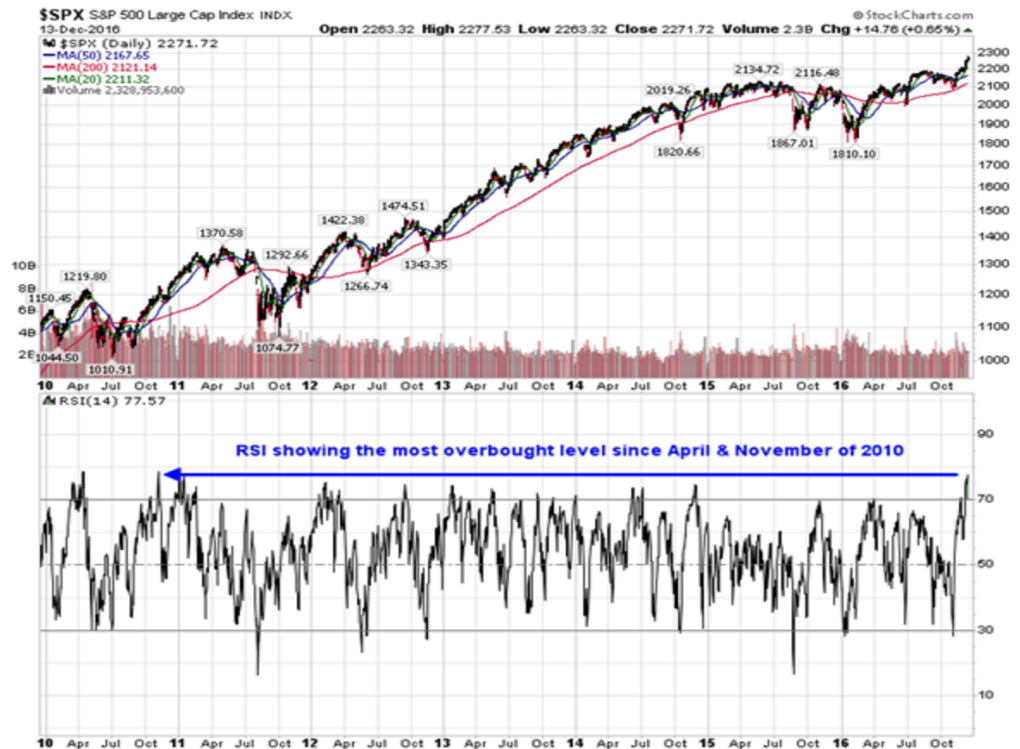
**We believe that the global financials sector is likely to see a massive comeback in 2017, as a rising rate environment combined with attractive valuations a positioning, in the financials sector could be the perfect hedge against further interest rate hikes in the portfolio.**

The S&P 500 Index is tremendously overbought, however, investors continue to find value, pushing the index higher by rotating towards areas of the market that have lagged over the past few weeks. The traditional year-end rally/window-dressing will continue, as stocks face the strongest period of seasonal strength into year-end.

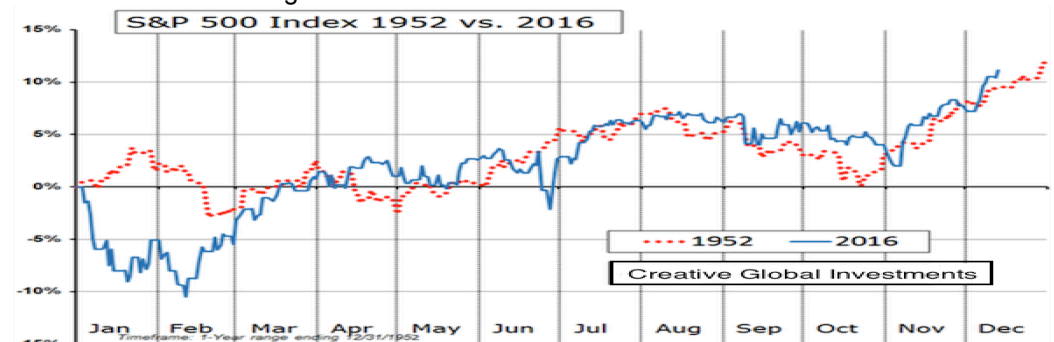
Short, intermediate, and long-term trends remain firmly positive, as gauged by the direction of the 20, 50, and 200-day moving averages.

The Relative Strength Index (RSI) of the large-cap benchmark currently sits at 77.57, the highest level since the start of November 2010, coincidentally just after the Federal reserve met to expand its quantitative easing program in what became known as "QE2."

Stocks subsequently digested gains through the remainder of November, consolidating back to its rising 50-day moving average.



The S&P 500 Index performance this year to that of 1952. Recall that the 1952 election was one of only two in the past 80 years where the Republicans swept the vote, winning the House, the Senate, and the Presidency with a first-time presidential candidate; the other period was the 2000 win by George W. Bush. While the market performance this year to that of the year 2000 isn't at all comparable, the performance of the S&P 500 Index over the past 10 months has closely resembled that of 1952 when Americans elected Dwight Eisenhower.



With a year-end gain of 11.8% back in 1952, the S&P 500 Index is less than 70 bps away from fulfilling the same result. The benchmark subsequently retraced its gains when the Republican president finally took office in 1953, resulting in a correction during the first three quarters of the year. So much for the 100-day honeymoon period.





## US equity markets weekly charts

The VIX Index lost 2.37 points (16.78%) last week.

Intermediate trend is Negative. The Index remained below its 20-day moving average. Price rebounded from the moving average convergence and continues trending down.



The S&P 500 Index gained 67.58 points (3.08%) last week.

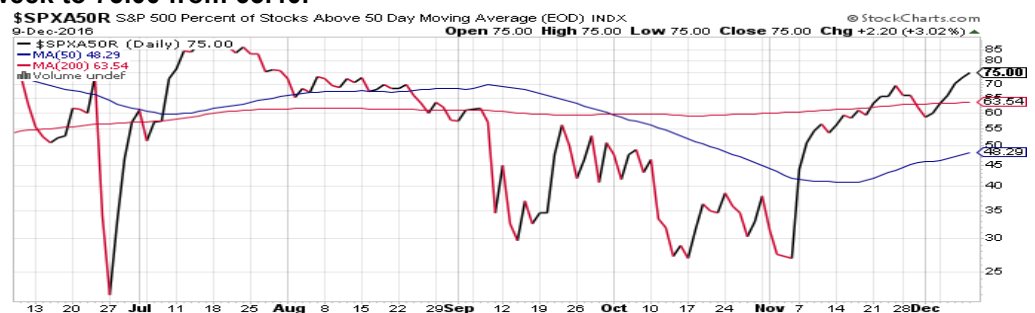
Intermediate trend remains Positive. The Index closed above its 20-day moving average. \$SPX continues upward momentum.

Short-term momentum indicators are Positive.



Percent of S&P 500 stocks trading above their 50-day moving average rose last week to 75.00 from 63.40.

The index moved higher and remained above 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 63.40.

The index climbed back above the 200-day moving average.



**Bullish Percent Index for S&P 500 stocks rose last week to 68.80 from 64.80 and moved above its 50-day moving average.**

The Index continues bullish momentum and closed on the 200-day moving average.



**The Dow Jones Industrial Average gained 586.43 (3.06%) last week.**

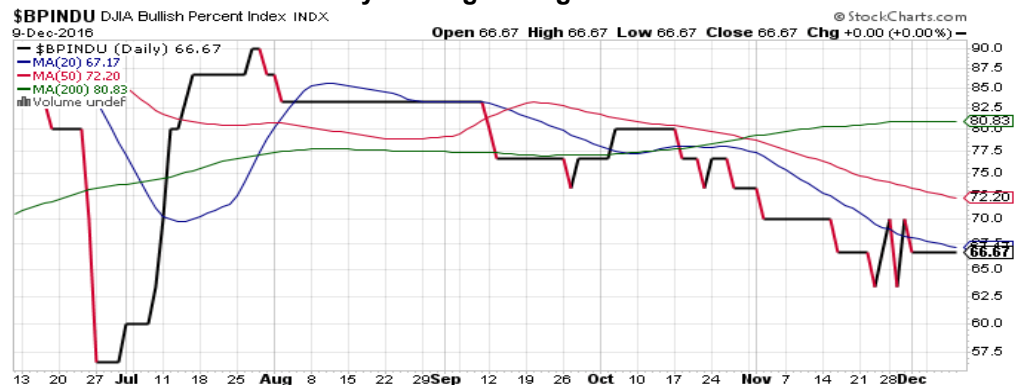
**\$INDU** continues making new highs. Strength related to the S&P 500 Index remained Positive.

The Average remained above its 20-day moving average. Short-term momentum indicators remain Overbought.



**Bullish Percent Index for Dow Jones Industrial Average stocks remained at 66.67 and remained below its 20-day moving average.**

The Index remains unchanged and below the 20-day moving average.



**Dow Jones Transportation Index** remains bullish and has created the new yearly high. Strength relative to the S&P 500 Index remained Positive. The \$TRAN closed above its 20-day moving average. Index is overbought for third week straight.

Short-term momentum indicators are positive but showing early signs of topping.

**The Dow Jones Transportation Average added 358.23 points (3.96%) last week.**

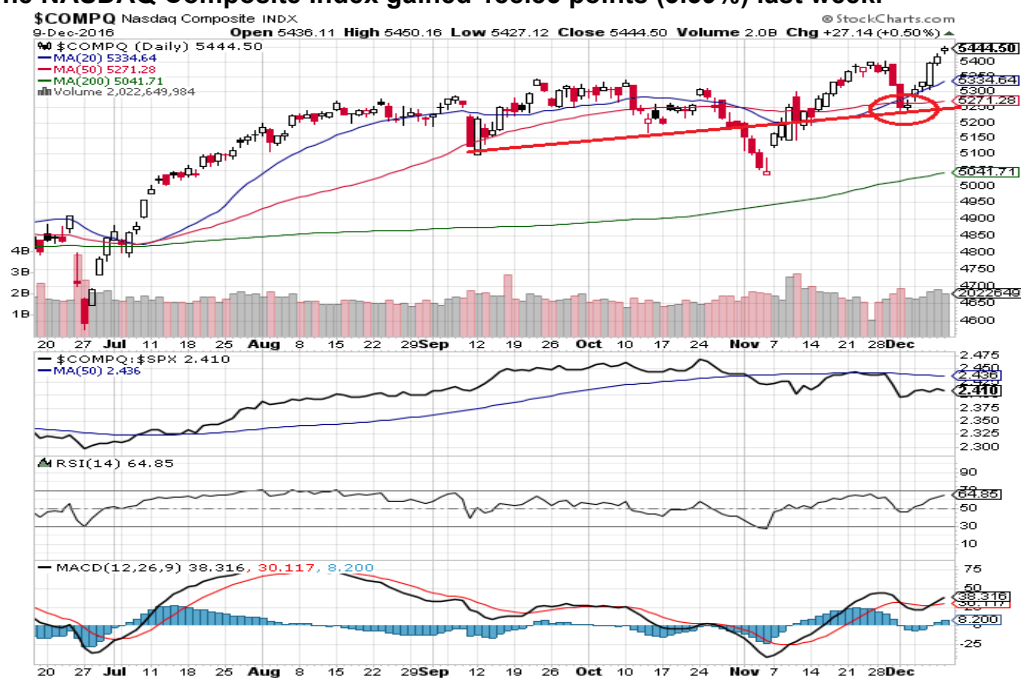


**Bullish Percent Index rose last week to 64.93 from 62.72 and remained above its 20-day moving average.**



The Index continues bullish momentum. 20-day mva crossed 50-day mva from below.

**The NASDAQ Composite Index gained 188.85 points (3.59%) last week.**



**\$COMPQ** broke the 5400 resistance. Strength relative to the S&P 500 Index is Negative.

The Index remained above its 20-day moving average.

Short-term momentum indicators are Positive.

**\$RUT** broke the northern trend line again. Strength relative to the S&P 500 Index remained Positive.

The Index remained above its 20-day moving average. Short-term momentum indicators are Positive and slightly Overbought.

**The Russell 2000 Index added 73.82 points (5.62%) last week.**



Intermediate trend remains up. **\$SPEN** is continuing the bullish momentum after the post-breakout exhaustion. Strength relative to the S&P 500 Index is Positive.

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

**The S&P Energy Index gained 11.97 points (2.19%) last week.**



**\$OSX** created a new high. Strength relative to the S&P 500 Index is Positive.

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

**The Philadelphia Oil Services Index added 9.63 points (5.35%) last week.**





### The AMEX Gold Bug Index lost 6.39 point (3.49%) last week.

\$HUI remain bearish with the 20-day moving average posing as an inside channel resistance. Strength relative to the S&P 500 Index remained Negative.

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



### Latam Equity markets weekly charts

#### The BOVESPA gained 184 points last week.

\$BVSP remains trapped in a Coil. Northern trend line holding the pressure and increasing the odds of a southern breakout.

Short term momentum indicators are flat.



#### The Mexican Bolsa added 2358 points last week.

Intermediate trend is Neutral. \$MXR rebounded from a southern trend line once again.

Short-term momentum indicators are neutral.



## Canadian equity markets weekly charts

Bullish Percent Index for TSX Composite stocks rose to 73.88 from 71.95 and remained below its 20-day moving average.

The Index retraced above the moving averages in a strong bullish momentum.



The TSX Composite Index added 259.68 points (1.73%) last week.

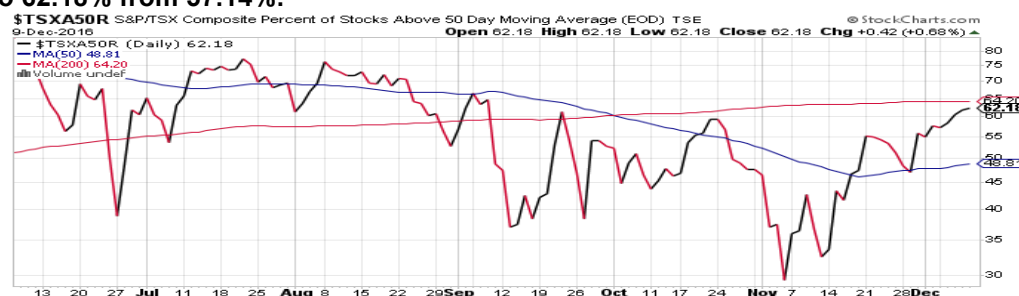
Intermediate trend remains Positive. The Index continues bullish momentum post the breakout.

The Index remained above the 20-day moving average. Short-term momentum indicators are Positive.



Percent of TSX stocks trading above their 50-day moving average rose last week to 62.18% from 57.14%.

The index remains above the 50-day moving average and moved towards the 200-day moving average.



Percent of TSX stocks trading above their 200 day rose last week to 67.65% from 65.13%.

The index remains below the 200-day moving average.



## Asian equity markets weekly charts

**\$BSE is climbing on the southern trend line, forming a Coil.**

**Short-term momentum indicators have rolled over into Positive.**

**The SENSEX gained 516.52 points (1.97%) last week.**



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

**The \$NIKK remained above its 20-day moving average. Short-term momentum indicators are Positive and slightly Overbought.**

**The Nikkei Average added 570.29 points (3.10%) last week.**



**Intermediate trend remained Positive. The Index rejected throwback from the previous resistance of 3200 once again.**

**The \$SSEC is at its 20-day moving average. Short-term momentum indicators have rolled over.**

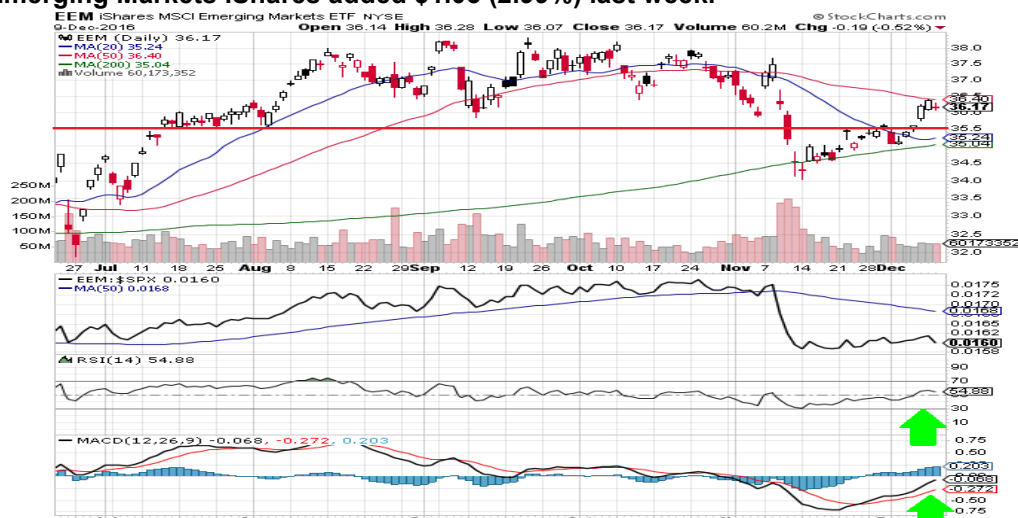
**The Shanghai Composite Index lost 10.96 points (0.34%) last week.**



**Emerging Markets iShares added \$1.05 (2.99%) last week.**

Intermediate trend is Neutral. Strength relative to the S&P 500 Index remains Negative. Price broke the 35.5 resistance with a gap but got stopped by the 50-day mva.

Units are above the 20-day moving average. Short-term momentum indicators are Positive.

**The Australia All Ordinaries Index gained 113.20 points (2.06%) last week.**

Intermediate trend remains Positive. Strength relative to the S&P 500 Index remained Negative. \$AORD broke through the northern trend line.

The \$AORD remained above the 20-day moving average. Short-term momentum indicators have rolled over.

**European Equity markets weekly charts****The DAX 30 added 690.28 points (6.57%) last week.**

Intermediate trend is Neutral. \$DAX broke through the rectangle channel and created a new high.

Short-term momentum indicators are Positive.





Intermediate trend is Positive. The Average remains above the 50-day moving average. \$CAC broke outside of the channel and created a new High.

Short-term momentum indicators are Positive.

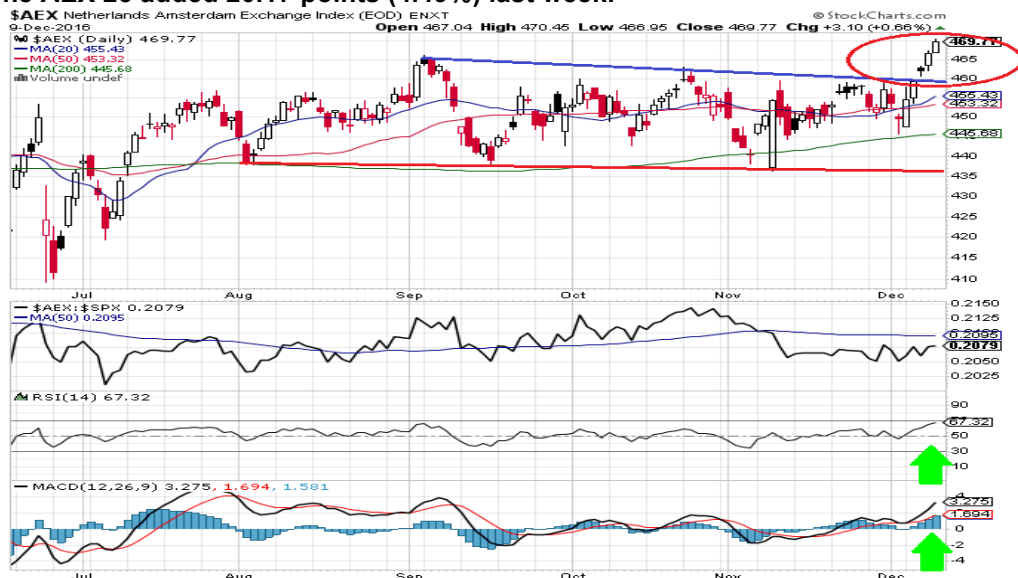
The CAC 40 gained 235.25 points (5.19%) last week.



Intermediate trend changed from Neutral to Positive. Index is broke out through the northern trend line.

Short-term momentum indicators are Positive.

The AEX 25 added 20.17 points (4.49%) last week.



\$IBEX rebounded strongly from the 8600 support. Strength relative to the S&P 500 Index changed from Negative to Neutral. The Index moved above the 20-day moving average.

Short-term momentum indicators are Positive.

The IBEX 35 gained 562.5 points (6.54%) last week.



**The FTSE added 223.49 points (3.32%) last week.**

Index broke out of the triangle upwards.  
\$FTSE moved above the 20-day moving average.

Short-term momentum indicators are Positive.

**Europe iShares gained \$1.76 (3.81%) last week.**

Intermediate trend changed from Neutral to Positive. Strength relative to the S&P 500 remained Neutral.  
\$IEV broke out of the Coil upwards.

Units closed at the 20-day moving average.  
Short-term momentum indicators are Positive.

**Fixed Income markets commentary & weekly charts****International Bonds**

## Ten year government bond spreads

Country	Latest yield	Spread vs bund	Spread vs T-notes
Australia	2.79%	+2.48	+0.35
Austria	0.55%	+0.24	-1.89
Belgium	0.63%	+0.32	-1.81
Canada	--	--	--
Denmark	0.45%	+0.14	-1.99
Finland	0.48%	+0.16	-1.97
France	0.75%	+0.44	-1.69
Germany	0.31%	--	-2.13
Greece	6.79%	+6.47	+4.34
Ireland	0.88%	+0.57	-1.56
Italy	1.81%	+1.50	-0.63
Japan	0.06%	-0.25	-2.38
Netherlands	0.46%	+0.14	-1.99
New Zealand	3.30%	+2.98	+0.85
Portugal	3.76%	+3.44	+1.31
Spain	1.41%	+1.10	-1.03
Sweden	0.58%	+0.27	-1.86
Switzerland	-0.11%	-0.42	-2.55
UK	1.40%	+1.09	-1.04
US	2.44%	+2.13	--

Data delayed at least 15 minutes, as of Dec 14 2016 13:34 GMT.

## US Bonds

Intermediate trend remains up. \$TNX remains above its 20-day moving average.

Short-term momentum indicators seem to be rolling over.

Yield on 10 year Treasuries added 0.74 basis points (3.10%) last week.



The long term Treasury ETF lost 2.10 points (1.76%) last week.



TLT continues the steady bearish momentum.

Short term momentum indicators are showing the signs of bottoming.

## Currencies weekly charts

The Euro dropped 1.05 points (0.99%) last week.

Intermediate trend remains Negative. The \$XEU remained below the 20-day moving average.

Short-term momentum indicators are Negative.



The US\$ added 0.64 points (0.64%) last week.

Intermediate trend remains up but is showing signs of exhaustion. The US\$ remained above its 20-day moving average.

Short-term momentum indicators are mixed.





### The Japanese Yen dropped 1.40 points (1.59%) last week.

Intermediate trend remains negative with no signs of bottoming.

Short-term momentum indicators are still Oversold.



### The Canadian Dollar added 0.67 (0.89%) last week.

Intermediate trend is Positive. \$CDW broke through the upper trend line.

Short-term momentum indicators are Positive.



## Commodities commentary & weekly charts

### The CRB Index gained 0.29 points (0.15%) last week.

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

The \$CRB remained above its 20-day moving average.

Short-term momentum indicators are mixed.



**Copper added \$0.02 per lb. (0.86%) last week.**

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

Copper closed above the 20-day moving average.

Short-term momentum indicators are rolling over.

**Lumber dropped \$19.90 (5.90%) last week.**

Intermediate trend changed from Positive to Neutral.. Strength relative to the S&P 500 Index changed from Neutral to Negative.

Lumber moved below its 20- day MA. Short-term momentum indicators are Negative.

**The Grain ETN added \$0.68 (2.40%) last week.**

Intermediate trend remains Positive. Units rebounded off the lower trend line once again. Price remained below their 20-day MA. Short-term momentum indicators are Positive.

**The Agriculture ETF gained \$2.19 (4.29%) last week.**

Intermediate trend remained Positive. Strength relative to the S&P 500 Index has changed from Neutral to Positive.

Units closed above the 20-day moving average.

Short-term momentum indicators are Overbought.

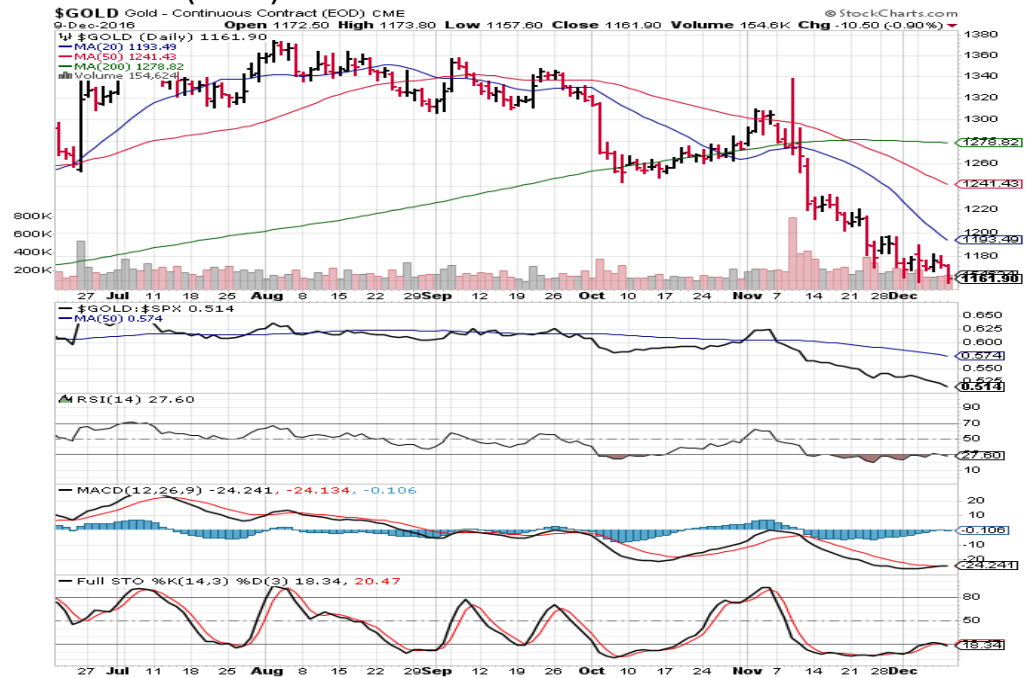


## Gold &amp; Precious Metals weekly charts

Gold lost 15.90 (1.35%) last week.

Gold remains the bearish momentum towards the next support.

Gold remains below its 20-day moving average. Short-term momentum indicators indicate some signs of bottoming.



Silver added \$0.14 per ounce (0.80%) last week.

Silver rebounded towards the middle of the bearish channel.

Silver moved above its 20-day moving average. Short-term momentum indicators are mixed.



Platinum lost \$17.70 per ounce (1.90%) last week.

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

\$PLAT trades below its 20-day Moving Average. Momentum indicators are Mixed.



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

\$PALL rebounded from the old resistance indicating it is now support.

Short-term momentum indicators are rolling over.

**Palladium dropped \$10.45 per ounce (1.40%) last week.**



## Oil, gas & energy weekly charts

**Crude oil lost \$0.18 per barrel (0.35%) last week.**

Intermediate trend changed from Neutral to Positive. Strength relative to the S&P 500 Index is Positive. \$WTIC is pressuring the 52 resistance.

Short-term momentum indicators are Positive.





**Gasoline dropped \$0.05 per gallon (3.32%) last week.**

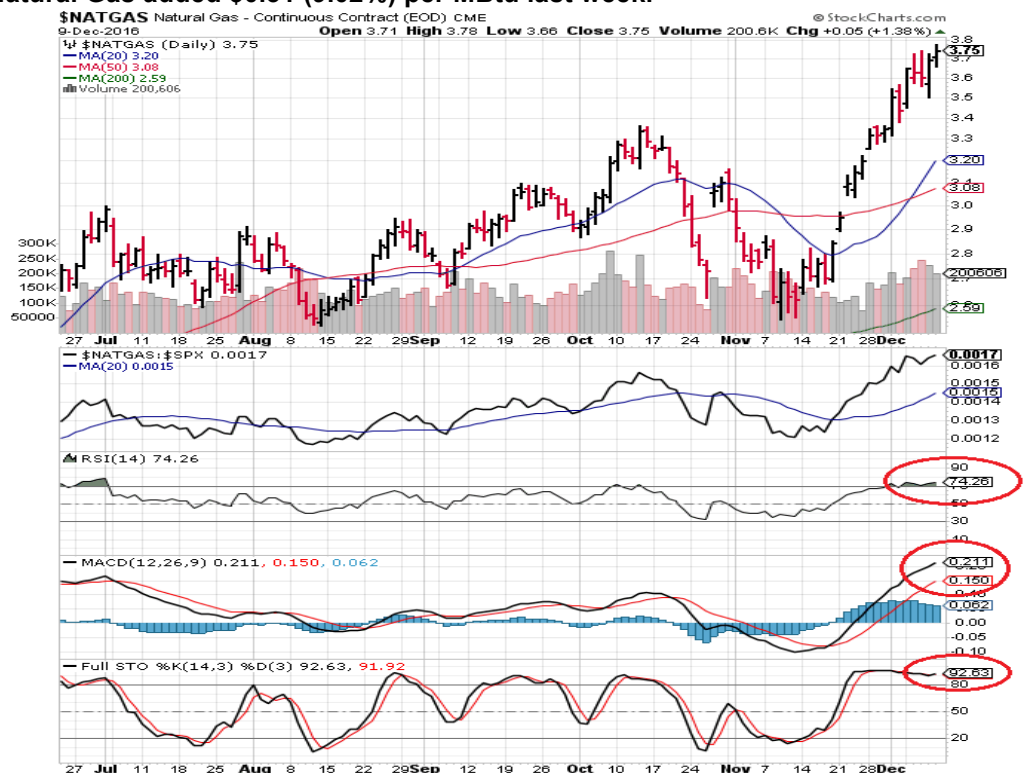
Intermediate trend changed from Neutral to Positive. Strength relative to the S&P 500 Index is Positive. \$GASO rebounded from the old 1.50 resistance.

\$GASO is above the 20-day moving average. Short-term momentum indicators are mixed.

**Natural Gas added \$0.31 (9.02%) per MBtu last week.**

Intermediate trend remains Positive. Strength relative to the S&P 500 Index changed remains Positive. Positive. \$NATGAS created a new high at 3.75

\$NATGAS remains above its 20-day moving average. Short-term momentum indicators are slightly Overbought.



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