



# Creative Global Investments

## 2019 Q1 Global Investment Outlook & Strategy

- Global GDP to advance at much slower 2.0% to 2.3% in 2019
- Global inflation to drop under 3.5%, US under 2.0%, EU under 2%
- US economy to slow toward 1.7% to +2.2% in Q1, embedded USD-strength to weigh on trade, tourism, FDI
- US presidency and government policies (Mueller investigation; labor; trade; social) continue negatively impact US assets & cause further outflows
- EU GDP in Q1 to slow towards 10% to 1.2% growth, expect Q1 and full year 2019 downward revisions
- Chinese GDP in Q1 will stay on track for 4.0% to 5.0% growth
- Chinese assets/equities being oversold and very cheap will attract more in-flows in Q1 and throughout 2019
- 10-Year US Treasury yields will drop below market expectations in Q1 (our 2019 low target for \$TNX is 2.00%)
- USD will decline towards 90 in 1H 2019, EURUSD will move higher towards 1.22 within 1H of it's 20<sup>th</sup> birthday-year
- Commodities & Oil (2019 high price target WTI \$78) will move significantly higher in Q1
- US November election outcome has proven to be a temporary top for global equities as anticipated
- Global Equities likely to continue to decline by -5% to -8% in Q1 and underperform Global & US Government Bonds
- EAFE (EU, China and Japan particularly due to period of seasonal strength, annual dividends) and EM equities to outperform US equities in Q1
- For equity investors we recommend to Overweight in the following sectors:  
Industrial, Material, Energy, Utilities

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## CGI 2019 Q1 Economic and Investment Outlook at a Glance

### Economic outlook

### Markets



- The global economy is decelerating further in Q1 due to less stimuli and due to trade penalties and geopolitical distress
- Productivity growth to improve slower due to labor, financial and product markets reforms in place, particularly in Europe
- Investment to slow (modernization of capital stock)



- The US economic momentum will slow in Q1, plus there will be a negative impact of stronger US\$ on US corporate earnings. In spite of trade renegotiations, US exports will remain weak and won't yield the "trumpeted" intentions. Trade rhetoric and policy changes will fail to negate the rising trade imbalance of the US, and will also fail to attract FDI.



- The macro-economic momentum in Europe will slow towards 1.0% to 1.2% GDP growth in Q1, governments re-launching spending programs (Juncker-Plan, EFSI infrastructure, privatizations, etc.) and lower interest rates as the US, with double the equity yield for EU equities versus the US will continue to make EU markets a very attractive place to invest



- EM economies are decelerating less, with ASIA, AFRICA and ME where the supply/inventory/demand rebalancing of commodities and rising prices will hurt less
- Given the benign macro influence from developed economies, we do expect for EM central banks to further lower rates all through the Q1 2019

#### Equities

- Globally, long-term, equities still offer decent risk return opportunities for 2019 of all asset classes, particularly from an DDM and total return aspect
- However, a Q1 decline of -7% to -10% is likely, mostly for developed markets, but also for select EM's. We are expecting US equities to underperform EAFE until year-end 2019.

#### Bonds

- We expect for US, European and Asian 10-Y government bond yields to decline, but remain in their long term trend range throughout Q1 2019.
- We do not expect another Fed rate hike in Q1 2019, mainly due to the FED's concern on a likely temporary strengthening impact it could have on the USD, and the mitigating inflationary impact

#### Commodities

- Commodities, particularly energy, OIL, Nat Gas still have upside, we see the potential for +20% price recovery in Q1, particularly on OPEC deal to extend production cuts further throughout rest of 2019.
- Base metal prices are in a cyclical recovery. Global supply developments will lead Copper, Zinc and Nickel significantly higher in the next two years.

#### Currencies

- We expect a reversal in the USD Index back towards below 0.92, and for EURUSD 1.20 by end of Q1 2019, commodities based currencies to add another +7% to +12% to against the USD by year-end 2019.
- Yuan as currency reserve will continue attracting global flows into China, Petro Yuan issuance will weigh more on USD. USJPY to move to 106 by end of Q1 2019



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## 2019 Q1 Tactical Asset Allocation

Assets classes		Recommendation as of December 18 <sup>th</sup> , 2018							Change since September 29 <sup>th</sup> , 2018
		+++	++	+	0	-	--	---	
Equity Markets	USA					X			Reduce weighting
	Europe		XX						Increase weighting
	Japan		XX						Increase weighting
	Asia/Pacific		XX						Increase weighting
	Emerging Markets		XX						Unchanged
Bond Markets	Developed Markets			X					Reduce weighting
	Emerging Markets			X					Unchanged
	Inflation Linked					X			Reduce weighting
	Investment Grade			X					Unchanged
	High Yield				X				Unchanged
	Convertibles				X				Unchanged
Private Equity & Real Assets	Listed Private Equity			X					Increase weighting
	Commodities	XXX							Increase weighting
Cash						X			Reduce weighting
Forex	USD						XX		Reduce weighting
	EUR		XX						Unchanged
	Yen			X					Unchanged
	EM & Others		XX						Increase weighting



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## CGI 2019 Q1 Major Assumptions

➤ **The global GDP growth is slowing noticeably and demand for commodities implicitly. US fiscal policy tailwind for GDP expansion is fading and domestic Chinese growth is slowing and similarly Japan's and the EU's.** As we were anticipating in our Strategy Outlook for Q4 in 2018, Q4, global bond yields have peaked, and we see a reversal for the US 10-Year yield to continue its decline back towards the lower support of the 35 year trend channel of around 2.10% for 2019. The consolidation phase in commodity prices in recent months has been constructive. We believe that the trade sanctions, and trade tariffs are not going to have a mitigating impact on the developments for commodity prices, on the contrary, historically this has lifted commodity prices in the 9 subsequent months to tariff implementations. With a republican leadership in the US for the next 2 years, albeit stifled by Democratic control of the Federal Budget, we believe that the commodities run will return. A recent endowment report by the world's largest universities underscored the fact that the impact of alternatives on portfolios has actually provided more upside potential and less downside risk. Accordingly, the combination of alternatives with additional exposure to traditional asset classes has been demonstrating that the impact on an institutional portfolio may be substantially greater than the sum of its parts. For 2019, **we continue seeing a strong investment case for institutions needing to increase their allocations to almost all forms of alternatives to above 28% of portfolio assets, up from 23% in 2013 and 25% in 2015.**

➤ China continues to de-leverage the shadow banking sector, which we believe has positive long-term implications. We will probably see more of a US and China tit-for-tat trade dispute, as opposed to a full-out trade war. Our baseline market analysis shows Chinese assets likely will face increases volatility but solid fundamentals will attract more of investors' allocations. We think market investors' current skepticism towards EU, EM equities is healthy, as it balances out exuberance in the market. And what worked in the last decade probably is not necessarily going to work going forward.

➤ **For Q1 2019, we see best alpha opportunities for investors in the G-10 equities, particularly in global Consumer goods, industrials, Manufacturing, Utilities, Insurance. Although globally equities are now less expensive, US equities are currently representing the highest valuation risk, with headwind of a "too strong" USD not factored in correctly by analysts yet..**

➤ **We are advising investors to reduce cash levels (we see EM currencies tremendously undervalued relative to the US\$). We are advising for investors to reduce exposure in Q1 in long term government bonds (10-Year US Treasuries and European 10-Year government bonds, preferably in peripheral markets such as Spain, Italy, France but also in EM markets and commodities producing and exporting sovereign long term debt) until bonds will exit their period of seasonal strength in May 2019. We see the US 10-Y Treasuries trending in a range of 2.80% to 2.10% over the next 12 months as we continue to see the FED baffled about the US growth outlook. not enough inflation, too strong of a US\$ relative to global growth prospects and relative to US\$ denominated debt obligations. The FED will be forced to reverse monetary policy course in 2019.**

➤ **We are expecting the USD to fade further in Q1, and correct towards \$USD 92 and EUR/US\$ 1.20, and implicitly for Oil & commodities to rise further, and for WTI to hit our 2019 \$78/brl very aggressive price target, and continue to recover by +15% to +20% in 1H of 2018, and raise our full year 2019 price target to \$80/brl for WTI (previously \$78/brl)**



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## CGI 2019 Q1 Recommendations

### Q1 Major Long Calls

- US10Y Treasuries
- EUR, EM currencies vs. USD
- EU, Japanese, EM equities, (particularly Chinese, Brazilian)
- Value stocks, High dividend yielding stocks
- Industrial equities, Materials, Energy,
- Commodities (\$WTI, \$BRENT, \$SILVER, \$PLAT, \$PALL, \$COPPER, Wheat, Soy, Coffee)

### Q1 Major Sell/Short Calls

- USD
- GBPEUR, GBPUS
- US Growth stocks, FAANG, TSLA
- REIT's (CRE & RRE)



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## 2019 Q1 Global Macro & GDP Outlook

- Barring any major geopolitical escalations, Global GDP will grow a tad more modestly in Q1 2019 +2.2% (we reduce our global 2019 fy GDP forecast to 2.5% from previously +3.1%)
- Europe will grow towards +1.4% to 1.7% range, with Germany, France, Italy, Spain, SEE governments re-launching spending programs; European exports will accelerate due to lower Euro weighted average (+/-EURUSD 1.15)
- Japan will experience a drop towards +0.6% to 1.0% GDP growth, mostly due to still strengthening weighted average Yen (2019 average USDJPY average 108) exports will slow slightly
- China will continue to experience slightly lower GDP growth in 2019 at +4.0% to +5.5%
- India's GDP will slow slightly towards +4.0% to 5.5%, still driven by weakening inflation and continued consumer strength
- EM's will decelerate towards +3.0%
- Globally commodities & food prices have bottomed, and supply/demand ratios are rebalancing, Energy, Agro & hard commodities demand and pricing will improve
- Global central banks, lead by the US reversing monetary policy course to easing, will keep interest rates low throughout 2019
- US & European Corporate and Consumer Credit will temporarily tighten a tad, however remain very loose by historic standards
- US employment will slow, related wage pressures are going to remain benign, European unemployment to still improve in particular due to government infrastructure program investment increases (France; Germany, Holland, Spain, Italy, Portugal, SEE)
- US 10-Y T-Bonds will decline in spite their traditional period of seasonal weakness, and re-test the higher long-term trading range towards our 2019 target of 2.10% to 2.35%, whilst Japanese and European 10-Y Bonds similarly will re-test higher yield trend levels (German 10Y to .70%, French 10Y to 1.25% )
- USD will continue to consolidate in Q1 and throughout 2019; USD retesting 0.90, EURUSD 1.24, and USDJPY 105 - 110



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## CGI 2019/2020 GDP Forecasts

Annual GDP Growth %	2019 CGI GDP Forecast (e)	2019 GDP Consensus (e)	2020 CGI GDP Forecast (e)	2020 GDP Consensus (e)	2021 CGI GDP Forecast (e)	2021 GDP Consensus (e)
<b>Global</b>	<b>2.4%</b>	3.2%	<b>2.2%</b>	3.4%	<b>2.5%</b>	3.4%
<b>G-10</b>	<b>1.8%</b>	3.1%	<b>2.0%</b>	3.3%	<b>2.0%</b>	3.0%
<b>US</b>	<b>1.8%</b>	2.5%	<b>2.0%</b>	2.3%	<b>1.5%</b>	2.0%
<b>Canada</b>	<b>1.6%</b>	1.8%	<b>1.6%</b>	2.0%	<b>1.5%</b>	1.8%
<b>EURO AREA</b>	<b>1.4%</b>	1.7%	<b>1.6%</b>	1.7%	<b>1.8%</b>	1.5%
<b>Germany</b>	<b>1.4%</b>	1.8%	<b>1.6%</b>	1.8%	<b>2.0%</b>	1.8%
<b>France</b>	<b>1.2%</b>	1.2%	<b>1.3%</b>	1.2%	<b>1.7%</b>	1.2%
<b>UK</b>	<b>0.8%</b>	1.6%	<b>1.0</b>	1.8%	<b>1.2</b>	1.8%
<b>Japan</b>	<b>1.0%</b>	1.3%	<b>1.2%</b>	0.8%	<b>1.0%</b>	0.5%
<b>China</b>	<b>4.8%</b>	5.0%	<b>4.3%</b>	5.5%	<b>6.2%</b>	5.5%
<b>India</b>	<b>5.0%</b>	6.0%	<b>5.5%</b>	6.0%	<b>5.3%</b>	5.5%
<b>Brazil</b>	<b>2.5%</b>	2.0%	<b>2.5%</b>	2.0%	<b>2.5%</b>	2.0%



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Europe

## 2019 Q1 Macro Outlook Europe

- European investment programs to remain on target in Q1 2019 (“Juncker-Plan”, Juncker EU reform package, EFSI, infrastructure, energy, alternative energy; ICT; water; transport logistics, airports, ports, roads, rails etc.)
- German, French, Spanish, Italian, Portuguese, Benelux, Greek governments and municipalities will increase spending
- Euro GDP to slow in Q1 (+1.4% to + 2.0%) with EU inflation to remain between +1.0% and +1.7% levels
- Inflationary pressures to fade due to lower commodities’ prices, personal consumption to continue to rise modestly
- German GDP will decelerate in Q1 2019, due to new government’s enacted stimulus plans and still continue to drive EU GDP and Export growth (German 2019 GDP +1.4% and +2.0% for 2020)
- The weaker “weighted Euro” in 2019 (EURUSD bottomed in 2016 at 1.0480, to gradually move towards 1.24 year-end 2019, and towards 1.28 in 2020 will continue to enable European exporters to hedge future sales, increase competitiveness, increase margins, and increase corporate profits
- Peripheral Economies (Spain, Portugal, Italy, Ireland, SEE) will continue to improve 2019 fiscal positions
- Global fixed income markets will continue to focus on Spain, Italy, French , Greek, Portuguese debt issues improving in Q1 2019;
- EU public aggregate debt 2019 will be around 84% of GDP, and budget deficits will be managed well contained within the -3% of GDP.
- UK deficit/Gilts/GBP will come under more pressure in Q1; “Brexit”-related GBP will likely weaken to below GBP/US\$ 1.18

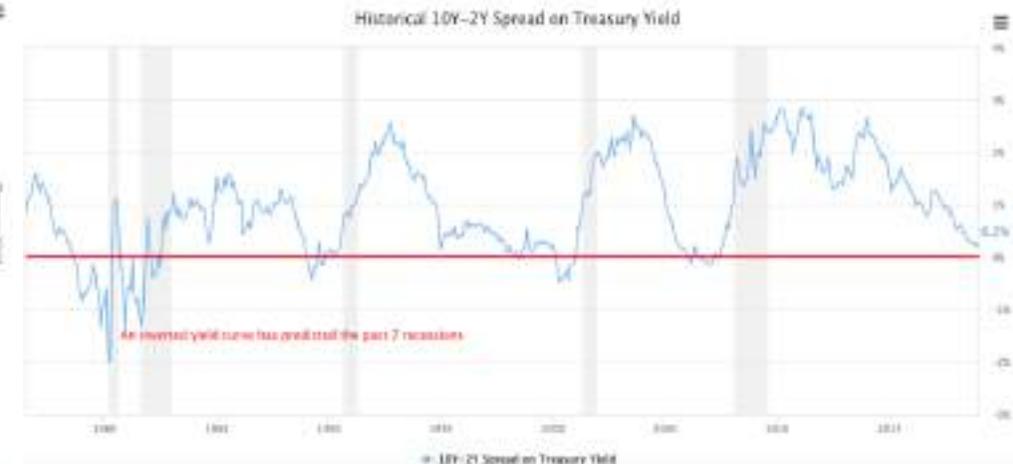
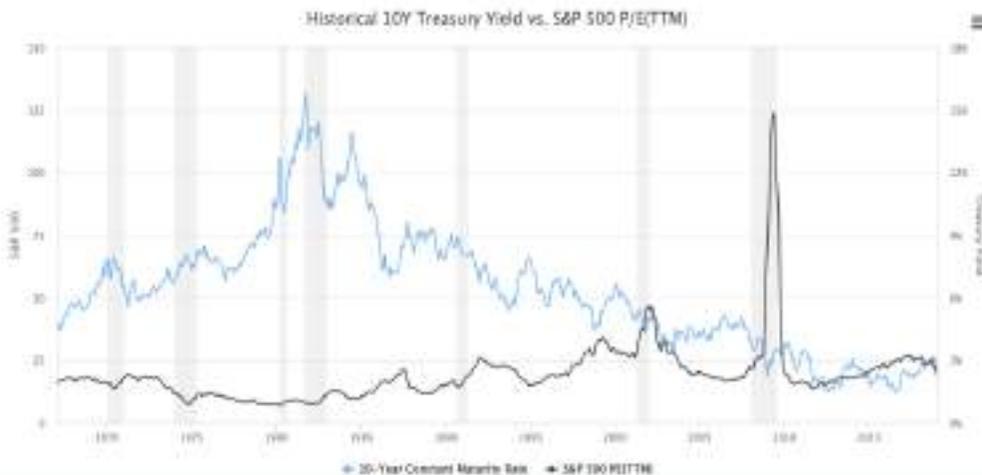


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## 2019 Q1 Macro Outlook United States

- **US Q1 GDP will slow to below our 2019 annual target of +2.0%, mainly due to embedded and renewed strength of USD, but also a roll over of the US consumer (housing, automotive, consumer discretionary sector shows clear signs of this already). The implied strength of the USD will negatively impact US economy, exports will decline, imports will grow, now commodities manufacturing is experiencing further capacity shutdowns (Shale Oil, Nat Gas, industrial metals), which will drive upside speculation & pressures to prices. US trade deficit widening further in Q1 2019 due to still too strong USD, US competitiveness will decline further, US productivity growth will still slow on absolute and relative basis in 1H 2019, particularly in industrial manufacturing, tourism, M&A, FDI to slow even further in 2H 2019. The still too strong USD against most currencies has the potential to trigger renewed volatility in asset classes sensitive to its swings by summer 2019**
- **We are expecting 10-Year T-bond yield to fall towards 2.30% in Q1, the seasonal period of weakness for US based long bonds goes from October to May each year. Later in 2019, we can even see the 10-Year treasuries yield to drop again towards the bottom of the 35-year long term trend support towards 2.00%.**





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## 201 Q1 Macro Outlook Japan

- Japanese GDP will decelerate in Q1 2019 as additional economic stimuli are fading (ABE's 3<sup>rd</sup> arrow, plus new government stimulus measures have peaked) and strengthening JPY will hurt momentum for exports and corporate [profitability].
- Currency pressures will rise for YEN (after we expect the JPY to remain in USDJPY 106 – 110 range between now and fiscal end 2019 (March 31<sup>st</sup> 2019), however, we see for the coming 6 – 9 months increasing risks for the YEN to rise back towards USDJPY 104
- Japanese corporate profitability will be heavily watched, as companies & boards are increasingly focusing on ROE/ROI
- Private consumption and residential investment should help to shore up overall growth in Q1 2019 and beyond.



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## 2019 Q1 Macro Outlook Asia

- **China's GDP to stay at current pace (+4.0% to +5.5% annualized)** A stable Chinese economy is a requirement for the global economy to prosper. Sustained Chinese growth momentum in 2019 should support our overweight to equities relative to government bonds.
- **China's productivity gains to improve, cost management will improve, inflation will decelerate, interest rates possibly declining will help real estate and equity markets further**
- **Chinese currency will see increased volatility in forex markets, and we see it likely to regain strength towards USDCNH 6.50 in Q1, due to US – China trade war talks and rhetoric fading. Further ahead, we see the Chinese government focusing on deemphasizing Petrodollars for substitution of Petro Yuan, which will push up demand for the Yuan significantly, and inversely put pressure on the USD. We maintain our 2019 USDCNH forecast of 6.2.**
- **Chinese government will become more hospitable towards FDI**
- **M&A (domestic and foreign) activities will pick up**
- **India GDP to remain strong (+4.5% to 5.0% annualized) due to strong consumption and continued impact of weaker commodities prices and related weaker inflation**
- **India's inflation will be declining substantially, interest rates could be cut further, investment to accelerate (government FDI incentive programs like in the railway sector (FDI in railway sector can be 100%) will also be applied to defense sector, insurance sector (FDI limits will be raised from 26% to 49%) will give boost to manufacturing and service sectors**
- **Thailand & Indonesia GDP growth to accelerate in Q1 2019 to above 4%, Malaysia & Singapore to above +3%**



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## 2019 Q1 Macro Outlook Latin America

- Economic conditions in Latam will improve further in Q1 2019 to a GDP growth of +1.5% to 2.5% range
- Commodity based economies (Argentina, Chile, Peru, Brazil, Mexico, Columbia) will improve due to commodity prices bottoming (local currencies rebounding further against the USD), and structural reforms taking affect.
- Brazil's structural reforms will help GDP to improve towards +2.4% in Q1 2019 and throughout 2019.
- Argentina will accelerate towards 2.0% in 1H 2019
- Long term investment plans focusing on infrastructure investment, FDI, improving educational system and technology innovation will be key for growth success



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## 2019 Q1 Macro Outlook MENA

- African and MENA GDP to resume to higher growth (UAE +5%; Africa +4%; Sub-Sahara +5%) in Q1 due to stable Oil prices post OPEC production cuts agreement, MENA inflation (food & energy) to remain benign in Q1 2019
- UAE and other MENA countries to continue to focus on deemphasizing USD trade currency (Oil; other commodities) substitute into EURO; Ruble; Yuan
- SA to face challenges from widening fiscal deficit (public wages concern)

## 2019 Q1 Macro Outlook ROW

- Frontier market economies to pick up, inflation to drop further in Q1 2019
- Frontier market currencies to stabilize and strengthen against USD Index
- Russia & Ukraine & Balkan crisis has ended in 2016, growth will accelerate, currencies will strengthen further against the USD, despite more interest rate cuts



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## CGI 2019/2020 Currency Forecasts

Currency	Spot Price December 28 <sup>th</sup> , 2018	Q1 2019 CGI Forecast	2019 CGI Forecast	2019 Consensus Forecast	2020 CGI Forecast	2020 Consensus Forecast	2021 CGI Forecast	Chart Technical Momentum	Long-term trend
USD Index	96.45	.92	.88	.98	.85	.95	.85	negative	downward
EURUSD	1.14	1.22	1.25	1.18	1.28	1.10	1.30	positive	upward
USDJPY	111.3	108	105	110	112	110	110	neutral	upward
EURJPY	126.4	130	132	122	135	125	135	positive	upward
EURGBP	.90	.95	1.02	.90	1.05	.95	1.15	positive	upward
GBPUSD	1.265	1.25	1.18	1.20	1.15	1.20	1.05	negative	downward
EURNOK	9.97	9.00	8.5	9.00	8.5	9.00	8.5	positive	upward
USDBRL	3.90	3.6	2.80	3.15	2.65	3.15	2.50	negative	downward
US\$/CHF	1	.95	.90	0.85	.90	0.85	0.85	neutral	downward



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## EUR/US\$ 2-Year Chart



## EUR/US\$ 15-Year Chart



## US DOLLAR INDEX 2-Year Chart



## US DOLLAR INDEX 15-Year Chart





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## US\$/YEN 2-Year Chart



## US\$/YEN 25-Year Chart





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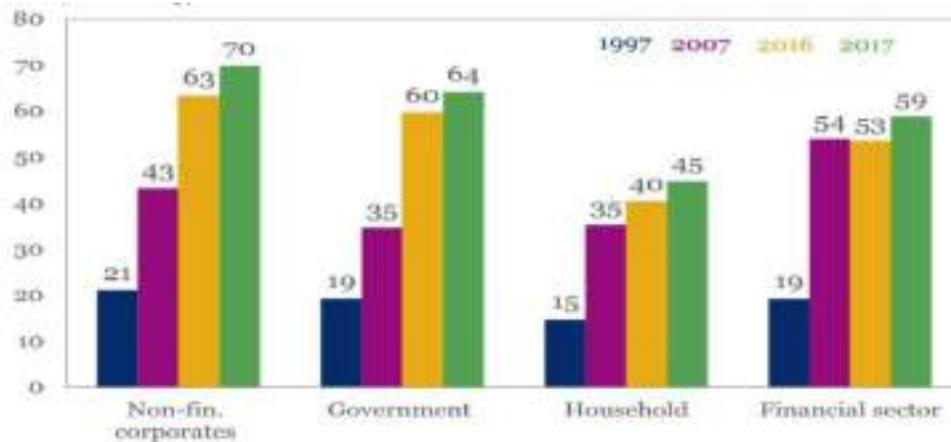
## 2019 Q1 Global Fixed Income Outlook

Category	Positives	Possible Concerns	Negatives
<b>Government</b>	US, Canada, Mexico, Norway, Australia, Indonesia, Philippines, Italy, Portugal, Spain	China, ME, Russia	UK, Venezuela, Australia,
<b>Corporate</b>	India, China, Germany, France, Spain, US, Argentina, Brazil, Russia,	UK CRE, UK RRE,	US REIT's, UK REIT's
<b>High yield</b>	Argentina, Brazil, Hungary, Taiwan, Korea, Russia Spain,	UK ,Australia	Venezuela, Columbia,

Global debt load rises 11% y-o-y, a record USD 247 TRN in Q2 2018 (IIF).  
 First quarterly increase in debt-to-GDP ratio since Q3 of 2016.

The biggest debt related problem we see is the fact that 30% of US debt is held by foreigners. For years we've been warning of the rising trade deficits as an increasing problem. The US trying inflating its way further out, may cause an inevitable downside of the USD, and in that case, the US will suffer far more than its creditors.

**Global Indebtedness in USD Trillions**



Source: IIF Global Debt Monitor

**2018 Q2 US debt was at USD 21.3 Trillions**



Source: U.S. Treasury



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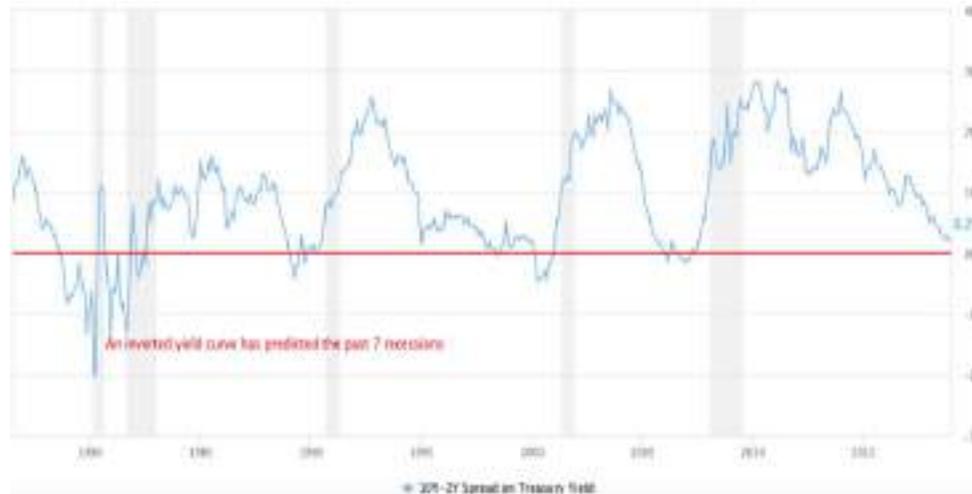
## 2019 Q1 Global Fixed Income Outlook

Low interest rates enable corporations to borrow money for unproductive activities such as overvalued M&A transactions, and excessive stock buybacks at elevated stock prices. Idiotic tax policies further encourage corporations that can't grow organically and/or want to reduce their taxes to enter mergers that primarily benefit short-term oriented shareholders and executives while leading to large layoffs and lower capex and R&D spending. Corporate spending on unproductive activities far exceeds the free cash flow companies are generating, leading them to inflate their balance sheets with more debt. US corporates appear to be spending way too much (over 35% more than their operating cash flow, the biggest deficit in over 20 years of data) and are using debt issuance to make up the difference. This excessive spending exceeds previous peaks in 1998 and 2008 (both of which ended in deep corporate credit crises). And for those who argue that the problem is limited to energy companies, think again: even if we exclude the oil and gas sector, corporations are still outspending free cash flow by a large margin.

Corporate leverage is elevated and continues to rise to unusually high levels given where we are in the cycle [late], with the most worrying rise in small cap stocks' debt levels [which coincides with junk-rated companies]...The catalyst for a balance sheet crisis is rarely the affordability of interest rates, so a 25bp rise in Fed rates is neither here nor there. Credit market risk is about assessing the likelihood of getting your money back. As such asset prices (i.e. equity markets) and asset price risk (i.e. equity volatility) are far bigger concerns. So all you need for a balance sheet crisis is declining equity markets, a phenomenon the Fed appears desperate to avoid.

The following chart showing the yield spreads of the 2-year US Treasury note relative to the 10-year US Treasury Bond has been a pretty good predictor of 7 of the last 7 recessions that the US has suffered. Why do investors think that this time it should be any different, beats us.

Historic US yield spreads 10Y-treasury versus - 2Y



US Corporate Debt to GDP





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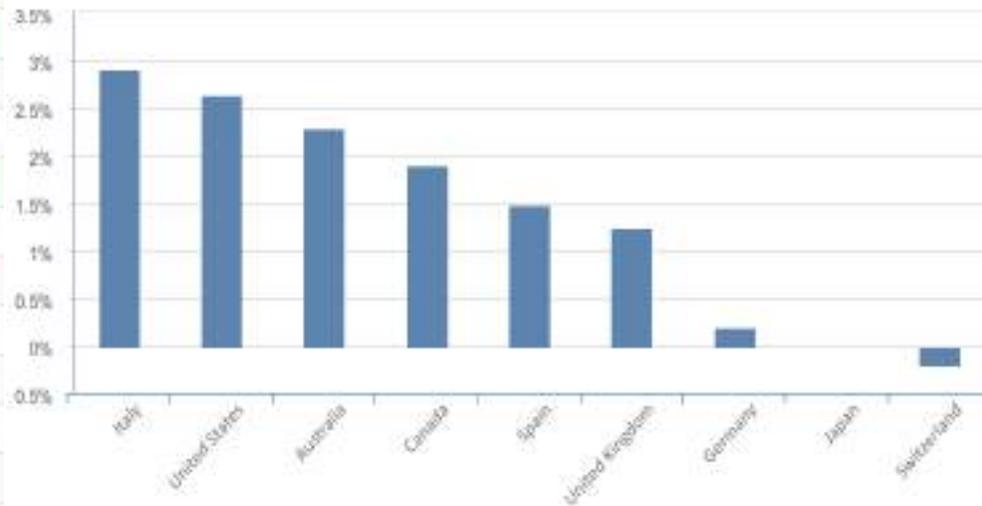
Given the slowing global macroeconomic conditions, and increasing geo-political tensions with regards to the US (trade policies, and Europe (Brexit), global bonds seem currently still priced too low short term, and we see bonds to rise throughout Q1 from both global macro-, monetary policies, fundamental- and chart-technical aspects. We see the biggest yield compression potential land relative value for Brazil, Mexico, India and Italy, besides US 10-Year Treasuries in 1H of 2019.

**Major Countries 10-Year Government Bond Yields**

Major 10Y	Yield	Day	Weekly	Monthly	Yearly	
Brazil	9.14	▲ 0.02	0.02%	-0.13%	-0.99%	-0.88%
Mexico	8.49	▼ 0.13	-0.10%	-0.26%	-0.64%	1.04%
India	7.51	▲ 0.06	0.06%	0.14%	-0.06%	0.16%
Greece	4.39	▼ 0.58	-0.58%	-0.61%	-0.74%	-0.25%
Italy	2.92	▲ 0.03	0.03%	0.15%	-0.18%	0.94%
US	2.65	▼ 0.01	-0.01%	-0.04%	-0.18%	0.17%
New Zealand	2.43	▲ 0.08	0.08%	0.04%	-0.03%	-0.38%
Australia	2.29	▲ 0.08	0.08%	-0.03%	-0.15%	-0.33%
Canada	1.91	▼ 0.02	-0.02%	-0.05%	-0.23%	-0.25%
Portugal	1.81	▼ 0.00	0.00%	0.08%	0.02%	-0.05%
Spain	1.49	▲ 0.01	0.01%	0.07%	0.02%	0.01%
UK	1.24	▼ 0.04	-0.04%	-0.03%	0.04%	-0.03%
France	0.70	▲ 0.01	0.01%	-0.01%	0.01%	-0.09%
Netherlands	0.35	▼ 0.02	-0.02%	-0.04%	-0.05%	-0.17%
Germany	0.20	▼ 0.01	-0.01%	-0.05%	-0.04%	-0.23%
Japan	-0.02	▲ 0.02	0.02%	-0.02%	-0.09%	-0.07%
Switzerland	-0.20	▲ 0.03	0.03%	0.05%	-0.06%	-0.09%

**Major Countries 10-Year Government Bond Yields**

**10 year Bond Yield Chart**





# Creative Global Investments

Given the slowing global macroeconomic conditions, which will affect US companies revenues and earnings, and increasing geo-political tensions in the US, with regard to Trump's trade policies, Federal Budget Deficit Ceiling (now in democratic control), Federal Government shut-down & negative impacts, combined with the negative embedded impacts of a "too strong USD" and a widening trade deficit and declining US corporate competitiveness, we think global government bonds, and particularly US government bonds seem currently still priced too low short term. Hence why **we expect the 10-Year US government bonds to move higher, and yields to move lower, and remain long term range-bound from here into the end of Q1**, We expect yields for the US 10-Year Government Bonds to settle between 2.20% to 2.60% by the end of Q1 2019.

### US 10-Year Treasuries Yield 2-Year Chart



### US 10-Year Treasuries Yield 20-Year Chart





# Creative Global Investments

## 2019/2020 Commodity Prices Forecasts

Commodity	Price December 23rd, 2018	2019 Q1 CGI Forecast	2019 CGI Forecast	2019 Consensus Forecast	2020 CGI Forecast	2020 Consensus Forecast	Chart Technical Momentum	Long-term trend
WTI Oil	45.59	65	78	61	80	64	Positive	upward
Brent Oil	53.82	68	80	63	84	64	Positive	upward
Nat Gas	3.75	3.80	4.20	3.8	4.5	3.50	Positive	upward
Gold (US\$/oz.)	1,258.10	1,375	1,450	1,285	1,500	1,330	Positive	upward
Copper (US\$/oz.)	267.00	300.0	300.0	280	315	280.0	Positive	upward
Silver	14.70	16.50	20.00	18.00	22.00	18.00	Positive	upward
Platinum	795.80	925	1,150	1,000	1,250	1,150	Positive	upward
Wheat	513.75	530	550	450	470	460	Positive	upward
Coffee	99.70	105	125	110	130	125	Positive	upward
Sugar #11	12.34	15.00	16	18	18	18	Positive	upward
CRB Reuters/Jefferies	172.13	200.00	210	200	235	210	Positive	upward



# Creative Global Investments

## \$CRB 2-Year Chart



## \$CRB 15-Year Chart



## GOLD 2-Year Chart



## GOLD 20-Year Chart





# Creative Global Investments

## WTI OIL 2-Year Chart



## WTI OIL 20-Year Chart



## Brent 20 Year-Chart



## Brent/WTI spread 20-Year Chart





# Creative Global Investments

## CGI 2019 Q1/2019/2020 Global Equities Indices Targets

Index	Price December 28 <sup>th</sup> ,2018	Earnings Momentum	Chart Technical Momentum	CGI Q1 2019 Price Target	CGI 2019 High Price Target	CGI 2020 Price Target	CGI 2020 Rating
Global Dow	2,212	+	+	2,350	2,750	2,850	Positive
S&P 500	2,416	0	-	2,250	2,750	2,850	Negative
Russell 2000	1,292	+	+	1,200	1,625	1,600	Negative
NASDAQ 100	6,332	+	0	6,200	8,000	7,200	Negative
NIKKEI 225	20,166	+	+	22,200	23,200	25,200	Positive
FTSE	6,721	0	0	6,200	7,100	7,300	Negative
DAX 30	10,633	+	0	11,500	12,500	13,500	Positive
CAC 40	4,694	+	+	4,850	5,350	5,400	Positive
SMI	8,417	0	0	8,000	9,000	9,000	Neutral
IBEX 35	8,556	+	0	9,000	10,200	12,500	Positive
RTS	1,077	+	+	1,200	1,350	1,750	Positive
BOVESPA	85,697	+	+	82,000	92,000	98,000	Positive
Mexican Bolsa	41,468	0	0	40,000	48,000	55,000	Positive
Hang Seng	25,753	+	0	28,500	29,500	35,500	Positive
Sensex	35,742	+	+	37,000	42,000	45,000	Positive
Shanghai	2,516	+	+	2,900	3,200	5,200	Positive
TSX	13,935	+	+	14,000	16,850	17,800	Positive

- = Negative  
0 = Neutral  
+ = Positive



# Creative Global Investments

## 2019 Q1 Global Equities Outlook per Country

Country	Valuations	Earnings Momentum	Balance Sheets	Chart Technical Momentum	Equities/Bonds DDM	Country risks (political, fiscal, regulatory, other)	CGI 2019 Q1 Outlook
US	-	-	0	-	0	Negative	Negative
Canada	0	+	+	0	+	Neutral	Positive
Mexico	0	+	0	+	0	Neutral	Positive
Brazil	+	+	0	+	+	Neutral	Positive
India	0	+	+	0	+	Neutral	Positive
China	+	+	0	+	+	Positive	Positive
Japan	0	+	0	0	+	Positive	Positive
Russia	+	0	0	+	+	Neutral	Positive
Germany	+	+	+	0	+	Neutral	Positive
France	+	+	+	+	+	Neutral	Positive
UK	0	+	0	0	+	Negative	Negative
Belgium	0	+	+	0	+	Neutral	Positive
Norway	0	+	+	+	0	Positive	Positive
Turkey	0	0	0	0	0	Negative	Positive
Spain	+	+	+	0	+	Neutral	Positive
Netherlands	+	0	+	0	+	Neutral	Positive
Switzerland	0	-	+	0	0	Neutral	Neutral
S-Africa	0	0	0	-	-	Neutral	Neutral

- = Negative  
0 = Neutral  
+ = Positive



# Creative Global Investments

## 2019 Q1 Global Equities Sector Outlook

Industry Sector	Valuation	Earnings Momentum	Balance Sheet	Chart Technical Momentum	Sector risks (political., fiscal, regulatory, other)	CGI Q1 Outlook
Automotive	0	0	+	-	Neutral	Neutral
Aerospace. & Def.	0	+	+	0	Neutral	Positive
Banks	0	0	-	-	Neutral	Negative
Basic Resources	0	+	0	+	Positive	Positive
Chemicals	0	+	+	+	Positive	Positive
Construction	0	0	0	0	Neutral	Positive
Financial Services	0	0	0	-	Neutral	Neutral
Food & Beverages	0	0	0	0	Neutral	Neutral
Healthcare	0	0	0	-	Neutral	Neutral
Industrials	0	+	+	0	Positive	Positive
Insurance	0	0	0	0	Neutral	Positive
Media	-	0	0	-	Neutral	Negative
Oil & Gas	0	+	+	0	Neutral	Positive
Personal Goods	0	0	0	0	Neutral	Positive
Retail	0	0	0	0	Neutral	Neutral
Technology	0	+	0	-	Neutral	Neutral
Telecoms	0	-	0	-	Negative	Neutral
Travel & Leisure	0	-	0	0	Negative	Neutral
Utilities	0	+	0	0	Neutral	Positive

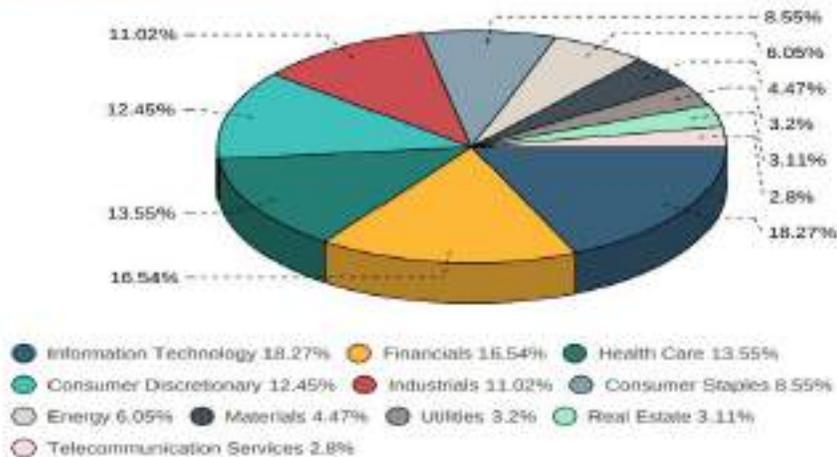
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0 = Neutral  
+ = Positive



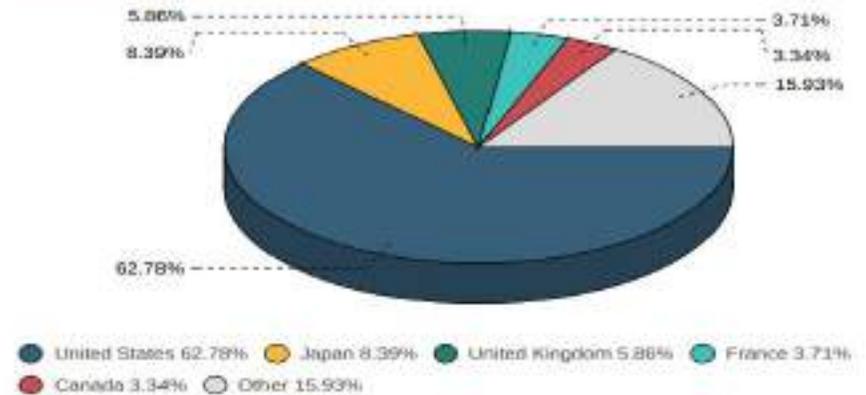
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## 2019 Q1 MSCI Sector World Weightings and Country Allocations

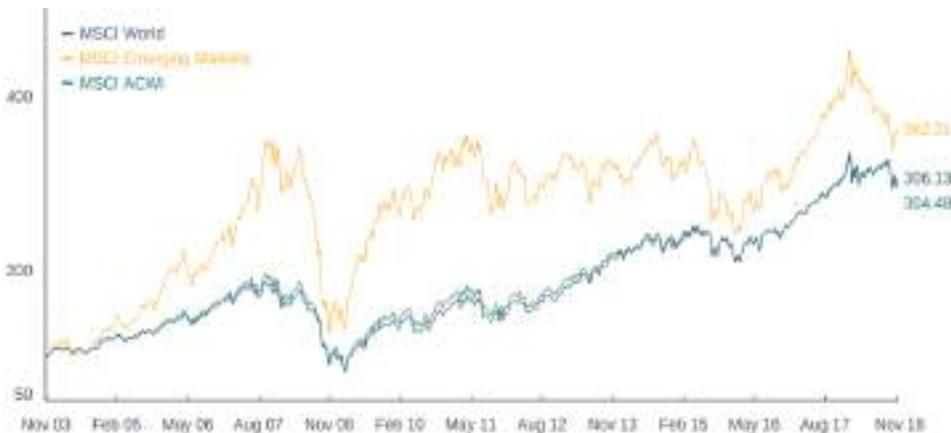
### SECTOR WEIGHTS



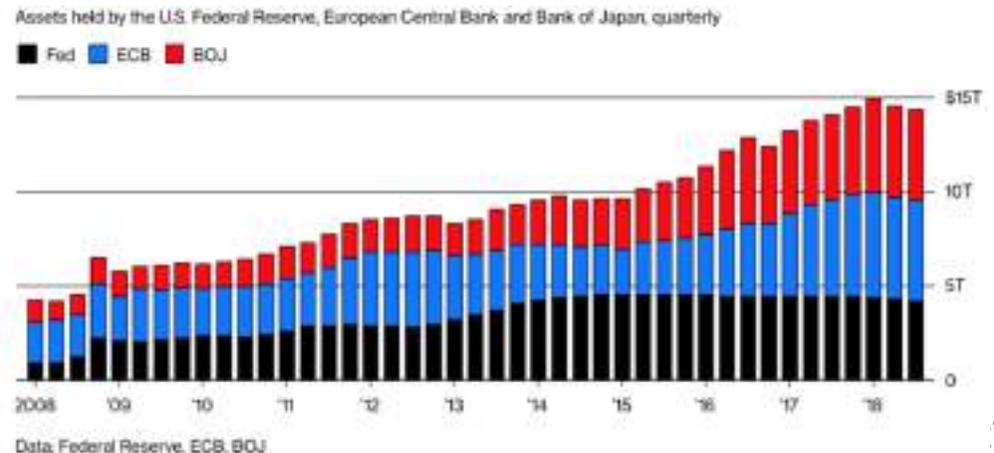
### COUNTRY WEIGHTS



### Cumulative Index Performance – Gross Returns USD Nov 2003 – Nov 2018



### Assets held by Federal Reserve, ECB and BoJ Nov 2018





# Creative Global Investments

## 2019 Q1 Equity indices valuations

P/B Ratios in International Equity Markets as of 28/12/18

Country	Weight	CAPE	P1	PC	PE	PI	EV	EV/EBW	EV/S2W	Score
Russia	0.9%	6.3	5.9	3.7	0.9	0.8	6.1%	1.03	1.04	1
Turkey	0.2%	8.1	7.1	5.0	5.1	0.8	4.4%	1.08	0.85	3
EMERGING EUROPE	1.5%	8.8	7.1	4.4	3.0	0.8	5.1%	1.03	1.00	4
China	1.2%	14.8	7.1	4.0	0.9	0.6	4.3%	0.97	0.94	4
Korea (South)	1.7%	12.6	9.5	4.6	0.9	0.7	3.2%	0.96	0.92	9
Greece	0.1%	-3.1	10.4	5.1	0.6	0.6	3.6%	0.92	0.87	19
Hungary	0.0%	15.7	11.0	5.9	1.4	0.7	2.8%	1.10	1.05	7
Singapore	0.8%	15.0	11.1	9.1	5.0	1.0	3.8%	1.01	0.99	6
Poland	0.3%	12.0	11.4	7.4	5.2	0.8	2.4%	1.02	0.97	5
Austria	0.2%	17.0	12.1	6.8	5.2	0.7	3.3%	0.95	0.92	14
Italy	1.0%	16.4	12.3	5.3	5.2	0.4	3.8%	0.93	0.90	12
Taiwan	1.2%	16.1	12.3	9.4	5.7	1.0	4.6%	0.95	0.96	20
BKIC	6.4%	14.7	12.5	7.1	5.0	1.2	3.0%	1.02	1.00	10
Hong Kong	4.2%	15.2	12.5	11.6	5.5	0.9	3.0%	0.98	0.95	21
MIDDLE EAST	1.2%	12.7	8.9	5.5	1.5	1.5	4.0%	1.03	1.08	10
DEVELOPED ASIA-PACIFIC	17.8%	12.8	8.9	5.3	5.0	2.8%	0.98	0.97	10	
OTHER EMERGING MKT	2.0%	13.0	8.0	5.3	1.3	4.0%	0.99	1.00	10	
EMERGING MARKETS	18.2%	14.9	13.2	8.0	5.6	5.3	3.3%	1.00	0.98	10
Germany	3.2%	17.0	13.3	8.1	5.6	0.8	3.0%	0.93	0.91	24
Japan	9.7%	25.1	13.3	8.2	5.3	0.8	2.2%	0.98	0.98	17
Spain	1.2%	12.8	14.1	6.7	5.4	1.3	4.0%	0.97	0.96	8
EMERGING AFRICA	0.7%	18.2	11.8	5.9	1.4	4.4%	0.98	0.92	0.92	10
South Africa	0.5%	16.4	14.5	12.1	5.8	1.2	4.4%	0.99	0.92	25
EMERGING ASIA-PACIFIC	7.4%	15.6	14.0	8.0	5.8	1.3	2.8%	1.00	0.99	10
Thailand	0.6%	18.9	14.9	8.7	3.1	1.5	2.9%	1.01	1.01	18
Ireland	0.2%	45.5	14.9	11.0	5.6	1.6	1.7%	0.89	0.88	39
Czech	0.0%	10.0	15.0	5.7	1.6	1.6	6.1%	0.99	1.00	7
Sweden	0.5%	20.1	15.0	12.2	2.0	1.6	3.4%	0.97	0.98	31
France	3.9%	18.7	15.2	8.2	5.7	1.0	3.1%	0.95	0.95	27
Netherlands	1.0%	23.0	15.3	10.4	5.8	1.1	3.1%	0.95	0.95	32
Portugal	0.1%	14.2	15.4	6.3	5.4	0.7	4.7%	0.92	0.92	12
United Kingdom	4.0%	15.2	15.4	9.0	5.6	1.0	4.3%	0.95	0.95	16
DEVELOPED EUROPE	21.2%	17.9	15.4	8.9	5.7	1.1	3.5%	0.95	0.95	10
Norway	0.5%	16.3	15.9	7.3	5.8	1.4	3.0%	0.94	0.98	15
Australia	1.9%	17.5	15.8	10.9	5.9	1.7	4.8%	0.96	0.98	26
WORLD AC	100.0%	22.9	16.0	10.1	2.0	1.4	2.6%	0.99	1.00	10
Israel	0.3%	16.1	16.1	8.0	5.5	1.1	2.2%	1.05	1.10	30
Belgium	0.6%	22.6	16.1	15.3	5.7	1.6	3.6%	0.93	0.90	37
Canada	2.9%	20.2	16.4	8.5	5.7	1.3	3.1%	0.97	0.99	22
DEVELOPED MARKETS	86.7%	24.3	16.5	10.5	2.1	1.4	2.9%	0.99	1.01	10
EMERGING AMERICA	2.7%	18.3	17.0	8.6	5.9	1.5	3.0%	1.01	0.96	10
Mexico	0.9%	18.2	17.6	8.1	5.9	1.2	2.4%	0.89	0.90	46
Indonesia	0.6%	16.0	18.1	12.5	3.0	2.3	2.4%	1.09	1.04	30
Brazil	1.5%	14.9	18.2	8.7	2.0	1.5	3.5%	1.13	1.06	41
Philippines	0.4%	18.5	18.2	10.8	2.0	1.5	1.7%	1.04	1.01	23
Malaysia	0.9%	15.4	18.3	15.2	5.6	1.9	3.3%	0.97	0.96	39
United States	44.6%	29.7	19.4	12.5	3.2	2.1	1.9%	1.01	1.05	34
New Zealand	0.1%	24.7	20.8	12.8	3.8	3.8	3.9%	1.03	1.07	28
Denmark	0.6%	31.3	20.4	13.5	2.9	2.4	2.5%	0.95	0.95	40
Finland	0.4%	23.0	21.3	14.0	2.0	1.4	4.3%	0.93	0.94	48

Dividend yields in International Equity Markets as of 18/12/2018

Country	Weight	CAPE	PC	PE	PI	EV	EV/EBW	EV/S2W	Score	
Czech	0.0%	10.0	15.0	5.7	1.6	1.6	6.1%	0.99	1.00	7
Russia	0.9%	6.3	5.9	3.7	0.9	0.8	6.1%	1.03	1.04	1
EMERGING EUROPE	1.5%	8.8	7.1	4.4	1.0	0.8	5.7%	1.03	1.00	4
Australia	1.9%	17.5	15.8	10.9	1.9	1.7	4.8%	0.96	0.98	26
Portugal	0.1%	14.2	15.4	6.3	1.4	0.7	4.7%	0.92	0.92	12
Taiwan	1.2%	16.1	12.3	9.4	1.7	1.0	4.6%	0.95	0.96	20
EMERGING AFRICA	0.7%	18.2	11.8	5.9	1.3	4.4%	0.99	0.92	0.92	10
South Africa	0.5%	16.4	14.5	12.1	1.8	1.2	4.4%	0.99	0.92	25
Turkey	0.2%	8.1	7.1	5.0	1.1	0.8	4.4%	1.08	0.85	3
Ireland	0.0%	23.0	21.3	14.0	2.0	1.4	4.3%	0.93	0.94	38
United Kingdom	4.0%	15.2	15.4	9.0	1.6	1.0	4.3%	0.95	0.95	16
China	1.2%	14.8	7.1	4.0	0.9	0.6	4.3%	0.97	0.94	4
MIDDLE EAST	1.2%	12.7	8.9	5.5	1.5	1.5	4.0%	1.03	1.08	10
OTHER EMERGING MKT	2.0%	13.0	8.0	5.3	1.3	4.0%	0.99	1.00	10	
Spain	1.2%	12.8	14.1	6.7	1.4	1.3	4.0%	0.97	0.96	8
New Zealand	0.1%	24.7	20.8	12.8	1.9	1.8	3.9%	1.03	1.07	28
Norway	0.5%	16.1	15.9	7.3	1.8	1.4	3.0%	0.94	0.98	15
Italy	1.0%	16.4	12.3	5.3	1.1	0.6	3.8%	0.93	0.90	12
Singapore	0.8%	15.0	11.1	9.1	1.0	1.0	3.8%	1.01	0.99	6
Belgium	0.6%	22.6	16.1	15.3	1.7	1.6	3.6%	0.93	0.90	37
Greece	0.1%	-3.1	10.4	5.1	0.6	0.6	3.6%	0.92	0.87	19
DEVELOPED EUROPE	21.2%	17.9	15.4	8.9	1.7	1.1	3.5%	0.95	0.95	10
Sweden	0.9%	20.1	15.0	12.2	2.0	1.6	3.4%	0.97	0.98	31
EMERGING MARKETS	18.2%	14.9	13.2	8.0	1.6	1.2	3.3%	1.00	0.98	10
Malaysia	0.9%	15.4	18.3	15.2	1.6	1.9	3.3%	0.97	0.96	39
Switzerland	2.5%	24.5	22.2	14.1	2.5	1.9	3.7%	1.01	1.02	33
Brazil	1.5%	14.9	18.2	8.7	2.0	1.5	3.7%	1.13	1.06	41
Netherlands	1.0%	23.0	15.3	10.4	1.8	1.1	3.7%	0.95	0.95	32
France	3.9%	18.7	15.2	8.2	1.7	1.0	3.7%	0.95	0.95	27
Canada	2.9%	20.2	16.4	8.5	1.7	1.3	3.7%	0.97	0.99	22
Austria	0.2%	17.0	12.1	6.8	1.2	0.7	3.7%	0.95	0.93	14
EMERGING AMERICA	2.7%	18.3	17.0	8.6	1.9	1.4	3.0%	1.01	0.96	10
BRIC	6.4%	14.1	12.5	7.1	1.6	1.2	3.0%	1.02	1.00	10
Germany	3.2%	17.0	13.3	8.1	1.6	0.8	3.0%	0.93	0.91	24
Hong Kong	4.2%	15.2	12.5	11.0	1.5	1.0	3.0%	0.98	0.95	21
Thailand	0.6%	18.9	14.9	8.7	2.1	1.5	2.9%	1.01	1.01	18
EMERGING ASIA-PACIFIC	7.4%	15.6	14.0	8.0	1.8	1.3	2.8%	1.00	0.99	10
Hungary	0.0%	15.7	11.0	5.9	1.4	0.7	2.8%	1.10	1.05	3
DEVELOPED ASIA-PACIFIC	17.8%	12.8	8.9	5.3	1.3	1.0	2.8%	0.98	0.97	10
WORLD AC	100.0%	22.9	16.0	10.1	2.0	1.4	2.6%	0.99	1.00	10
Denmark	0.6%	31.3	20.4	13.5	2.9	2.4	2.5%	0.95	0.95	40
DEVELOPED MARKETS	86.7%	24.3	16.5	10.5	2.1	1.4	2.5%	0.99	1.01	10
Indonesia	0.6%	16.0	18.1	12.5	3.0	2.3	2.4%	1.09	1.04	30
Mexico	0.9%	18.2	17.6	8.1	1.9	1.2	2.4%	0.89	0.90	46
Poland	0.3%	12.0	11.4	7.4	1.2	0.8	2.4%	1.02	0.97	5
Korea (South)	1.7%	12.6	9.5	4.6	0.9	0.7	2.3%	0.96	0.92	9
Israel	0.3%	16.1	16.1	8.0	1.5	1.1	2.2%	1.05	1.10	30
Japan	9.7%	25.1	13.3	8.2	1.3	0.8	2.2%	0.98	0.98	17
United States	44.6%	29.7	19.4	12.5	3.2	2.1	1.9%	1.01	1.05	34
Philippines	0.4%	18.5	18.2	10.8	2.0	1.5	1.7%	1.04	1.01	23

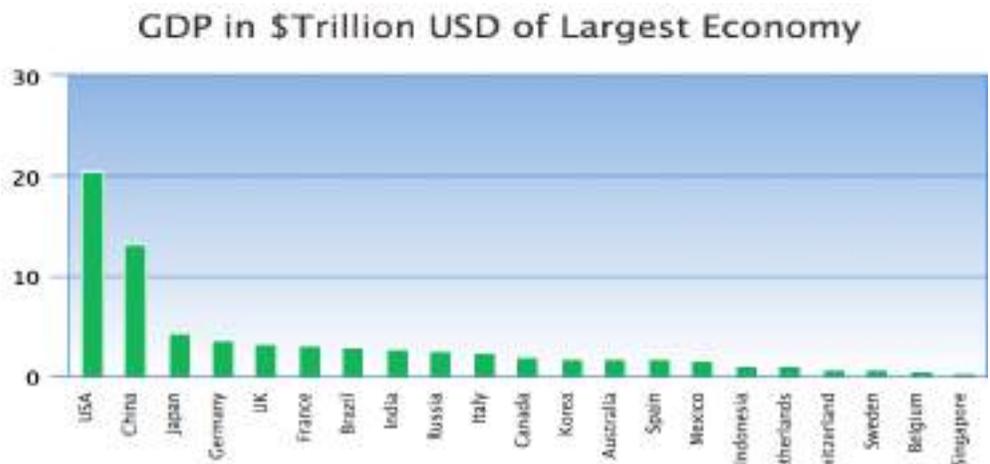
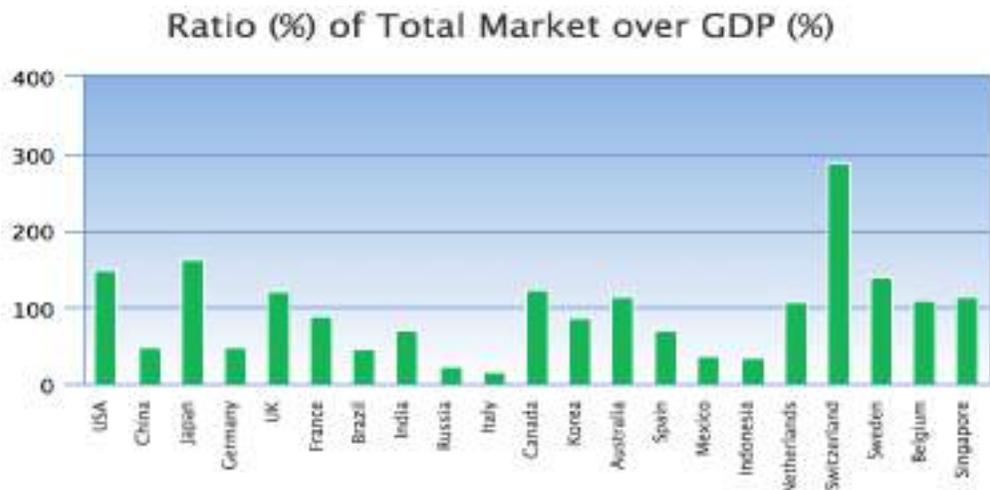




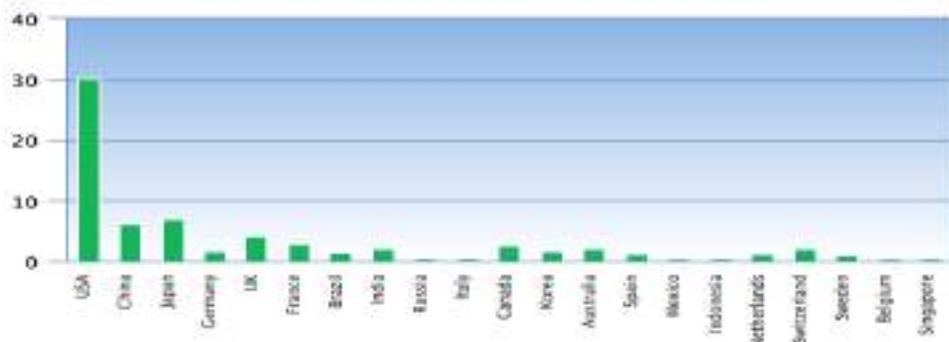
# Creative Global Investments

## Global Equities Indices Market Cap/GDP valuations

Country	GDP (\$Trillion)	Total Market/GDP Ratio (%)	Historical Min. (%)	Historical Max. (%)	Years of Data	Country ETF
USA	20.66	123.8	35	149	49	SPY
China	12.21	34	34	652	29	MCHI
Japan	4.72	145	58	951	35	EWJ
Germany	3.75	41	13	58	29	EWG
India	2.74	64	40	158	22	INDA
France	2.68	78	52	182	29	EWQ
UK	2.63	106	47	201	47	EWU
Italy	1.97	13	9	45	19	EWI
Brazil	1.89	49	26	106	22	EWZ
Canada	1.81	108	78	190	29	EWC
Korea	1.58	70	38	140	22	EWY
Russia	1.39	19	16	142	19	ERUS
Spain	1.35	64	51	235	26	EWP
Australia	1.31	104	94	220	19	EWA
Mexico	1.11	29	12	45	28	EWX
Indonesia	1.06	38	17	99	22	EIDO
Netherlands	0.83	93	48	503	27	EWN
Switzerland	0.68	253	84	431	29	EWL
Sweden	0.53	123	63	159	18	EWD
Belgium	0.47	229	80	229	9	EBK
Singapore	0.32	109	92	418	32	EWS



Total Market Cap in \$Trillion USD

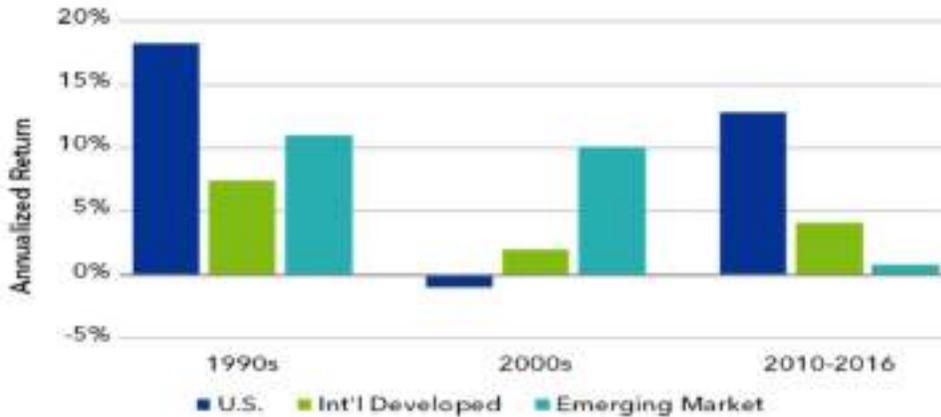




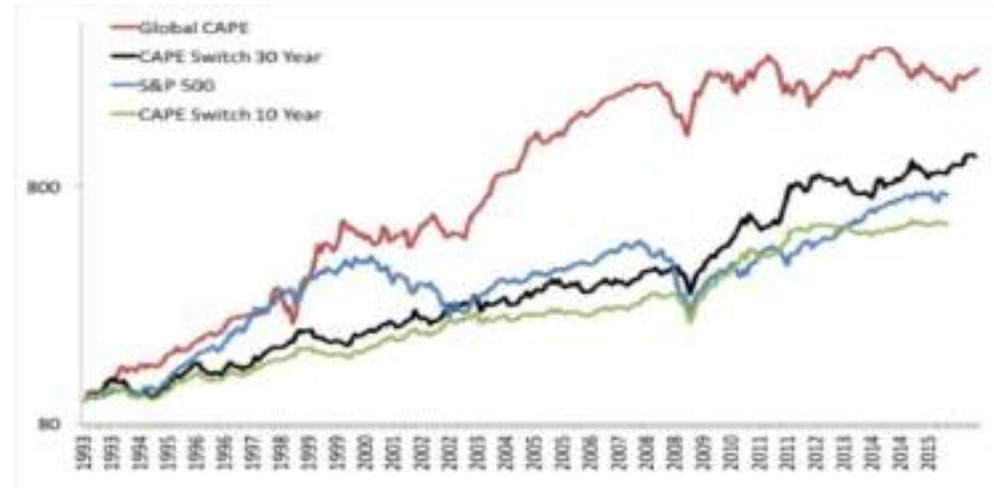
# Creative Global Investments

## Global Equities Indices valuations

3 Decades Global Equities Returns valuations

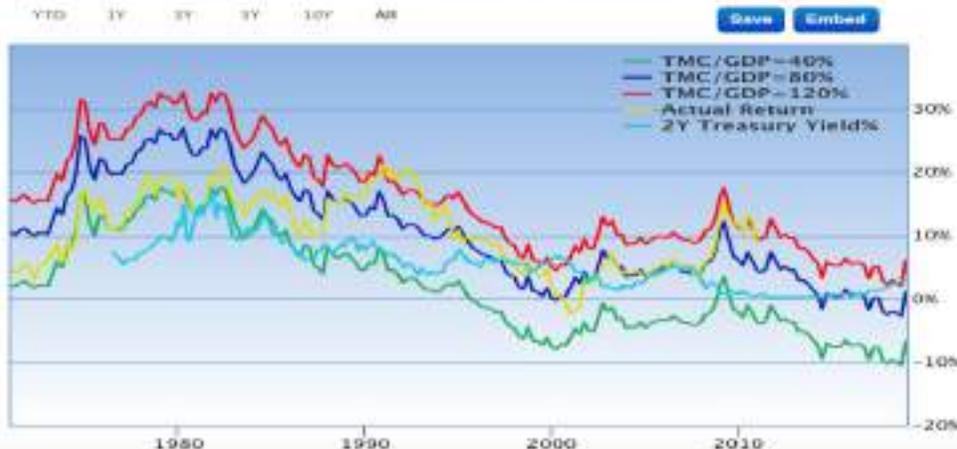


Global Equities Sector Shiller P/E comparisons



Predicted & Actual Stock Market Returns

The Predicted and the Actual Stock Market Returns



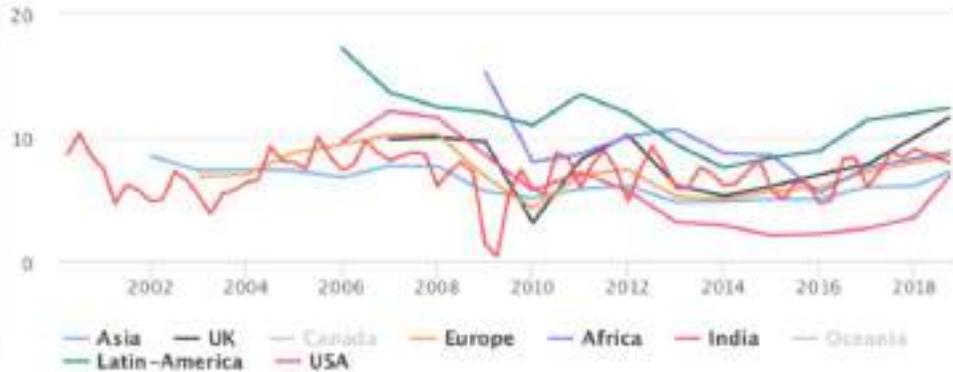
US Equities Sector Shiller P/E valuations

Sector	Number of Stocks	Shiller P/E	Regular P/E
Energy	30	18.00	14.40
Consumer Defensive	37	20.00	19.50
Financial Services	72	20.30	12.80
Communication Services	8	20.70	7.30
Industrials	74	22.80	21.60
Utilities	29	24.70	19.50
Consumer Cyclical	80	27.20	24.40
Healthcare	80	29.20	29.70
Basic Materials	21	30.20	19.00
Technology	65	30.80	23.60
Real Estate	28	43.10	29.30
<b>S&amp;P 500</b>	<b>500</b>	<b>27.6</b>	<b>19.2</b>

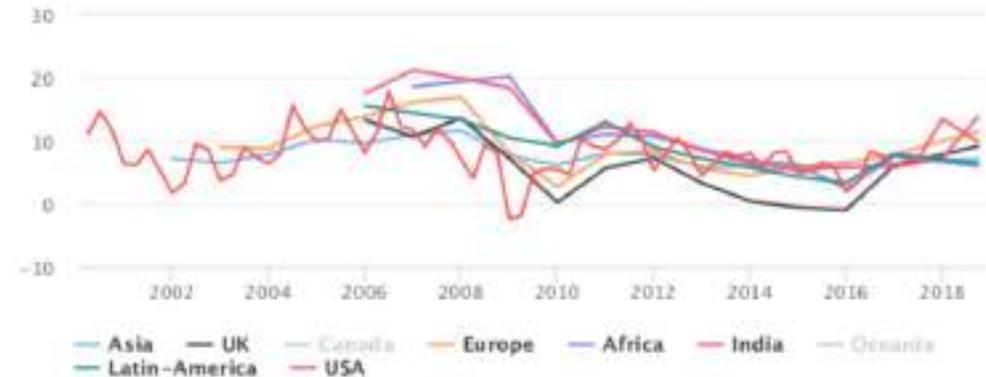


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Operating Margin



ROE



The 2019 current US Shiller-CAPE of 29.8. has yielded historically average long-term returns between 0.7% and 4.4% on average in the past. Though, the range was huge so that long-term returns of -4.1% and 10.7% were seen.

- **US inflation to remain stable and well below +2.0% in 2019 (due to renewed USD strength; base effect of lower commodity prices)**
- **US equity markets finished 2018 having delivered their worst annual declines since the 2008 financial crisis. The S&P500 fell -6.2% for the year, the DJIA was down -5.6% and the Nasdaq was off -3.9%.**
- **US stocks currently show a total market capitalization of USD 25.885 TRN versus a latest US GDP reported at 20.6 TRN. That brings Total Market cap as of January 1<sup>st</sup> 2019 to GDP at a level of 125%, only seen two times prior.**
- **US corporate earnings picture will be flat (EPS Consensus now for 2019 of 176, and for 2020 195 are way too high, and need to be revised downwards by at least -5% to -6% due to USD related translational and transactional effects and we see EPS of likely 160 and 165 respectively).**

We continue to see much more attractive equity valuations outside the US such as in Russia and Brazil, India, China, even Germany and France promise higher performances; historically, such valuations have never been followed for long by negative long-term returns



# Creative Global Investments

## EAFE Equities are better value relative to US equities

We believe that in Europe and in the US, the long-term paradigm shift of professional money managers and retail investors being forced out of bonds into riskier asset classes will be very beneficial for equities and equity indices in general. We do not expect a straight-line performance in favor of equities, however, with bond yields at a 37-year low, the pre-conditions for equities to outperform long-term are favorable.

US equities are expensive in perspective with the rest of the world, and a few reasons why we continue to believe that US equities will underperform European and emerging market equities over the long term:

- US equities market cap to GDP is around 140% (US\$ 29 TRN: US GDP 20.6 TRN), versus 100-year historic average of 100%, and vs. European equities' market cap to GDP of 60%
- US Household equity-ownership close to all time high 63% (63% in 2000), versus 14% in Europe (Germany 15-year low of 9%)
- US GDP US\$ +20.6 TRN (23% of Global GDP US\$ 83 TRN) versus European GDP USD +20.4 TRN (22%)
- US equities' forward P/E multiple is 18x vs. European equities 13x
- US equities 2019 Q1 EPS and 2019 full-year EPS will need to be revised downwards due to USD renewed headwind
- European equities inversely will surprise to the upside with currency adjusted EPS
- US companies' foreign sales as a percentage of total 39% vs. European companies' 51%
- US equities' earnings yield 1.9% vs. European equities earnings yield 3.8%
- US equities' 5-Y ROE average is 13.0% vs. European equities' 13.5%

**The average US equity P/E ratio from 1900 to 2016 is 14. Currently at consensus 2019 EPS of 176 and 2020 of 195 (which we believe are way too high, we estimate EPS of 160 in 2019, and 165 for 2020), the SPX trades at 15x forward P/E.**

**This is 1.0 multiple point above the 100-year average, and despite 2019 benign interest rate environment, and favorable DDM perspectives, we believe US equities are priced for perfection and priced too high relative to EAFE.**



# Creative Global Investments

## Key Metrics for the SPX:

As of December 28, the estimated earnings growth rate for CY 2019 is 7.9%. All eleven sectors are projected to report y-o-y growth in earnings, led by the Industrials, Consumer Discretionary, Energy, and Financials sectors. The Industrials sector is expected to report the highest (y-o-y) earnings growth of all eleven sectors at 11.4%.

At the industry level, eleven of the twelve industries in the sector are projected to report earnings growth. Seven of these eleven industries are predicted to report double-digit growth, led by the Construction & Engineering (26%) and Airlines (22%) industries. The Consumer Discretionary sector is expected to report the 2nd highest y-o-y earnings growth at 9.8%.

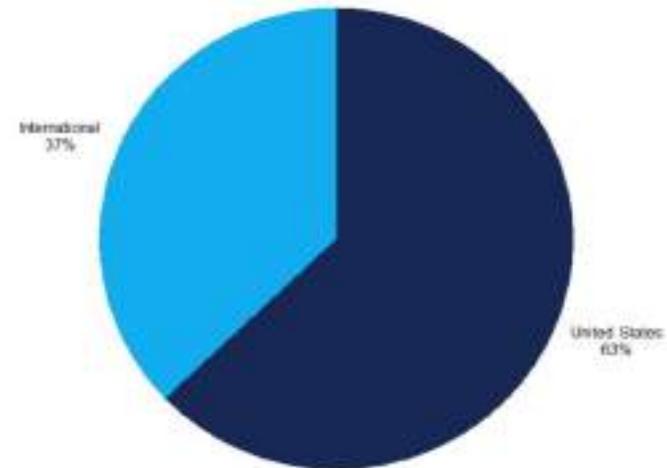
At the industry level, nine of the eleven industries in this sector are projected to report earnings growth, led by the Leisure Products (353%), Internet & Direct Marketing Retail (26%), and Textiles, Apparel, & Luxury Goods (13%) industries. The Diversified Consumer Services (-10%) and Automobiles (-4%) industries are the only two industries expected to report a year-over-year decline in earnings for the year.

The Energy sector is expected to report the 3rd highest (y-o-y) earnings growth of all eleven sectors at 9.7%. At the sub-industry level, all six sub-industries in the sector are projected to report earnings growth: Oil & Gas Drilling (278%), Oil & Gas Refining & Marketing (29%), Oil & Gas Equipment & Services (23%), Oil & Gas Storage & Transportation (14%), Oil & Gas Exploration & Production (4%), and Integrated Oil & Gas (4%). The Financials sector is expected to report the fourth highest year-over-year earnings growth at 9.5%. At the industry level, all five industries in this sector are projected to report earnings growth, led by the Insurance (14%) and Banks (11%) industries.

S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.  
(Source: FactSet)



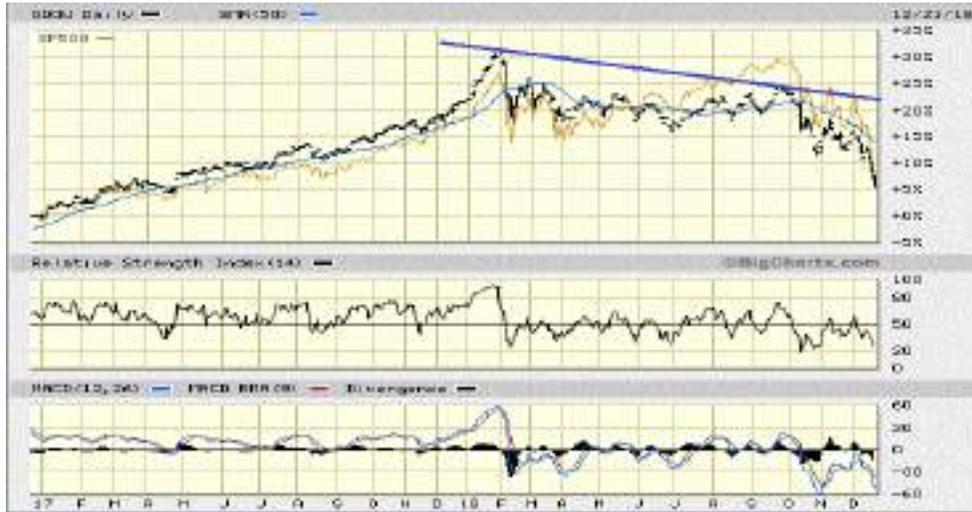
S&P 500: Aggregate Geographic Revenue Exposure (%)  
(Source: FactSet)





# Creative Global Investments

## GLOBAL DOW versus S&P 500 2-Year Chart



## GLOBAL DOW versus S&P 500 15-Year Chart



## RUSSELL 2000 versus S&P 500 2-Year Chart



## RUSSELL 2000 versus S&P 500 25-Year Chart





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### BOVESPA 2-Year Chart



### BOVESPA 10-Year Chart



### SENSEX 2-Year Chart



### SENSEX 15-Year Chart





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## Nikkei 225 Index 2-Year Chart



## Nikkei 225 25-Year Chart



## Shanghai Index 2-Year Chart



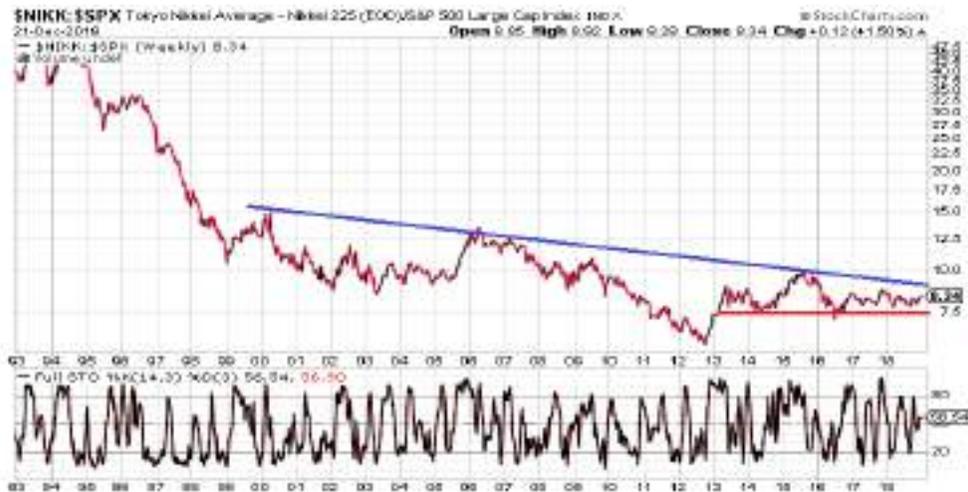
## Shanghai Index-15 Year Chart



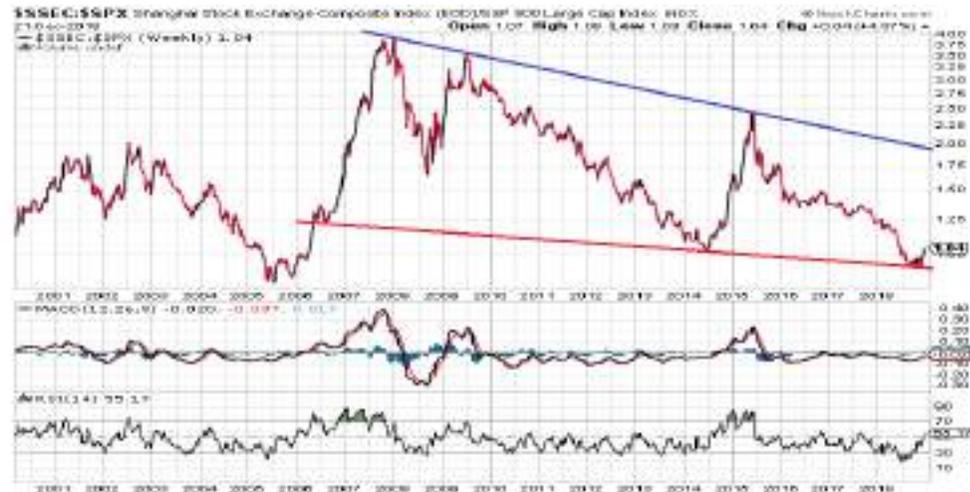


# Creative Global Investments

## \$NIKK vs. \$SPX 20-Year Chart



## \$SSEC vs. \$SPX 20-Year Chart



## \$RTSI 2-Year Chart



## \$RTSI 10-Year Chart





# Creative Global Investments

## \$DAX 30 2-Year Chart



## \$DAX 30 20-Year Chart



## \$CAC 40 2-Year Chart



## \$CAC 40 10-Year Chart





# Creative Global Investments

## AEX 2-Year Chart



## AEX 10-Year Chart



## IBEX 2-Year Chart



## IBEX 10-Year Chart





# Creative Global Investments

### FTSE 2-Year Chart



### FTSE 15-Year Chart



### DJ Transportation Index 2-Year Chart



### DJ Transportation Index rel. SPX 10-Year Chart





# Creative Global Investments

## CGI 2019 Q1 CGI Global 50 Portfolio Changes

### 2019 CGI Global 50 Portfolio Additions

- St. Gobain
- Meituan Dianping
- Booking Holdings
- General Electric
- Brookfield Asset Management

### 2019 CGI Global 50 Portfolio Deletions

- BMW
- Turkcell
- Volkswagen



# Creative Global Investments

## CGI Global 50 - Outperformance since 2006

CGI's global equities investment strategy and decisions are based partially on past trends, developing trends, macro-economic developments, various asset class actions & interactions (correlated and inversely related tactical assessments) and by combining fundamental analysis, (such as analysing a company's financial health and the macroeconomic environment), with a systemic overlay of combining technical analysis, seasonal analysis, and behavioural analysis.

With this methodology we have been able to create alpha for our clients every single year since we launched the CGI Global 50 in 2006.

The CGI Global 50 is constructed keeping four main variables as guidelines:

- 1. **Balanced market capitalization:** the CGI Global 50 is composed of approx. 1/3 large cap stocks; 1/3 mid cap stocks; 1/3 small cap stocks
- 2. **Balanced geographic allocation:** the CGI Global 50 is composed of approx. 1/3 US stocks; 1/3 European stocks; 1/3 ROW stocks
- 3. **Balanced sector allocation:** any individual sector cannot represent more than 15% (max. 8 stocks) of the total of the CGI Global 50
- 4. **Low portfolio turnover:** every year, the maximum amount of stock deletions/additions is 15% (max. 8 stocks) of the CGI Global 50

## CGI Global 50 has produced annual alpha returns in every year since launch in 2006

In the past 13 years since inception, the CGI Global 50 Recommended Portfolio has produced alpha returns in 12:13 years.

The CGI Global 50 performances have been achieved with a static portfolio strategy:

- no trading
- no portfolio constituents' changes from Jan 1<sup>st</sup> of each year to Dec 31<sup>st</sup> of the same year
- no switching in and out of cash



# Creative Global Investments

## CGI 2018 Global 50 Portfolio Performance y-t-d

The CGI 2018 Global 50 Recommended Portfolio performed returns of **(+2.11%)** not including dividends (as a static portfolio, non-traded) versus MSCI World Index **(-8.9%)** and S&P 500 Index **(-15.1%)**

- 22 stocks (46%) in the 2018 CGI Global 50 Recommended Portfolio are up in absolute terms ytd
- 22 stocks (46%) in the 2018 CGI Global 50 Recommended Portfolio outperformed the MSCI World Index ytd
- 22 stocks (46%) in the 2018 CGI Global 50 Recommended Portfolio outperformed the S&P 500 Index ytd
- 28 : 30 stocks (93%) of the Large Cap stocks in the 2018 CGI Global 50 Recommended Portfolio are positive ytd
- 6 : 10 stocks (60%) of the Mid Cap stocks are outperforming the MSCI World Index and the S&P 500 Index
- 4 : 10 stocks (40%) of the Small Cap stocks are outperforming the MSCI World and the S&P 500 Index
- 3 : 6 stocks (50%) of the US stocks are outperforming the MSCI World Index and the S&P 500 Index

Year	CGI Global 50 Performance (%)	MSCI World Performance (%)	CGI Alpha versus MSCI World	S&P 500 Performance (%)	CGI Alpha versus S&P 500
2006	+29.6	+20.6	+900 bps	+13.6	+1,600 bps
2007	+28.5	+9.5	+1,900 bps	+3.5	+2,500 bps
2008	+22.3	-40.3	+8,000 bps	-38.5	+6,080 bps
2009	+59.4	+30.8	+2,800 bps	+23.4	+3,600 bps
2010	+27.5	+12.3	+1,520 bps	+12.8	+1,470 bps
2011	+13.8	-5.0	+1,800 bps	-0.0	+1,380 bps
2012	+20.9	+16.5	+440 bps	+13.4	+750 bps
2013	+20.6	+18.3	+230 bps	+29.28	-868 bps
2014	+12.60	+1.19	+1,141 bps	+11.70	+90 bps
2015	+5.48	-0.32	+516 bps	+1.20	+428 bps
2016	+20.90	+5.63	+1,527 bps	+9.54	+1,136 bps
2017	+17.41	+23.97	-656 bps	+19.42	-201 bps
2018	+2.11	-15.11	+1,513 bps	-8.91	+1,102 bps
<b>Aggregate Performance 2006 - 2018</b>	<b>+1,137.1%</b>	<b>+208.85%</b>		<b>+198.754%</b>	
<b>\$ 10,000 on Jan. 1<sup>st</sup> 2006 are equivalent to \$:</b>	<b>\$ 113,710</b>	<b>\$ 20,885</b>		<b>\$ 19,754</b>	



# Creative Global Investments

## Year to date Performance CGI 2018 Global 50 Recommended Portfolio Part I

Name	Last	Date / Time	Chg. (%)	Perf. YTD	Perf. 3Y	52W High	52W Low	Dividend per Share	Dividend Yiel.
DASSAI	128.7500	9/28/2018	-	+45.33%	+95.08%	139.9000	86.5800	0.5800	0.6547
AIRBUS	108.800	8:34 AM	+0.29%	+30.44%	+103.73%	110.260	77.000	1.5000	1.8072
MTU AE	194.10	9/28/2018	-1.07%	+29.92%	+159.49%	196.40	130.30	2.3000	1.5395
ADIDAS	210.90	9/28/2018	-0.28%	+26.17%	+194.14%	216.00	166.40	2.6000	1.5555
SAP SE	106.00	9/28/2018	-1.67%	+13.43%	+85.57%	107.80	82.47	1.4000	1.4981
GAZPROM	4.9700	9/28/2018	+1.02%	+12.70%	+24.25%	5.2900	4.1330	8.0400	6.1609
BUNGE	58.750	9/28/2018	-	+5.71%	-9.97%	66.500	53.318	-	-
Huaneng	25.90	9/28/2018	+0.47%	+3.60%	-39.51%	30.82	23.95	-	-
CHINA I	8.500	8:36 AM	+1.43%	+0.95%	-19.88%	8.898	7.210	6.4050	10.0993
ALLIANZ	192.00	9/28/2018	-2.78%	+0.26%	+38.83%	205.75	171.80	8.0000	4.1775
Unilever	55.55	9/28/2018	-0.55%	-1.37%	+38.01%	61.39	51.96	1.4000	2.9844
LINDE A	178.05	9/28/2018	-0.25%	-1.85%	+23.47%	194.00	161.25	7.0000	3.8589
Hennes	164.2400	9/28/2018	-0.48%	-2.99%	-45.16%	221.5000	120.9400	9.7500	5.7590
BEFIMM	49.150	9/28/2018	-	-8.22%	-8.83%	55.740	47.950	3.4500	6.4426
BAY.MO	77.71	9/28/2018	-1.63%	-10.50%	-0.79%	96.26	77.56	4.0000	4.6067
ABB LTD	23.190	9/28/2018	-0.30%	-11.22%	+35.48%	27.130	21.060	0.8004	3.0643
Honda M	30.08	9/28/2018	-0.89%	-11.74%	+0.23%	36.73	28.16	-	-
ICICI Ba	8.49	9/28/2018	-1.28%	-12.74%	-0.83%	11.22	7.72	1.5000	0.5388
UBS GR	15.500	9/28/2018	-2.05%	-13.60%	-14.93%	19.585	14.850	0.6500	3.8232
MICHEL	102.9500	9/28/2018	-	-13.89%	+26.65%	130.1500	99.0000	3.5500	2.9695
KUBOTA	84.8300	9/28/2018	+0.46%	-14.04%	+23.77%	107.1300	74.2500	-	-
DAIMLER	54.35	9/28/2018	-2.23%	-23.23%	-15.67%	75.69	54.05	3.6500	5.1554
DEUTSC	9.828	9/28/2018	-3.76%	-36.09%	-53.44%	17.100	9.052	0.1100	0.6927
MAHIND	14.0000	9/28/2018	+19.15%	-40.68%	-23.29%	23.6000	10.5000	-	-



# Creative Global Investments

## Year to date Performance CGI 2018 Global 50 Recommended Portfolio Part II

PETROL	36.61 <sup>10</sup>	9/28/2018	-	+119.88%	+12.72%	43.59	12.02	0.0000	0.0000
SES	18.900 <sup>10</sup>	9/28/2018	-	+45.27%	-31.52%	18.900	10.855	0.8000	6.1491
Intuit Inc	227.4000 <sup>10</sup>	9/28/2018	+2.06%	+44.12%	+155.91%	228.1800	141.7400	1.5600	0.7638
RWE AG	21.250 <sup>10</sup>	9/28/2018	-2.39%	+25.00%	+117.66%	23.140	15.100	1.5000	8.8235
TOTAL	55.8400 <sup>10</sup>	9/28/2018	-	+21.27%	+38.30%	56.0200	43.8700	2.6100	5.3571
Petroleo	12.07 <sup>10</sup>	9/28/2018	-1.31%	+17.30%	+189.45%	17.14	9.27	-	-
REPSOL	17.1650 <sup>10</sup>	9/28/2018	-0.20%	+16.41%	+59.08%	17.2850	13.7500	0.0000	0.0000
Gerdau	4.21 <sup>10</sup>	9/28/2018	-2.09%	+13.17%	+205.07%	5.25	3.00	0.0800	0.6494
OREAL	206.800 <sup>10</sup>	9:00 AM	-0.34%	+11.50%	+34.46%	213.900	171.000	3.5500	1.9194
DIAGEO	1,405.000 <sup>10</sup>	4/5/2018	-	+5.30%	+91.08%	1,405.000	1,215.750	-	-
Waste M	90.36 <sup>10</sup>	9/28/2018	+0.57%	+4.70%	+80.36%	92.51	76.28	1.7000	1.9699
NOVARTIS	84.40 <sup>10</sup>	9/28/2018	+0.02%	+2.43%	-5.33%	87.74	72.42	2.8731	3.4868
BEIERS	97.18 <sup>10</sup>	9/28/2018	-0.47%	-0.74%	+25.15%	101.75	86.08	0.7000	0.7150
NESTLE	81.82 <sup>10</sup>	9/28/2018	+0.71%	-2.36%	+11.70%	86.00	73.00	2.3500	2.8043
FRESEZ	63.24 <sup>10</sup>	9/28/2018	-0.44%	-2.81%	+7.81%	72.28	59.32	0.7500	1.1526
Arcelor I	30.86 <sup>10</sup>	9/28/2018	-1.50%	-4.49%	+104.10%	37.31	26.18	-	-
SIEMENS	110.34 <sup>10</sup>	9/28/2018	-1.04%	-5.00%	+39.62%	125.20	100.38	3.7000	3.1040
Volkswa	151.7400 <sup>10</sup>	9/28/2018	-1.34%	-9.02%	+57.06%	188.3000	136.2000	3.9600	2.3791
KOMATSU	25.920 <sup>10</sup>	9/28/2018	-	-13.08%	+93.43%	33.200	23.030	58.0000	1.9990
Newmont	30.20 <sup>10</sup>	9/28/2018	+0.73%	-19.51%	+90.66%	41.94	29.63	0.2500	0.6663
Albemar	99.78 <sup>10</sup>	9/28/2018	-1.16%	-21.98%	+120.90%	144.58	88.96	1.2200	1.3452
Freeport	13.92 <sup>10</sup>	9/28/2018	+0.36%	-26.58%	+41.75%	19.99	13.04	0.0000	0.0000
Banco B	7.08 <sup>10</sup>	9/28/2018	-2.75%	-30.86%	+30.87%	13.08	6.55	-	-
Turkcell	4.82 <sup>10</sup>	9/28/2018	-0.21%	-52.75%	-44.08%	11.13	3.99	-	-



# Creative Global Investments

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