Creative Global Investments

Daily Market Commentary

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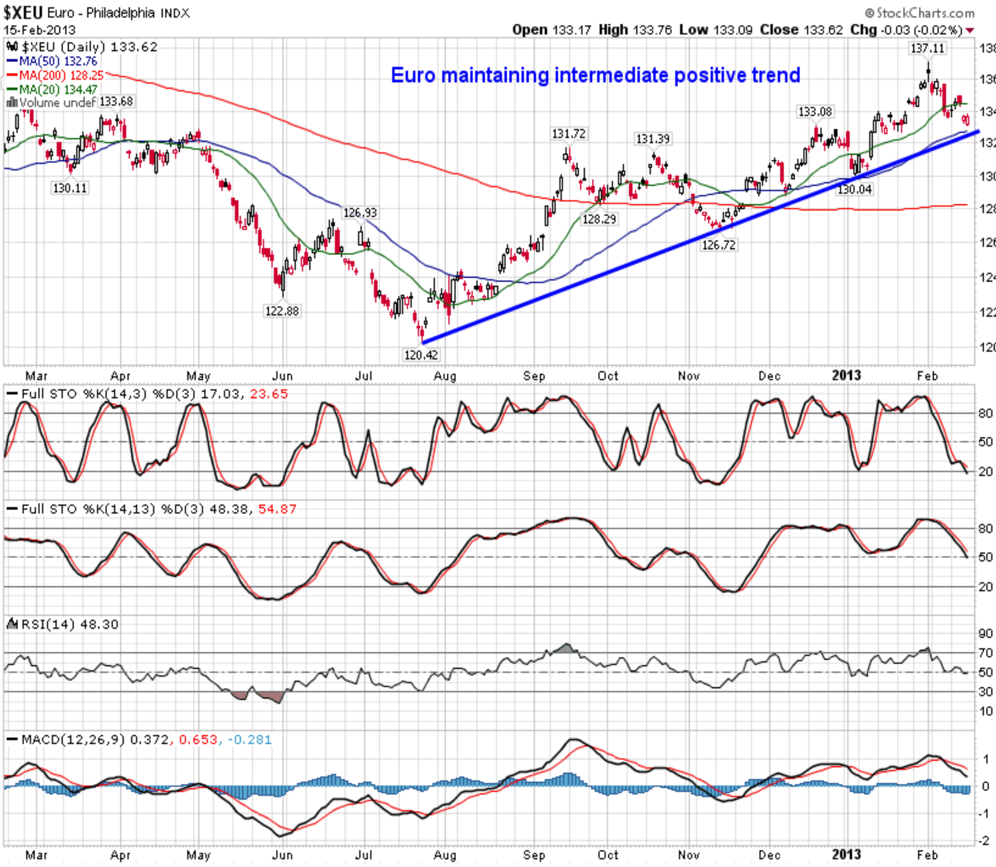
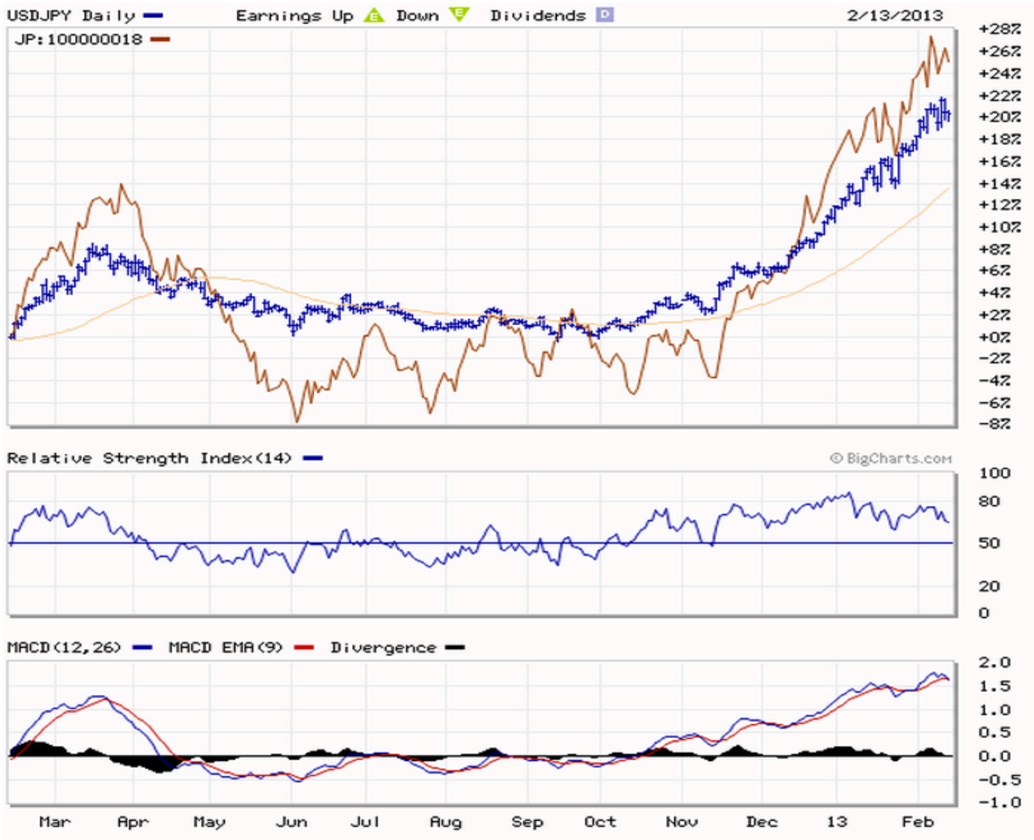
Objectivity

Integrity

Creativity

Currency Musings III




USDJPY Daily
Earnings Up Down Dividends
2/13/2013
JP:100000018
+28% +26% +24% +22% +20% +18% +16% +14% +12% +10% +8% +6% +4% +2% +0% -2% -4% -6% -8%
Relative Strength Index(14)
© BigCharts.com
100 80 50 20 0
MACD(12,26) MACD EMA(9) Divergence
2.0 1.5 1.0 0.5 0.0 -0.5 -1.0
Mar Apr May Jun Jul Aug Sep Oct Nov Dec 13 Feb

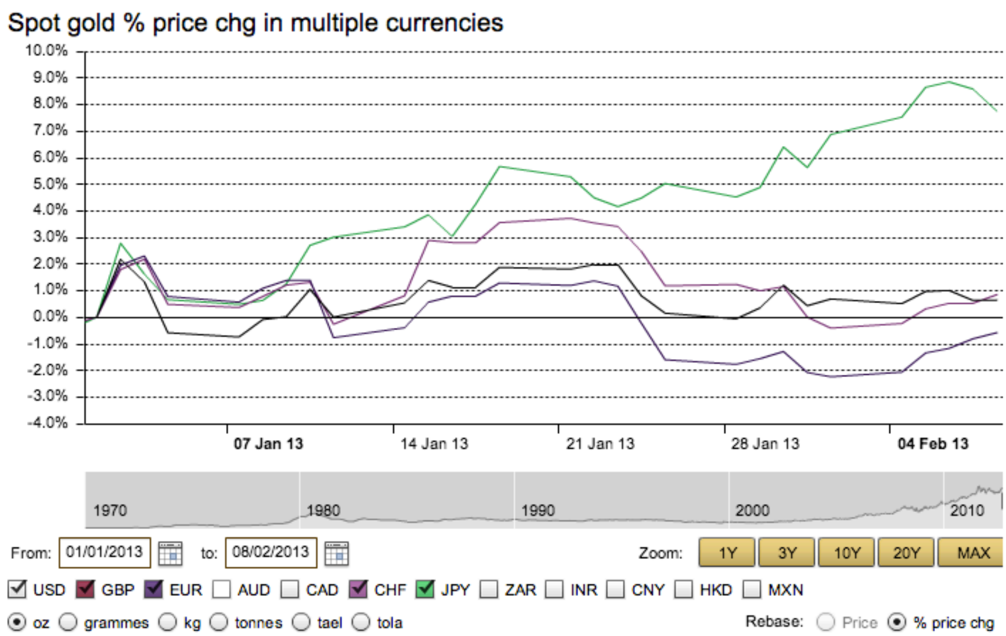

USDJPY Weekly
Earnings Up Down Dividends
2/10/2013
JP:100000018
+10% +5% +0% -5% -10% -15% -20% -25% -30% -35% -40% -45% -50%
Relative Strength Index(14)
© BigCharts.com
100 80 50 20 0
MACD(12,26) MACD EMA(9) Divergence
4 2 0 -2 -4 -6
09 10 11 12 13

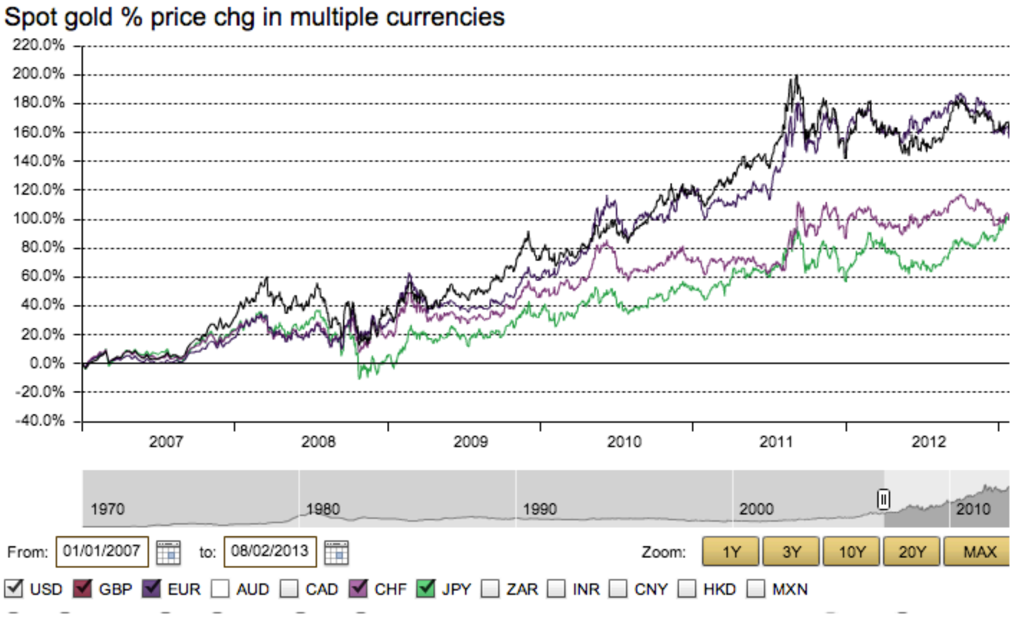
We continue to see one good investment solution to the problem of global currency wars:

Investors should continue to buy Gold.

The global currency on the other end of the spectrum of Central Bank Policy, without the overhang of Central Bankers and their policy costs.

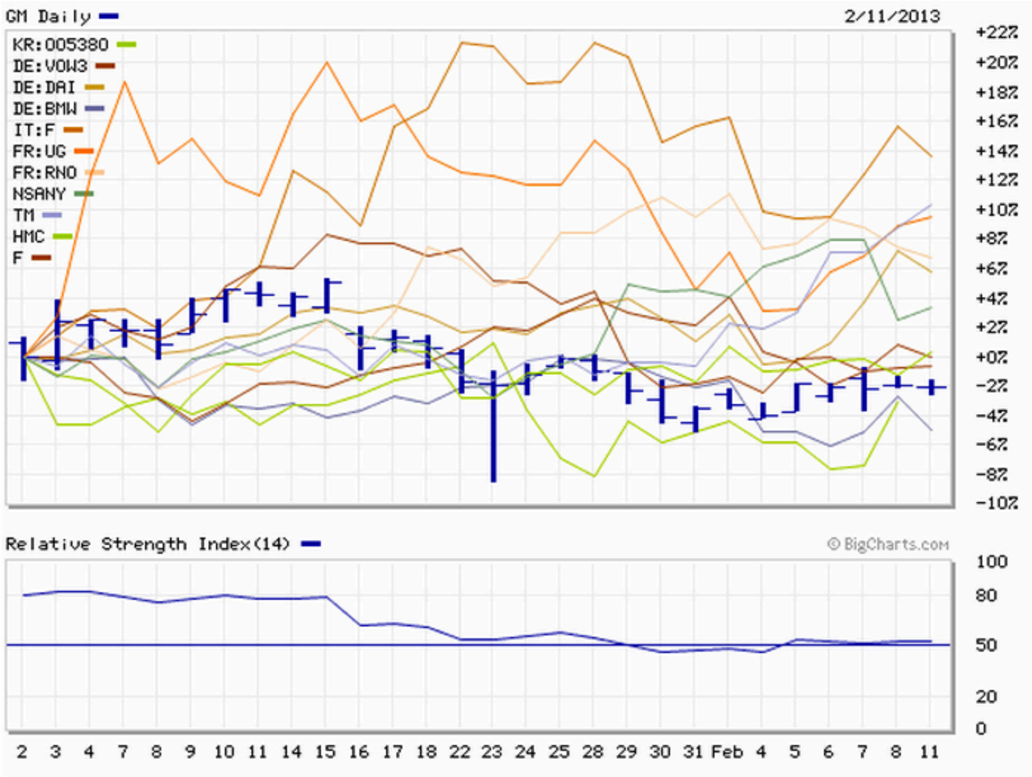
Let's look at the chart below, comparing Gold to the EUR, US$, JPY, SFR, and GBP.

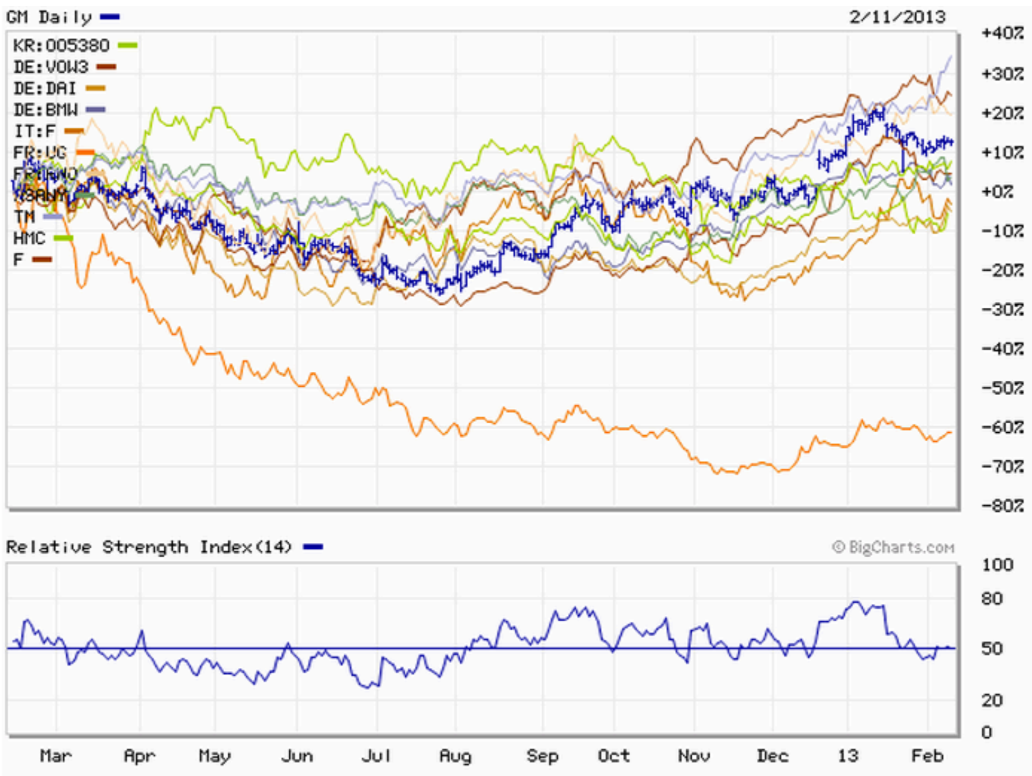


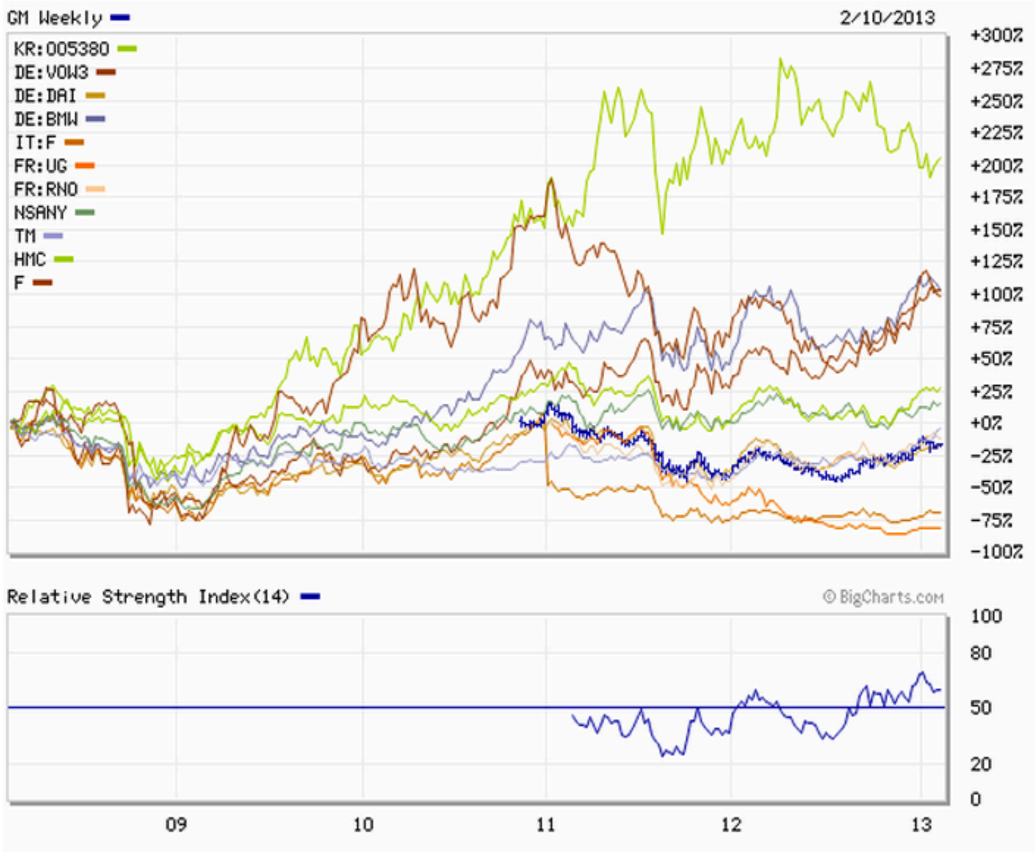


We continue to see the long-term outlook for Gold prices to remain positive, ad are advising investors to "buy" Gold into any temporary and technical weakness.

CGI Global Automotive Recommendations







We have been recommending for 3 years to "sell/short" the French OEM's and also Fiat, in Italy, which in retrospect clearly was an alpha generating call for investors over the entire time period.

Given recent macro-dynamic changes, in monetary policies, impacting currency markets around the world, namely the Yen weakening substantially versus most currencies, particularly the US$, the EURO, but also mostly against the Korean Won, we have become bullish in September 2012 on Japanese stocks, calling for a major rise in the Nikkei, and implicitly seeing a bullish case in favor of Japanese car companies.

Now, barely 6 months later, those stocks have had a spectacular upward move since.

Is it too late to buy into a currency lead and based recovery, in particular for the Japanese OEM's?

Not at all, despite gains in excess of 40% over that short time period, we see an additional upside of +30 percent for the likes of Toyota Motors, Nissan-Renault and Honda Motors in the coming 12 months.

On the flip side, this means that if the Yen will keep on weakening, as we are anticipating, with our 12 months price target of US$/YEN 105, and over 3 years we see the most likely levels of US$/Yen of 120, then the Korean manufacturers will suffer enormously, and Hyundai, currently trading at US$/Kwon 216,000 would be the biggest potential loser in the currency wars. We can see downside risk for Hyundai in that currency scenario towards US$/Kwon 165,000.

Macro Economic Commentary & Charts

Data in Review

Event	Actual	Forecast	Previous
JPY Machine Tool Orders (YoY)	-26.40%		-26.10%
EUR Euro-Zone Current Account n.s.a. (Euros)	27.0B		20.8B
EUR Euro-Zone Current Account s.a. (euros)	13.9B		15.9B
JPY Leading Index	93.4		93.4
JPY Coincident Index	92.6		92.7
EUR German ZEW Survey (Economic Sentiment)	48.2	35	31.5
EUR Euro-Zone Construction Output s.a. (MoM)	-1.70%		-0.40%
EUR Euro-Zone Construction Output w.d.a. (YoY)	-4.80%		-4.70%
EUR Euro-Zone ZEW Survey (Economic Sentiment)	42.4		31.2
EUR German ZEW Survey (Current Situation)	5.2	9	7.1
CAD Wholesale Sales (MoM)	-0.90%	-0.40%	0.70%
USD NAHB Housing Market Index	46	48	47
AUD Conference Board Leading Index	-0.10%		-0.20%
AUD Westpac Leading Index (MoM)	0.20%		0.70%
JPY Merchandise Trade Balance Total (Yen)	-Â¥1629.4B	-Â¥1379.6B	-Â¥643.3B
JPY Adjusted Merchandise Trade Balance (Yen)	-Â¥678.9B	-Â¥586.7B	-Â¥783.8B
JPY Merchandise Trade Imports (YoY)	7.3	2.1	1.9
JPY Merchandise Trade Exports (YoY)	6.4	5.6	-5.8

Japan's monthly trade deficit hit a record in January after its recent aggressive monetary policy stance weakened its currency sharply. Exports rose in January, the first jump in eight months, as its goods became more affordable to foreign buyers. However, a weak currency also pushed up its import bill resulting in a monthly trade deficit of YEN 1.6TRN (US$ 17.1BN), a 10% jump from a year ago. Japan's deficit has also been impacted by an increase in fuel imports. The world's third-largest economy has seen a rise in fuel imports, as most of Japan's nuclear reactors continue to remain closed.

Japan's imports rose 7.3% in January, from a year earlier. One of the biggest jumps was in the import of liquefied petroleum gas (LPG), which surged more than 28%. Exports rose 6.4%, driven up mainly by shipments of manufactured goods, the customs and tariff bureau said. Japan's exports, one of the key drivers of its economic growth, have been hurt by a variety of factors. Demand from the Eurozone, of Japan's biggest markets, has been hurt by the region's ongoing debt crisis.

A territorial dispute with China has hit sales of Japanese goods to the country, Japan's biggest trading partner, over the past few months. However, the latest data indicated that things might be starting to change. Japan's shipments to China rose by 3% in January from a year earlier, the first rise since May. At the same time, exports to the US, the world's biggest economy, also jumped 10.9%, further adding to hopes of a recovery in the sector. Meanwhile, the pace of decline in exports to the European Union also slowed during the month.

There are hopes that as shipments to key markets recover and the YEN continues to remain weak, and as our research shows for the US$/YEN to weaken further towards 105 in the coming 8 – 12 months, we are seeing a good possibility for Japan's export sector to enjoy a sustained recovery. The YEN has dipped nearly -15% against the US$ since we were predicting US$/YEN .95 by March 2013(fiscal year end 2012 for japan

ZEW Institute's index, which measures economic sentiment in Germany, soared to 48.2 in February, ahead of last month's reading of 31.5 surpassing forecasts of a reading of 35.

A report from the National Association of Home Builders showing that homebuilder confidence has unexpectedly deteriorated in the month of February. The report said the NAHB/Wells Fargo Housing Market Index edged down to a

reading of 46 in February from 47 in January. The modest drop by the Housing Market Index came as a surprise to economists, who had expected the index to inch up to 48.

We interpreted the current weakness as a normalization of the index, after a strong rise in 2012, the HMI hit a slight pause in the beginning of this year as builders adjusted their expectations to reflect the pace at which consumers are moving forward on new-home purchases." Nonetheless, trading activity was relatively subdued amid continued uncertainty about the near-term outlook for the markets. While the markets are generally seen as overbought, traders seem reluctant to sell stocks and miss out on any further upside.

European banks are facing the threat of having to reveal their taxes and profits on a country-by-country basis in the latest twist to the EU negotiations over rules to make banks safer. The European parliament is pressing for the tougher disclosure regime along with a demand for strict curbs on bankers' bonuses as part of the law implementing the Basel III international accord. While the demanding transparency requirements have the full support of the European Commission, EU member states are largely resisting the initiative, introduced into the overhaul of bank capital rules. Under the proposal, Barclays, for instance, would be required to publish its profits and taxes in every national jurisdiction – from the UK to Zimbabwe.

US Market Commentary & Charts

In addition, the latest leg of the post-financial crisis rally has the Nasdaq at levels not seen in over 12 years.

The Nasdaq is fast approaching resistance (see red line) of its three-year uptrend channel.

The post-financial crisis rally (which began in early 2009) has been significant enough to have the Nasdaq surpass its credit bubble highs of late 2007.

On the short-term side, stocks within the S&P 500 got thwarted at 1524 on the last two attempts. Yet on this third effort it climbed on top and kept racing higher to close at 1531. Bears and sideline observers keep hoping and praying for a pullback to allow them on board this rally. Yet that opportunity continues to elude them. Now these folks are starting to capitulate, which is driving up prices further and faster. We continue to believe that we are properly set up for a shot at the all-time highs at 1565. Unfortunately the good times won't last forever. So, just as everyone finally goes long, that might then be when the next consolidation period should commence.

We are advising for investors to stay long for now. If and when more evidence in chart technical patterns turn negative, then we believe there will be enough time to get ready to take some profits.

Investors are probably questioning as to when they should sell equities given the significant run-up over the past few months. For intermediate-term investors, there are a few indicators that may be of assistance to help make that "Sell" decision, such as the percent of Stocks in the S&P 500 trading above 200-day moving averages is one indicator. Using the 50-day average line of the indicator has provided reliable buy and sell signals over recent history.

The herd of analysts is increasingly proclaiming that a correction is imminent with many recommending selling equities.

A significant "buy" signal was triggered at the end of November and the S&P 500 has gained well over 100 points since. However, we do not see evidence of a major sell signal no-where near.

The 50-day moving average line continues to trend higher, just as the percentage of stocks trading above its key long-term average increases as well.

This indicator will not allow investors to call a perfect top, no indicator can, but it does help in identifying significant momentum shifts that lead to changes in intermediate trend.

Should the NYSE Advance-Decline volume cross reverse, a sell signal may be implied.

As of present, the indicator has yet to show signs of convergence with its 50-day moving average line.

The NYSE Advance-Decline volume line also produced a similar buy signal at the end of November as a 50-day moving average crossover was realized

The technology sector is seasonally out of favor between now and April.

Apple stock continues to look for a lower price.

The gap down from January is a major sign of more selling volume to possibly join the carnage in the once biggest stock in the world.

Shares of Apple have not moved above its 50-day moving average since September of last year, precisely when the new iPhone and iPad were launched.

Asian Market Commentary & Charts

The Shanghai index dipped in October 2012 below the 2,000 level for the first time in nearly four years. Consequently we identified this low level as an excellent "buy" opportunity into Chinese equities, and We then put a outperform on the SSEC, and since then the Shanghai index staged a remarkable turnaround, rallying 23% just since the start of December.

As our research shows form both fundamental and a macro basis, but also from a chart technical and strategic basis, it looks likely that the rally will continue for the foreseeable future.

The Chinese authorities have unleashed several rounds of both monetary and fiscal stimulus. The valuations of many stocks are among the lowest in the world. Also the Chinese economy is still percolating along. Witness the recent 22.8% rise in industrial profits in China. But all of that has been true for the past three years. Why the rally now? One reason was the once-every-10-years leadership transition in the ruling Communist party.

Another major reason is the fact that moving from markets once dominated by small retail traders to one dominated by institutions. But the number of new retail accounts opened declined by 50% versus the pace in 2011.

A record number of foreign institutions - 120 - were granted access to the A-share markets by the end of 2012. Most institutional accounts were worth at least $100 million. This led directly to a rise in volumes as institutions began actively trading. Chinese authorities are pleased with the success and plan to greatly expand its qualified foreign institutional investor program. This is an effort to liberalize not only its capital markets, but also its currency - the renminbi.

This seems to us to be a key long-term change in the mainland Chinese stock market. It bodes well for the future.

The SSEC is overbought from a short-term technical perspective, and we have identified two major support levels for the SSEC in the short term.

The first support being at 2,320, the next one being at 2,238.

We maintain our 2013 price target for the SSEC at 2,900.

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