Creative Global Investments

Morning Market Commentary & Weekly Charts

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Objectivity

Integrity

Creativity

Time for investors to stay bullish

Most of the leading economic indicators are still bullish for US and most emerging equity markets, However, temporarily a bit less so for European equities.

Historically ahead of a recovery for the broader equity markets, the energy sector stocks are advancing because of the front-loaded demand in a returning production, industrial and commercial process.

But for the past two years, this has not been the case yet. Is that about to change after the critical question in the US, namely “sequestration” and how Congress will deal with this matter?

Congress does not come back into session until Monday and the sequestration is slated to take effect at close of business on Friday. That's going to make for a long and vexing week. For sure, there are massive problems in Washington on both the revenue and expenditure sides of the ledger. They have been developing over the years, and putting the brakes on them will be difficult and painful. We do not expect the underlying problem to be solved in short order.

However, neither Congress nor the White House will allow the recovery to be compromised. We believe that some uneven and out of focus compromise will be reached, as most often both parties do.

The “noise” from other “sell-side” experts, particularly since the last few weeks about oil is to go down to $50 a barrel, has subsided quite a bit, as in Q4 20123, some economists and strategists had warned of a global economic Armageddon, the fall and demise of Europe, with a most certain “Grexit” or even for Germany to leave the EU, and for Oil prices to fall towards US$ 40 for WTI.

And yes, new shale gas discoveries, such as the Arckaringa Basin discovery in Australia, holding US$$ 20 Trillion worth of shale oil (or 233 billion barrels of oil, which exceeds total discovered reserves combined of Iran, Canada and Venezuela) are great finds, and surely will help speculators to redirect the short term momentum of global Oil prices, however, as our research shows, it will be a long time, and with a lot of hurdles regarding government policy matters, environmental matters, and national interests, besides the importance of current Oil companies as major tax revenue to existing governments, before that these alternative energy & technologies will take a major dent out of the long term trend of global Oil prices.

Well, not everyone can be right all the time?

Yes, oil prices goes up and down, and macro economic ad geo-political matters outside the oil sector are heavily influencing the dynamics of supply and demand, and sometimes the energy sector moves down faster than the market as a whole. However, as we saw in the beginning of 2013, that can change.

We remain bullish on the global energy sector, and on global equities in general, and are recommending for investors to use the current price weaknesses, and adding towards equities in general, and particularly towards the energy sector.

Global Macro Events

Upcoming Macro Events:

- **December Case/Shiller 20 City Home Price Index** to be released at 9:00 AM EST on Tuesday is expected to increase on a year over year basis to 6.5% from 5.5% in November.
- **January New Home Sales** to be released at 10:00 AM EST on Tuesday are expected to increase to 385,000 from 369,000 in December.
- **February Consumer Confidence** to be released at 10:00 AM EST on Tuesday is expected to increase to 62.0 from 58.6 in January.
- **January Durable Goods Orders** to be released at 8:30 AM EST on Wednesday are expected to fall 4.0% versus a gain of 4.3% in December. Excluding Transportation, January Orders are expected to increase 0.2% versus a gain of 1.0% in December.
- **Weekly Initial Jobless Claims** to be released at 8:30 AM EST on Thursday are expected to slip to 360,000 from 362,000 last week.
- **Second estimate of fourth quarter annualized real GDP** to be released at 8:30 AM EST on Thursday is expected to increase to 0.5% from a previous estimate of a decline of 0.1%.
- **February Chicago PMI** to be released at 8:30 AM EST on Thursday is expected to slip to 54.0 from 55.6 in January.
- **January Personal Income** to be released at 8:30 AM EST on Friday is expected to decline 2.4% versus a gain of 2.6% in December. January Personal Spending is expected to increase 0.2% versus a gain of 0.2% in December.
- **Fourth quarter Canadian annualized real GDP** to be released at 8:30 AM EST on Friday is expected to grow at 0.7% versus growth at 0.6% in the third quarter. **December real GDP** is expected to decline 0.1% versus a gain of 0.3% in November.
- **February Michigan Sentiment** to be released at 9:55 AM EST on Friday is expected to remain unchanged from January at 76.3.
- **February ISM** to be released at 10:00 AM EST on Friday is expected to slip to 52.4 from 53.1 in January.
- **January Construction Spending** to be released at 10:00 AM EST on Friday is expected to increase 0.5% versus a gain of 0.9% in December.

EURO Economies

Our point is, with more and more macro-date to appear, a recovery for Europe will not happen until 2H 2013, which implies, interest rates will continue to stay low, and investors will continue to shift allocations towards equities.

The Eurozone recession will persist into 2013, the European Commission has conceded in its latest forecast. Governments face an uphill battle to rein in their overspending, with Spain, France and Portugal all failing to cut their deficits to agreed targets.

Spain's deficit, at 10.2% of GDP in 2012, was well above its 6.3% target, and would stay above target into 2014.

The Eurozone economy would shrink 0.3% in 2013, the Commission said, making the governments' task even harder. Previously, the Commission had expected the 17 economies in the Eurozone to collectively enjoy 0.1% positive growth this year. In 2012 the economy is estimated to have shrunk 0.6%.
Delivering its winter forecast, Commission Vice-President Olli Rehn said that unemployment across the single currency area expected to continue rising to 12.2% this year as the recession lingers. Last year's jobless rate was 11.4%. However, he said the Eurozone was expected to rebound in the last three months of this year, registering 0.7% growth in the fourth quarter.

The forecast appears somewhat more pessimistic than the European Central Bank President Mario Draghi, who last month said he believed the Eurozone would begin recovering in the second half of this year. The austerity measures being implemented by Eurozone governments are widely blamed by economists as a major contributor towards the Continent's economic woes, although there is disagreement among economists as to whether governments should therefore go easy on the spending cuts.

Spain, which has one of the biggest budget deficits, made the least headway in bringing its finances back under control, and faces one of the nastiest recessions. Of its 10.2% deficit in 2012, 3.2 percentage points was due to the cost of cleaning up its banking system, which has been decimated by loans made to property developers and speculators during the last decade's housing bubble that have since proved unrepayable.

The Commission does not expect Spain to improve greatly over the next two years. Its deficit is forecast to be 6.7% this year, compared with a 4.5% target, and 7.2% in 2014, compared with a 2.8% target. Spain cannot simply blame its weak economy for this outcome, the Commission implied. Madrid's structural deficit - which strips out the effect of the recession - fell only by 1.4% of GDP last year, barely half the 2.7% target set by the Commission.

However, overspending by governments across the Eurozone as a whole is still expected to fall on average this year. That is despite the persistent economic downturn, which typically reduces governments' tax revenues and increases their benefit bills.

The Commission said that the aggregate deficits of the 17 Eurozone governments would fall from 3.5% of economic output or GDP last year, to 2.8% this year. The Commission was concerned about a "surprise" fall in Portugal's economy, which shrank 3.2% in 2012 and is forecast to contract by another 1.9% in 2013. The country may need to be granted an extra year to bring its deficit within the long-term target of 3% of GDP from an expected 4.9% this year. The Commission is also considering giving France one more year, until 2014, to get its finances under control. Paris is expected to record a 3.7% deficit this year, well above the 3% target. The French government is under pressure to loosen up labor market rules - including the ditching of its 35-hour week - in order to regain international competitiveness.

The Commission told the British government that it would need to take additional austerity measures. The Commission said the UK was also not on target with its deficit reduction, with government overspending expecting to increase to 7.4% of GDP this year, the worst in the European Union, from 6.3% in 2012. The UK economy was predicted grow 1% in 2013, compared with the 1.1% previously forecast.

US Economy

Last week, the administration stated a desire to raise the minimum wage from $7.25 an hour to $9.00 an hour nationwide by 2015.

We see not a lot of elasticity to hiring with respect to hourly wages. If the minimum wage goes up, companies are stuck with paying the higher wage when you need to hire hourly people. And so with the minimum wage increases, then there would essentially be a transfer of earnings from companies that employ minimum wage workers to the minimum wage labor force in the form of higher income. The increase could result in an annual $3,000 in fresh income per hourly worker. With 20 million of these types of workers, this would essentially mean a $60 billion stimulus, as this new income is likely to be immediately spent.

The net result could potentially be positive for businesses that sell to minimum wage people, but it will definitely be negative to businesses that have minimum wage employees.

Luxury retail could be hurt, as well as auto and manufacturing companies, as these companies face tough cost pressures from higher hourly wages.

Overall, we think the rise in minimum wages should be positive for GDP growth, but negative for corporate earnings. If we have rising incomes, then you can get discretionary spending, education, and healthcare spending all up. It is possible the rise in GDP growth could offset the negative effect of declining earnings, but we think it is unlikely. Ultimately, an increase in the minimum wage is negative for the stock market.

US Weekly Charts

The VIX Index spiked 1.71 (13.72%) last week and did break resistance at 14.75.

The S&P 500 Index slipped 4.19 points (0.28%) last week.

Intermediate trend is up. Resistance is forming at 1,530.94. The Index remains above its 20, 50 and 200 day moving averages (although it briefly fell below its 20 day moving average on Thursday.

Short-term momentum indicators have rolled over from overbought levels and are trending down.

The index is overbought and trending down.

Intermediate corrections frequently occur when percent falls below 80% and trends down.

Percent of S&P 500 stocks trading above their 50 day moving average fell last week to 77.40% from 85.00%.

Percent of S&P 500 stocks trading above their 200 day moving average slipped last week to 86.00% from 86.80%.

The Index is intermediate overbought and showing signs of rolling over.

Intermediate corrections frequently occur under this scenario.

Bullish Percent Index for S&P 500 stocks dropped last week to 81.00% from 83.00% and dropped below its 15 day moving average.

The Dow Jones Industrial Average gained 18.81 (0.13%) last week.

Intermediate trend is up. Resistance is forming at 14,058.27. The Average remains above its 20, 50 and 200 day moving averages, but briefly fell below its 20 day moving average on Thursday.

Strength relative to the S&P 500 Index remains neutral, but showing early signs of turning positive.

Short-term momentum indicators have rolled over from overbought levels and are trending down.

The index remains overbought.

Bullish Percent Index for Dow Jones Industrial Average stocks increased last week to 80.00% from 76.67% and remained above its 15 day MA.

The Dow Jones Transportation Average slipped 2.56 (0.04%) last week.

Intermediate trend is up. Resistance is forming at 6,020.67. The Average remains above its 20, 50 and 200 day moving averages. The Average briefly fell below its 20 day moving average on Thursday.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators have rolled over from overbought levels and are trending down.

Bullish Percent Index for NASDAQ Composite stocks slipped last week to 64.87% from 65.48% and slipped below its 15 day moving average.

The Index has started to roll over from an intermediate overbought level, frequently the start of an intermediate correction.

The NASDAQ Composite Index eased 30.21 points (0.95%) last week.

Intermediate trend is up. Resistance is forming at 3,213.60. The Index remains above its 50 and 200 day moving averages, but fell below its 20 day moving average.

Strength relative to the S&P 500 Index has changed from neutral to negative.

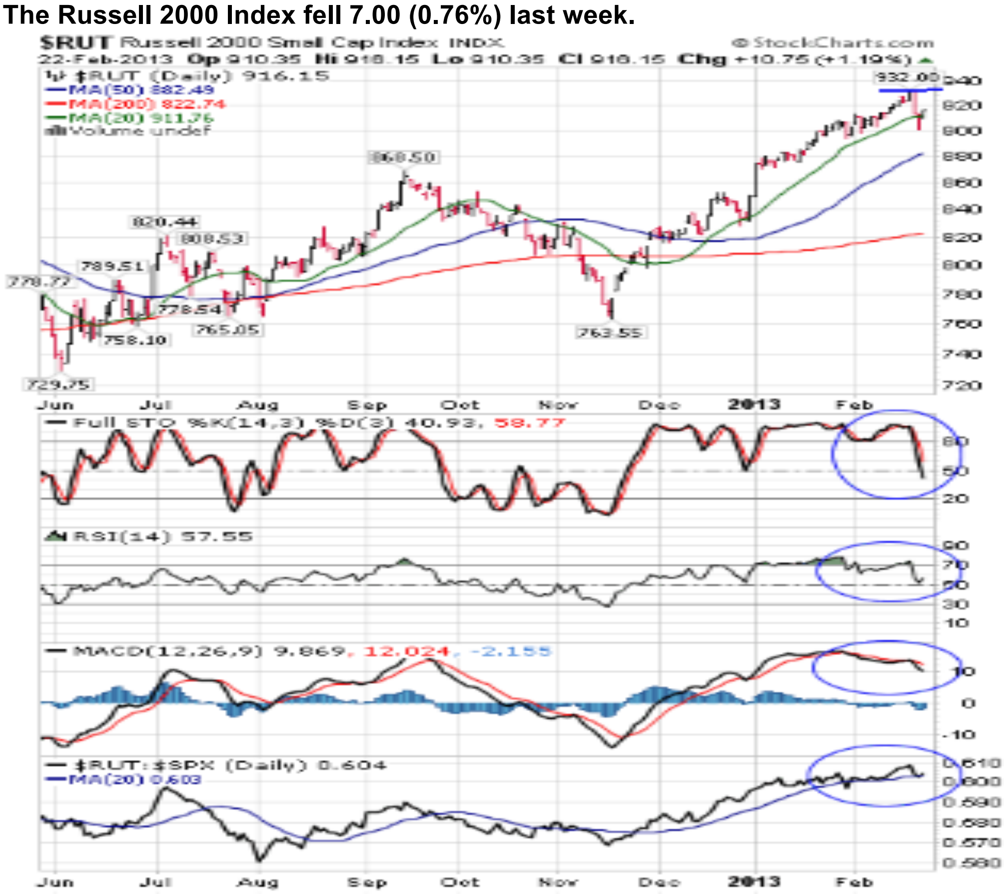
Short-term momentum indicators have rolled over from overbought levels and are trending down.

The Russell 2000 Index fell 7.00 (0.76%) last week.

Intermediate trend is up. Resistance is forming at 932.00. The Index remains above its 20, 50 and 200 day moving averages, but briefly fell below its 20 day moving average on Thursday.

Strength relative to the S&P 500 Index has changed from positive to neutral.

Short-term momentum indicators have rolled over from overbought levels and are trending down.



The S&P Energy Index fell 2.39 (0.41%) last week.

Intermediate trend changed from up to neutral on a break below 570.66. Resistance is forming at 583.52.

The Index fell below its 20 day moving average. Strength relative to the S&P 500 Index has changed from neutral to negative.

Short-term momentum indicators continue to trend down.

The Philadelphia Oil Services Index fell 6.17 (2.45%) last week.

Intermediate trend changed from up to neutral on a break below support at 242.51. Resistance is forming at 257.06. The Index fell below its 20 day moving average.

Strength relative to the S&P 500 Index changed from positive until at least neutral.

Short-term momentum indicators have rolled over from overbought levels and are trending down.

The Amex Gold Bug Index dropped another 19.58 (5.16%) last week.

Intermediate trend is down. The Index remains below its 20, 50 and 200 day moving averages.

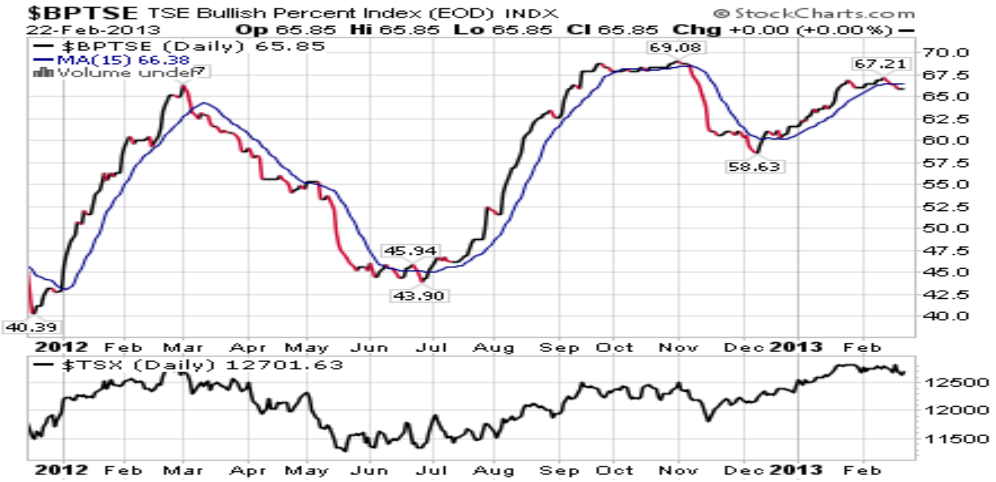
Strength relative to Gold remains negative.

Short-term momentum indicators are oversold, but have yet to show significant signs of bottoming.

Canadian Markets weekly charts

Bullish Percent Index for TSX Composite stocks fell last week to 65.85% from 66.26% and fell below its 15 day moving average.

Index has rolled over from overbought levels.



The TSX Composite Index added 15.00 (0.12%) last week.

Intermediate trend remains down. The Index remains above its 50 and 200 day moving averages and below its 20 day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators continue to trend down.

Percent continues to trend down from overbought levels.

Note the tendency for the TSX Composite to enter a corrective phase when

The index trends down from overbought levels.

Percent of TSX stocks trading above their 20 day moving average fell last week to 49.59% from 56.10%.

Percent of TSX stocks trading above their 200 day moving average dropped last week to 59.76% from 61.79%.

The index continues to trend down from overbought levels.

The TSX Metals and Mining Index fell 54.18 (5.61%) last week.

Intermediate trend is down. The Index remains below its 20 and 50 day moving average and fell below its 200 day moving average. Strength relative to the S&P 500 Index remains negative. Short-term momentum indicators are oversold, but have yet to show signs of bottoming.

Asian Markets weekly charts

The Nikkei Average gained 212.11 (1.90%) last week.

Intermediate trend is up. The Average remains above the 20, 50 and 200-day moving averages.

Strength relative to the S&P 500 Index has changed from neutral to slightly positive.

Short term momentum indicators are overbought and rolling over.

The Shanghai Composite Index plunged 118.24 points (4.86%) last week.

Intermediate trend is up. Resistance is forming at 2,443.03. The Index remains above its 50 and 200 day moving averages, but fell below its 20 day moving average.

Strength relative to the S&P 500 Index changed from positive to at least neutral.

Short-term momentum indicators have rolled over from overbought levels and are trending down.

The Australia All Ordinaries Composite Index fell 17.90 (0.35%) last week.

Intermediate trend is up. The Index remains above its 20, 50 and 200 day moving averages.

Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators have rolled over from intermediate overbought levels.

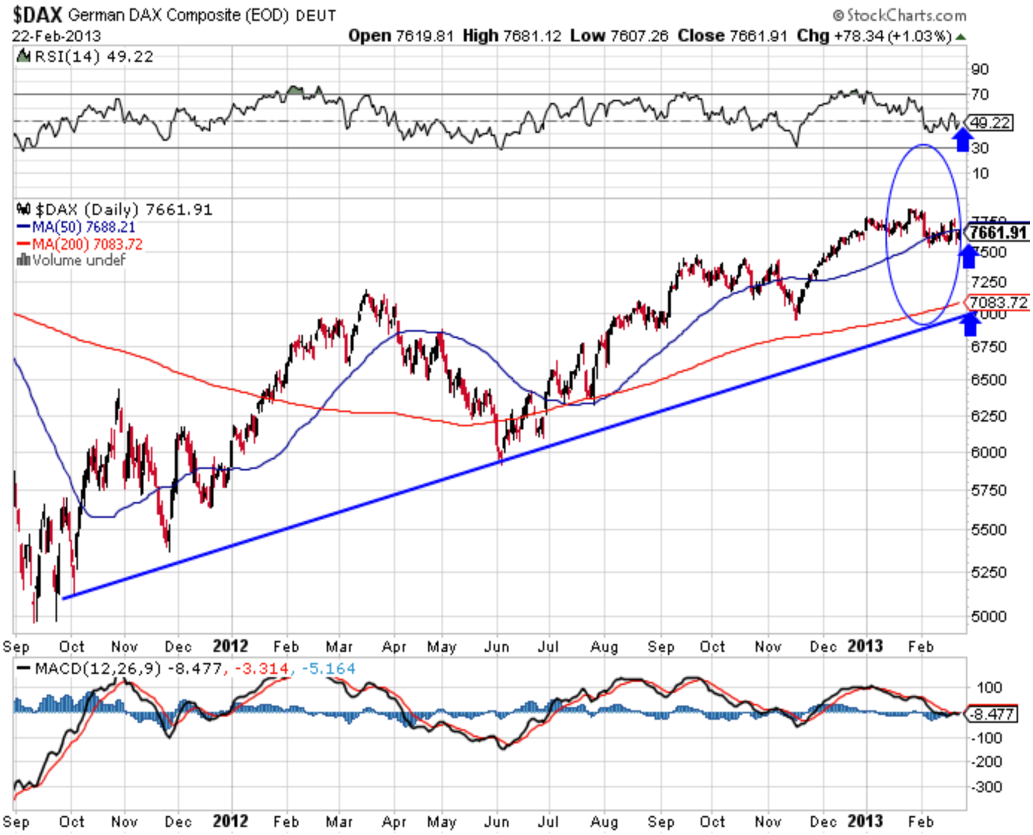
European Market weekly charts

The DAX is currently challenging the 50 daymva, with the recent temporary weakness of the EURO; we think the DAX has enough momentum to move higher towards the psychological 8,000 level, before needing to take a breather.

That would also coincide with the traditional seasonal "sell in May & Go Away" syndrome.

We stick with our 2013 long term price target of 9,200 for the DAX

The DAX was up 43 points last week.



The CAC was down 27 points last week.

We give the CAC the benefit of the doubt that it will have a chance to move higher in the coming moths, equally due to the EUR/US$ support as for the DAX.

We are getting increasingly bullish on the FTSE, particularly with today's downgrade in credit rating for the UK economy, and the implicit decline of so far -7% of the GBP, which will help UK companies to increase their competitiveness, and also to benefit from repatriating higher foreign profits.

We stick to our 2013 price target for the FTSE of 7, 600.

The FTSE short term technical are mixed, with both RSI and MACD pointing down, however, the long term trend picture is intact, and we are recommending to add aggressively towards UK equities, and particularly towards the exporting companies.

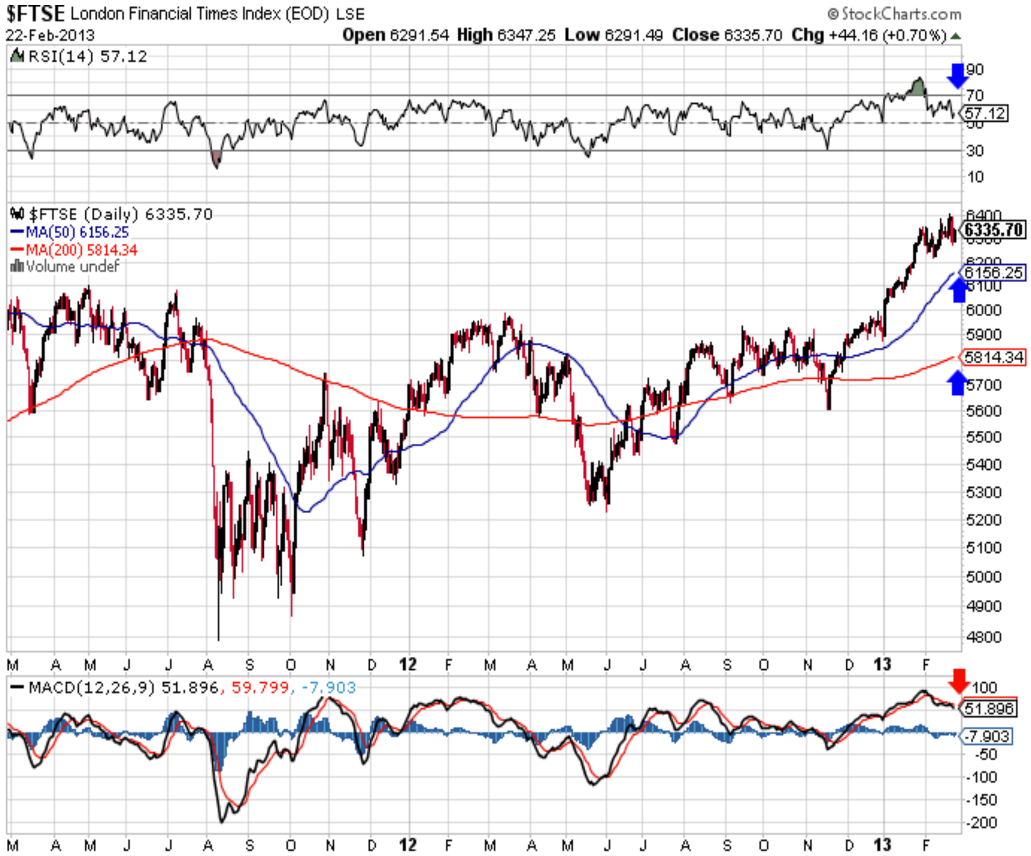
Intermediate trend changed from up to down on a break below support at $39.87.

The index ETF remains below the 20 day moving average and above their 50 and 200 day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators continue to trend down.

The FTSE declined by 87 points last week.



Europe 350 iShares slipped $0.15 (0.37%) last week.

The Athens Index plunged 41.44 (3.97%) last week.

Intermediate trend changed from up to down on a break below support at 1005.03. Resistance has formed at 1,052.83.

The Index remains above its 50 and 200 day moving average, but fell below its 20 day moving average.

Strength relative to the S&P 500 Index has been positive, but is showing signs of change.

Short term momentum indicators have rolled over from overbought levels and are trending down

Global Fixed Income Markets

EURO Bonds

- **German 10y 1.61 +0.031.86%**
- **Italy 10yr 4.29 -0.112.51%**
- **Spain 10yr 5.09 -0.051.02%**
- **U.K. 10yr 2.13 +0.020.76%**

Moody's downgrade from triple A for the UK debt over the weekend, had already put upward price pressure on the yields, we are expecting for the yield to correct downwards over the coming weeks.

US Bonds

The yield remains above its 50 and 200 day moving average, but slipped below its 20 day moving average.

Stochastics are trending lower.

The yield on 10 year Treasuries slipped 4.9 basis points (2.44%) last week.

The long term Treasury ETF gained $0.53 (0.45%) last week.

Support has formed at $115.51.

The ETF moved above its 20 day moving average on Friday.

Currencies

The Euro fell 1.70 (1.27%) last week.

Intermediate trend is up. Resistance has formed at 137.11.

The Euro remains below its 20-day moving average and fell below its 50 day moving average.

Short-term momentum indicators continue to trend down.

The US$ DXY Index gained another 0.90 (1.12%) last week.

The DXY broke above resistance at 80.87 and 81.46. The Index remains above its 20 and 50 day moving average and broke above its 200 day moving average.

Short-term momentum indicators are overbought, but have yet to show signs of peaking.

The Japanese Yen added 0.17 (1.59%) last week.

Intermediate trend is down. Support has formed at 105.86. The Yen remains below its 20, 50 and 200 day moving averages.

Short-term momentum indicators have bottomed at oversold levels and are recovering.

The C$ dropped another 1.49 cents U.S. (1.50%) last week.

Intermediate trend is down. The C$ remains below its 20, 50 and 200 day moving averages.

Short-term momentum indicators are oversold, but have yet to show signs of bottoming.

Commodities

The CRB Index fell 4.93 (1.65%) last week reflecting strength in the US$.

Intermediate trend changed from up to neutral on a break below 293.98. The Index remains below its 20 day moving average and fell below its 50 and 200 day moving averages.

Strength relative to the S&P 500 Index remains negative.

Copper fell $0.19 per lb. (5.08%) last week.

Intermediate trend changed from up to neutral on a break below support at $3.60. Copper fell below its 20, 50 and 200 day moving averages.

Strength relative to the S&P 500 Index changed from neutral to negative.

Short-term momentum indicators are oversold, but have yet to show signs of bottoming.

Strength relative to the S&P 500 Index changed from positive to neutral.

Lumber plunged $18.89 (4.74%) last week.

The Grain ETN fell another $0.58 (1.11%) last week.

Intermediate trend remains neutral. Strength relative to the S&P 500 Index remains negative.

The Agriculture ETF fell another $1.36 (2.45%) last week.

Intermediate trend changed from up to down on a break below support at $55.04.

The ETF remains below the 20-day moving average and fell below its 50 day moving average.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are oversold, but have yet to show signs of bottoming.

Gold & Precious Metals

We continue to see the long-term fundamentals for Gold to be favorable, and continue to recommend for investors to increase their asset allocation weightings towards Gold and Gold equities, particularly into the current price weaknesses.

Has the markets' sentiment dropped to the point where we can say gold has bottomed? Gold has been in a corrective bounce.

The latest COT report shows that the commercial traders have become much less bearish, as they seem to have covered a rather large amount of their short positions. Another survey, the DSI survey, showed that bullish opinion of gold is under 42% for only the 2nd week in more than a decade, and has dropped below the 2008 crash low. DSI survey of futures traders came in at 3% bulls this past week. This is an all-time low, and is equivalent to the percentage of equity bulls at the March 2009 lows in terms of the DSI.

And by looking at mainstream "sell-side" research publications since Q4 2012, 70% of them are suggesting buying gold.

Gold fell another $29.90 (1.86%) last week.

Intermediate trend is down. Gold remains below its 20, 50 and 200 day moving averages.

Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are oversold, but have yet to show significant signs of recovery.

Silver fell another $1.15 (3.85%) last week.

Intermediate trend is down. Silver remains below its 20, 50 and 200 day moving averages.

Strength relative to Gold changed from neutral to negative.

Short-term momentum indicators are oversold, but have yet to show signs of bottoming.

Platinum dropped another $66.00 (3.92%) last week.

Intermediate trend changed from up to neutral on a break below support at $1,659.70.

Platinum remains below its 20 day moving average and dropped below its 50 day moving average.

Strength relative to gold changed from positive to neutral.

Palladium dropped $23.00 (3.03%) last week.

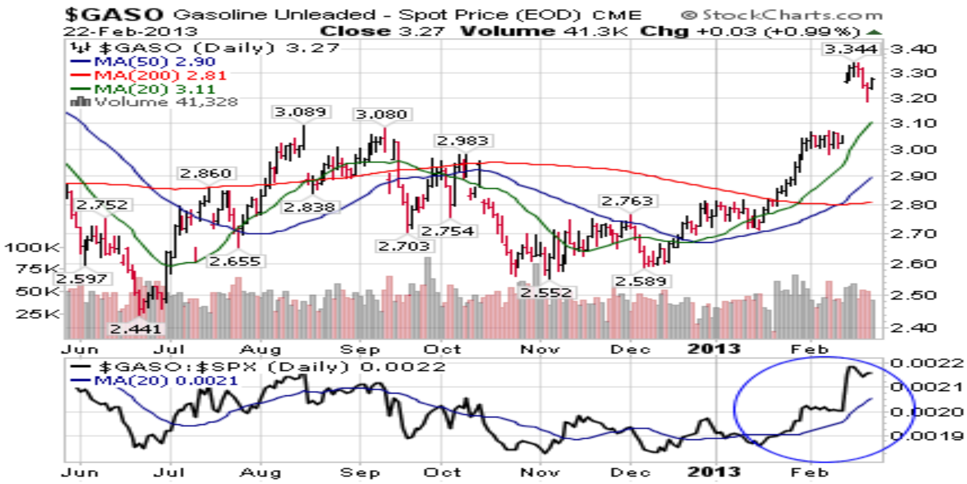
Strength relative to gold remains positive.

Oil, Gas & Energy

Gasoline fell $0.06 per gallon (1.80%) last week.

Intermediate trend is up. Gas remains above its 20, 50 and 200 day moving averages.

Strength relative to the S&P 500 Index remains positive.



Crude Oil fell $2.59 per barrel (2.70%) last week.

Intermediate trend changed from up to down on a break below support at $95.04. Crude remains below its 20-day moving average and fell below its 50 day moving average.

Strength relative to the S&P 500 Index changed from neutral to negative.

Short-term momentum indicators continue to trend down.

Natural Gas gained $0.16 (5.08%) last week.

Intermediate trend is neutral. Gas remains above its 200 day moving average and moved above its 20 day moving average.

Strength relative to the S&P 500 Index remains negative, but showing signs of change.

Short-term momentum indicators are neutral.

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