



Creative Global Investments

Morning Market Commentary

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Objectivity

Integrity

Creativity

“Currency War Musings”

The Fed has clearly announced that quantitative easing will continue until we see a strong positive change towards the US economic thresholds. We don't foresee that landscape changing for at least a year. With sequestration occurring, and fourth quarter GDP coming in at an anemic level, we don't expect quantitative easing to end until well into 2014.

Developed countries, like the US, Japan and European nations, have more or less guaranteed low short-term interest rates. Their central banks have communicated that these cheap fixed money rates extend to 2014 or 2015. So, as we have been advising for over a year now, cheap short-term money can be borrowed, leveraged up, and then used to buy high interest rate paying bonds from an emerging market government or corporation. The larger the spread of the interest rates, the better the return. The better the return, the faster the hot portfolio money flows into the currency that the high interest rate bond is priced in. The net result is the emerging market currency appreciates. Short term, this trend might well continue, however, as the US and Europe and Japan need to make their exports more competitive via currency devaluation, one has to look deeper into at what levels certain major currencies are overbought. Again, macro economic matters meeting chart technical.

And we just do not see any support from a global macro perspective for the major central banks to reverse course yet; at least not from an underlying 2013 GDP perspective:

- US' GDP growth is expected to be +1.9%
- Japan' GDP growth is expected to be +1.2%
- Europe' GDP is expected to be -0.5%.

These poor 2013 GDP numbers will keep the quantitative easing programs in place. At the end of the day, currency effects from low interest rates were always used as a tool by central banks, and particularly the Fed, to stimulate US exports and the US economy, as the +100 year long US\$ chart clearly shows. So, why some investors assume that there has been a systemic and fundamental change in domestic monetary policies is unclear to us at this point.

We still see the current US\$ temporary strength as a good opportunity for investors to increase equity holding in international companies. The current temporary strength of the US\$ and its inverse impact on global commodities prices as a good opportunity for US institutional investors to increase their weightings in foreign equities and commodities, and particularly to those benefiting from a seasonality point of strength, we advise investors to add towards the following equity markets and sectors:

- | | |
|---------------------|-------------------|
| • Germany | France |
| • UK | Japan |
| • China | US |
| • Auto | Auto parts |
| • Financials | Energy |
| • Steel | Retail |

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Global Macro Events

Upcoming Macro Events:

- **February ISM Services** to be released at 10:00 AM EST on Tuesday is expected to increase to 55.4 from 55.2 in January.
- **The February ADP Employment Change report** to be released at 8:15 AM EST on Wednesday is expected to fall to 150,000 from 192,000 in January
- **January Factory Orders** to be released at 10:00 AM EST on Wednesday is expected to decline 2.2% versus a gain of 1.8% in December.
- **The Bank of Canada's Policy Announcement** is expected to be released at 10:00 AM EST on Wednesday.
- **The Federal Reserve's Beige Book** is released at 2:00 PM EST on Wednesday.
- **Weekly Initial Jobless Claims** to be released at 8:30 AM EST on Thursday is expected to increase to 350,000 from 344,000 last week.
- **Second estimate of fourth quarter Productivity** to be released at 8:30 AM EST on Thursday is expected to improve to -1.6% from the initial estimate of -2.0%.
- **January Canada's Merchandise Trade Balance** to be announced at 8:30 AM EST on Thursday is expected to improve to -\$600 million from -901 million in December.
- **February Canadian Housing Starts** to be released at 8:15 AM EST on Friday is expected to slip to 174,000 from 160,600 in January.
- **February Non-farm Payrolls** to be released at 8:30 AM EST on Friday is expected to increase to 165,000 from 157,000 in January. **Private Non-farm Payrolls** is expected to increase to 178,000 from 166,000 in January. **The February Unemployment Rate** is expected to remain unchanged at 7.9% set in January. **February Hourly Earnings** are expected to remain unchanged at 0.2% set in January.
- **February Canadian Employment** to be released at 8:30 AM EST on Friday is expected to increase 8,000 versus a decline of 21,900 in January.

US Markets Weekly Charts

The VIX Index added 0.19 (0.84%) last week. Next support for the VIX is at 12.29%.



The S&P 500 Index added 2.60 points (0.17%) 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.

Short-term momentum indicators have declined to a neutral level.



Percent of S&P 500 stocks slipped to 74.20% from 77.40%.

The index is trending down from an intermediate overbought.



The index reached an intermediate peak three weeks ago.

Percent of S&P 500 stocks increased last week to 86.60% from 86.00%.



Bullish Percent Index for S&P 500 stocks slipped last week to 79.00% from 81.00% and remained below its 15 day moving average.

The Index is intermediate overbought and showing signs of peaking



The Dow Jones Industrial Average gained 89.09 points (0.60%) last week.

Intermediate uptrend was confirmed when the Average broke to a five year high. The Average remains above its 20, 50 and 200 day moving averages.

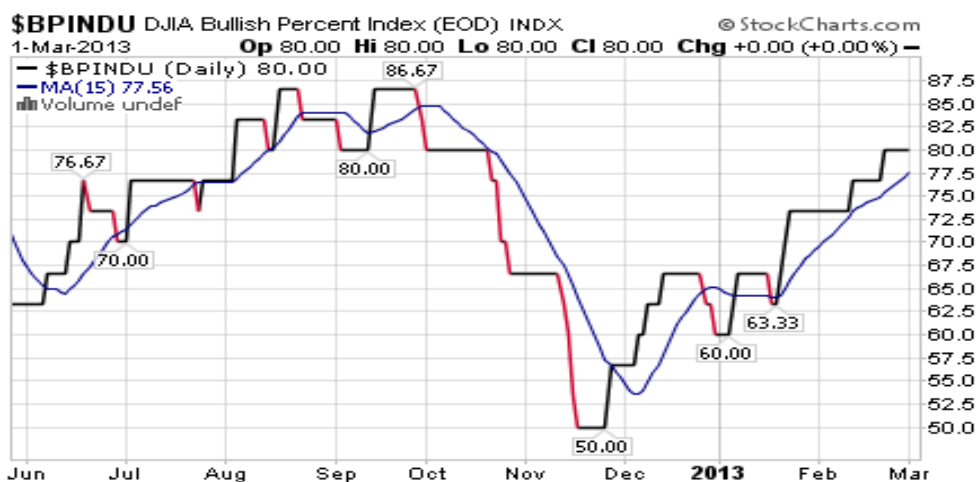
Strength relative to the S&P 500 Index changed from neutral to positive.

Short-term momentum indicators have returned to slightly overbought levels.



Bullish Percent Index for Dow Jones Industrial Average stocks was unchanged last week at 80.00% and remained above its 15 day moving average.

The index remains intermediate overbought.



The Dow Jones Transportation Average gained 41.01 points (0.69%) last week.

Intermediate uptrend was confirmed on Thursday when the Average reaches an all-time high. The Average 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 declined to neutral levels.



Bullish Percent for NASDAQ Composite stocks slipped last week to 64.72% from 64.87% and dropped below its 15 day moving average.

The Index is intermediate overbought and showing early signs of peaking.



Intermediate trend is up.
The Index moved above
its 20 day moving
average on Friday.
Resistance is forming at
3,213.60.

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

Short-term momentum
indicators have declined
to neutral levels.

The NASDAQ Composite Index added 7.92 points (0.25%) last week.



The Russell 2000 Index eased 1.37 points (0.15%) last week.

Intermediate trend is
forming at 932.00. The
Index moved above its
20 day moving average
on Friday.

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

Short-term momentum
indicators have declined
to a neutral level.



The S&P Energy Index slipped 1.44 (0.25%) last week.

Intermediate trend is neutral. Resistance has formed at 583.52. 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 have declined to neutral levels.



The Philadelphia Oil Services Index fell 4.12 points (1.72%) last week.

Intermediate trend remains neutral. The Index remains below its 20 day moving average and above its 50 day moving average.

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

Short-term momentum indicators continue to trend down.



The AMEX Gold Bug Index dropped another 7.85 points (2.18%) last week.

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

Strength relative to gold remains negative.

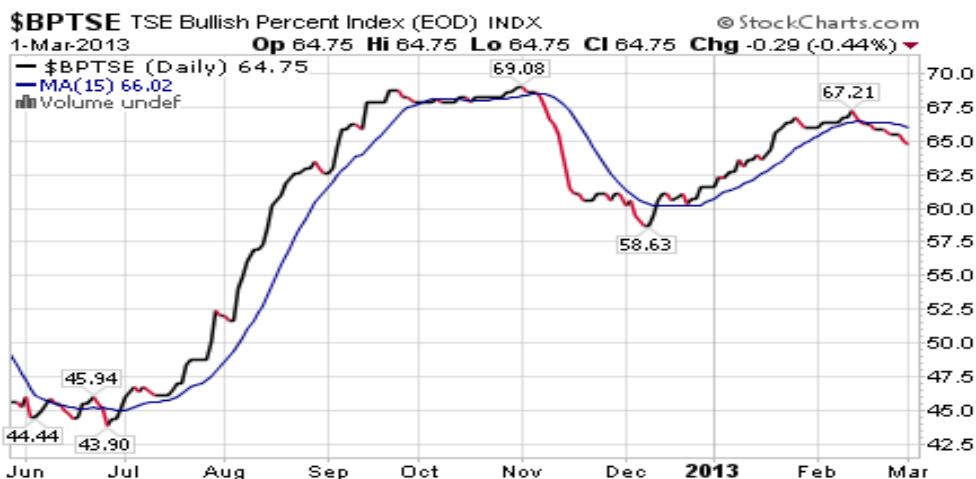
Short-term momentum indicators are oversold, but have yet to show signs of bottoming.



Canadian Markets Weekly Charts

The Index is overbought and showing signs of trending down.

Bullish Percent Index for TSX stocks fell last week to 64.75% from 65.85% and remained below its 15 day moving average.



The TSX Composite Index gained 71.49 points (0.56%) last week.

Intermediate trend remains down. Resistance is at 12,895.28. The Index remains above its 20, 50 and 200 day moving averages.

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

Short-term momentum indicators have declined to neutral levels.



Percent of TSX stocks trading above their 50 day moving average fell last week to 47.13% from 49.59%.

The index continues to trend down from an intermediate overbought.



Percent of TSX stocks trading above their 200 day moving average fell to 56.97% from 59.76%.

The index continues to trend down from an intermediate overbought level.



Asian Markets Weekly Charts

The Nikkei Average gained 220.44 points (1.94%) last week.

Intermediate trend is up.
The Average 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 overbought levels.



The Shanghai Composite Index gained 45.35 points (1.96%) last week.

Intermediate trend is up.
Resistance has formed at 2,443.03. 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 neutral.

Short-term momentum indicators have declined to neutral levels.



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 are
overbought.

The Australia All Ords Composite Index gained 64.18 points (1.27%) last week.



European Markets Weekly Charts

The FTSE has broken out to the upside with RSI, MACD, 50-dmva and 200-dmva all positive.

Our long-term target for the FTSE is 7,800.

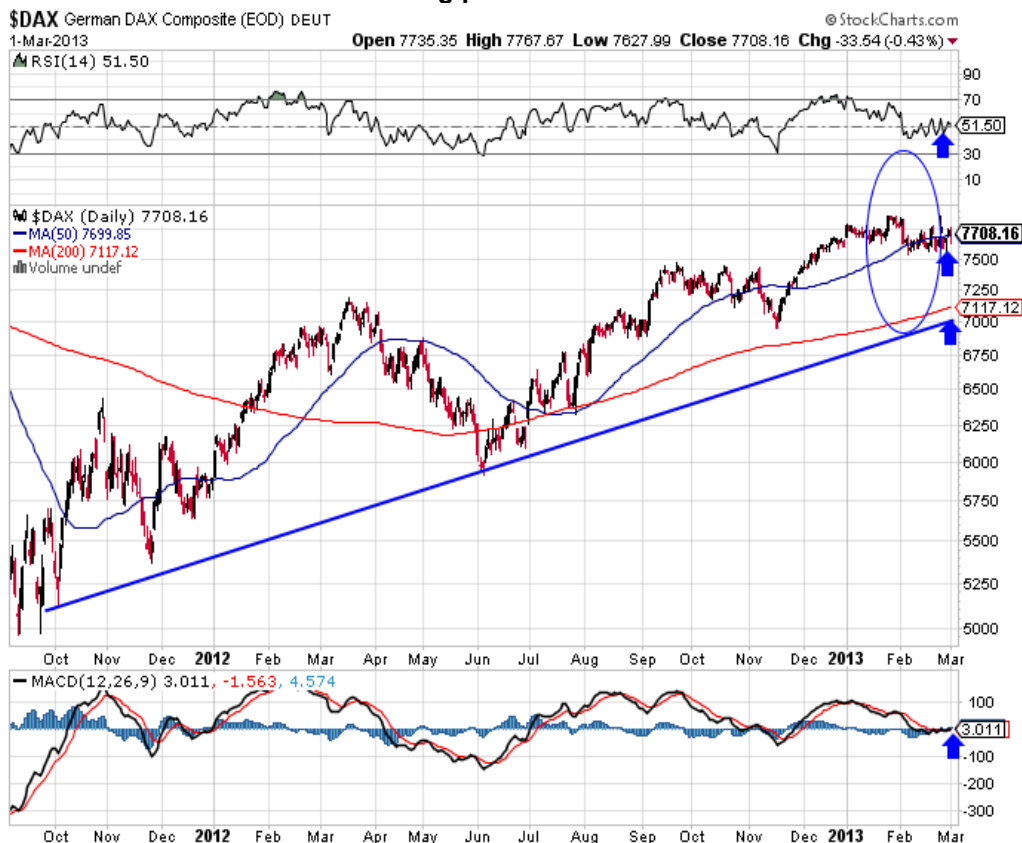
The FTSE managed to break above its 2011 double top of 6,100.



The DAX short term indicators are all positive with RSI, MACD, 50-dmva and 200-dmva all pointing upwards

Our long-term price target for the DAX is 9,600.

The DAX has been in a consolidating phase since 2013.



The CAC has been in a consolidating phase since 2013.

The CAC short term indicators are all positive with RSI, MACD, 50-dmva and 200-dmva all pointing upwards

Our long-term price target for the CAC is 4,600.



iShares on the Europe 350 Index fell another \$0.61 (1.52%) last week.

Intermediate trend is down. Units remain below their 20-day moving average and fell below their 50 day moving average.

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

Short-term momentum indicators are trending down.

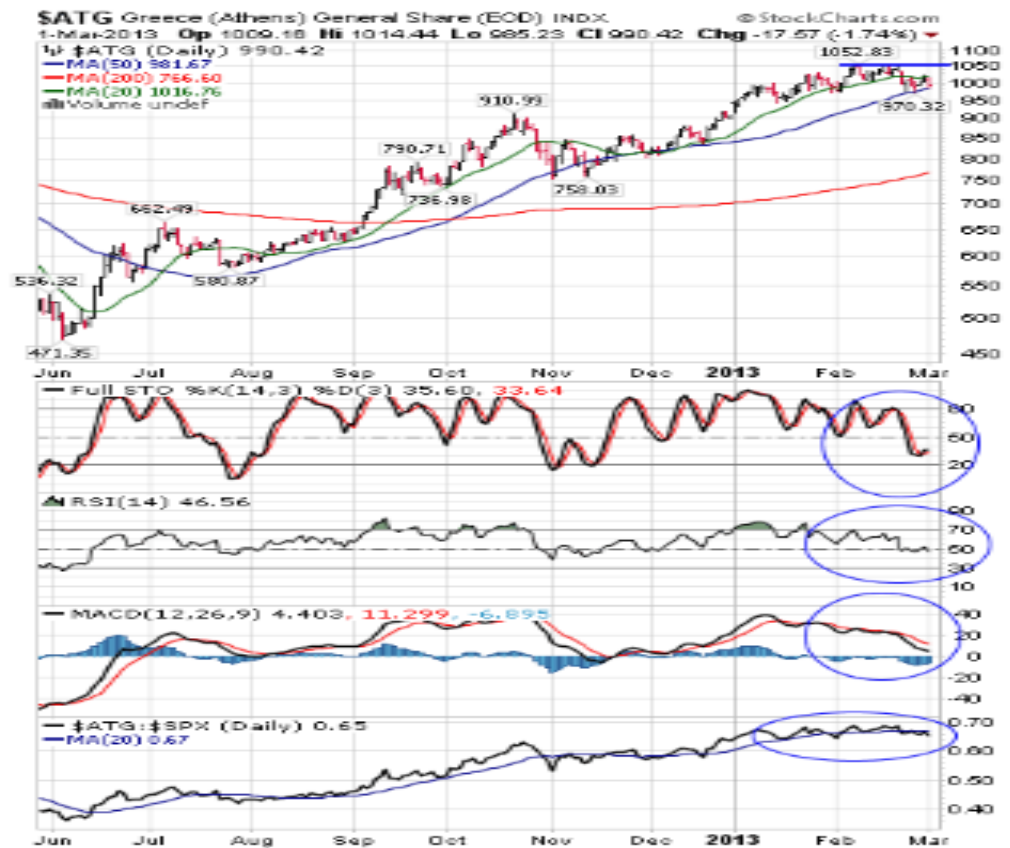


The Athens Index fell 12.90 points (1.52%) last week.

Intermediate trend is down. Resistance is at 1,052.83. The Index fell below its 20 day moving average.

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

Short-term momentum indicators are trending down.



Global Fixed Income Markets Weekly Charts

EURO Bonds

- German 10y 1.42 +0.01 0.66%
- Italy 10yr 4.76 +0.03 0.71%
- Spain 10yr 5.06 -0.03 0.66%
- UK 10yr 1.89 +0.02 0.88%

US Bonds

The yield on 10 year Treasuries fell 10.5 basis points (5.36%) last week.

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

Short-term momentum indicators are trending down.



The long term Treasury ETF gained \$1.97 (1.60%) last week.

The price remains above its 20 day moving average and moved above its 50 day moving average. Support has formed at \$115.26



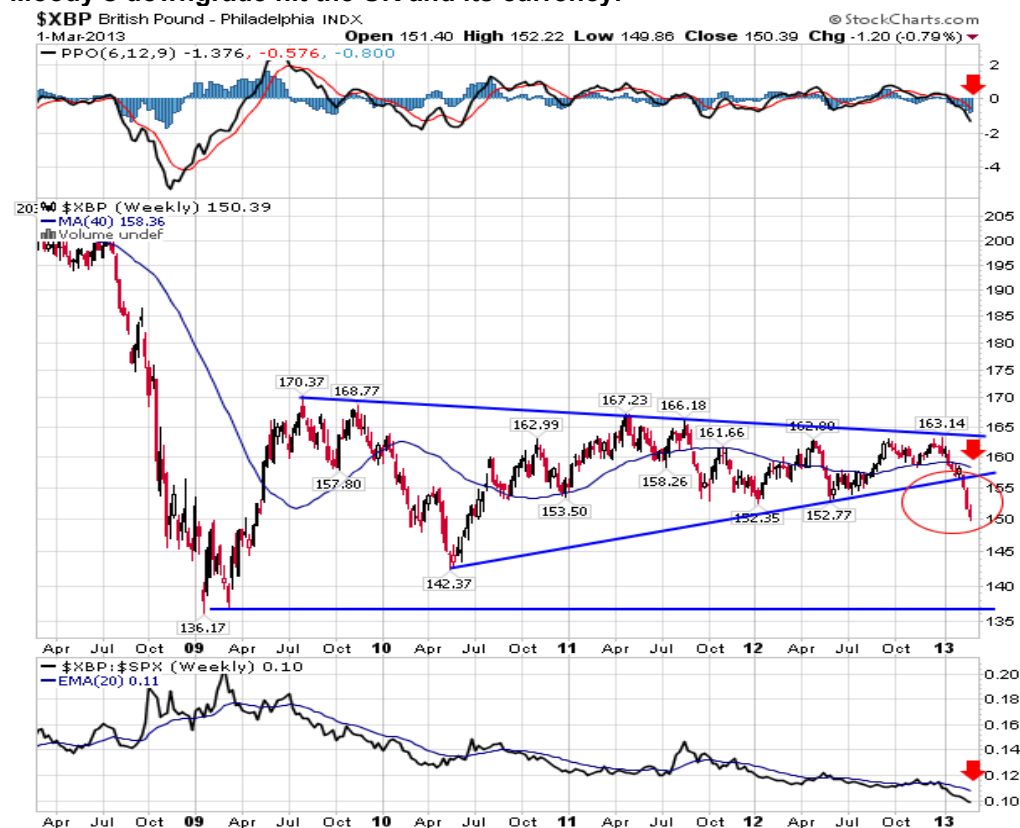
Currencies Weekly Charts

All short-term indicator are bearish, MACD, RSI, 50-dmva and 200-dmva.

We see the next support for the GBP is at 1.42, after that at 1.36.

Given the downgrading of the UK by Moody's two weeks ago, we see risk of the GBP to hit the 1.36 support levels.

The British Pound has been breaking below the trend line support, as soon as Moody's downgrade hit the UK and its currency.



The Euro fell 1.73 (1.31%) last week.

Intermediate trend changed from up to neutral on a move below 130.04 on Friday.

The Euro remains below its 20 and 50 day moving average and above its 200 day moving average.

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



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

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

The US\$ Index gained another 0.47 (0.58%) last week.



The Japanese Yen slipped 0.27 (0.25%) last week.

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

Short-term momentum indicators are recovering from oversold levels.



The C\$ fell another \$0.50 U.S. (1.31%) 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.

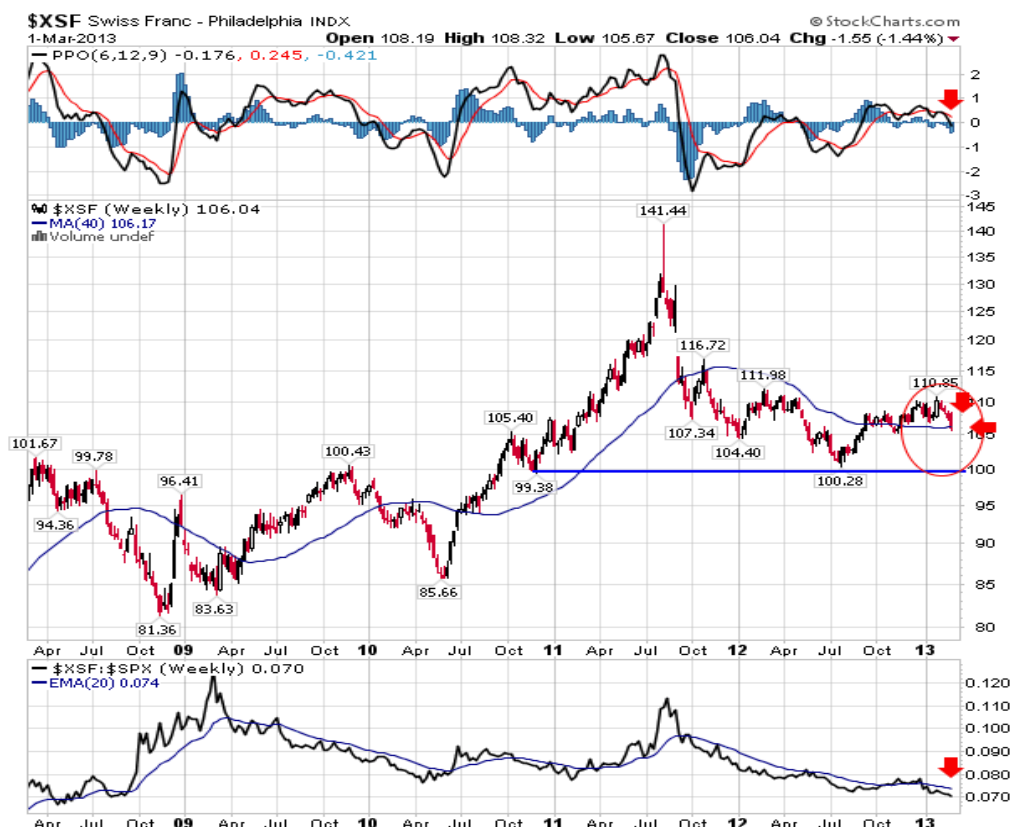


The Swiss Franc also seems to break support at the MACD support level.

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

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

The SFR has risk towards .98 support.



Let's look at 10 Year chart of the inverse correlation of the US\$ and major commodities' prices.

Why should the US\$ break above this trend, and why now?

We see sufficient evidence still, that the US\$ is temporary overbought, and that it might correct back to the DXY .75 levels over this summer period.

This also coincides with the seasonal influences on the US\$ and inversely on commodities.



Commodities Weekly Charts

The CRB Index fell another 3.16 points (1.08%) last week.

Intermediate trend changed from neutral to down on a break below support at 291.49.

The Index remains below its 20, 50 and 200 day moving averages.

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



Copper slipped \$0.03 per lb. (0.85%) last week.

Intermediate trend changed from neutral to negative on a break below \$3.523. Copper 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.



Lumber gained \$16.06 (4.23%) last week.

Lumber had a good bounce from near its 20 and 50 day moving average!

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



The Grain ETF added \$0.72 (1.39%) last week.

Intermediate trend changed from neutral to negative on a break below \$51.08.

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



The Agriculture ETF improved \$0.03 (0.06%) last week.

Intermediate trend is down. Units remain below their 20 and 50 day moving averages. Strength relative to the S&P 500 Index remains negative.

Short-term momentum indicators are oversold and showing early signs of bottoming.



Gold & Precious Metals Weekly Charts

Gold fell \$2.50 per ounce (0.17%) last week.

Intermediate trend is down. Support is forming at \$1,554.30. 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 and showing early signs of bottoming.



Silver fell another \$0.15 per ounce (0.52%) last week.

Intermediate trend is down. Silver 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 signs of bottoming.



Platinum fell \$46.00 per ounce (2.54%) last week.

Intermediate trend remains neutral.

Platinum remains below its 20 and 50 day MAs.

Strength relative to gold remains neutral.



Palladium lost \$15.15 per ounce (2.06%) last week.

Resistance has formed at \$777.60 per ounce. Intermediate trend is up.

Palladium remains below its 20 and 50 day moving averages.

Strength relative to gold remains positive.

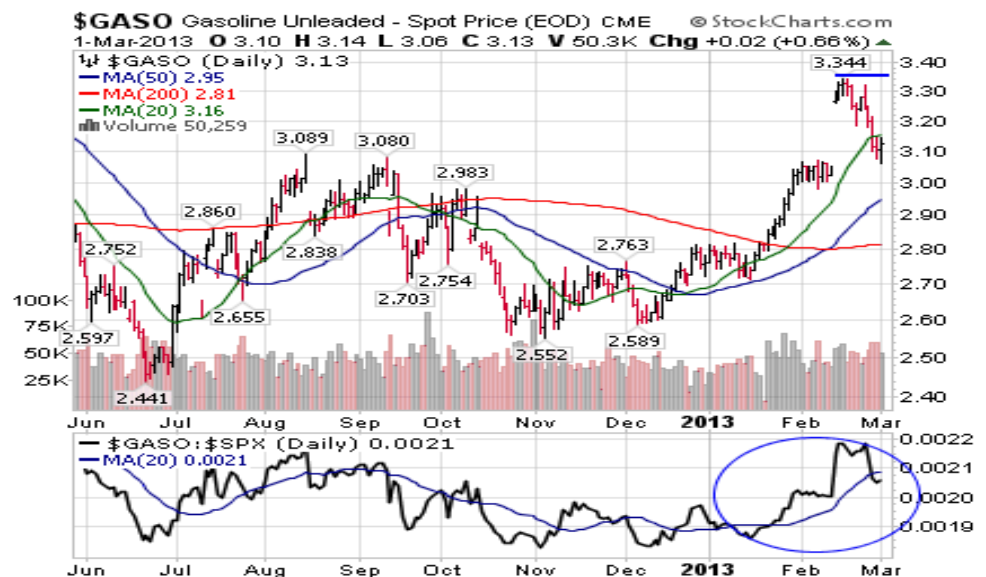


Oil, Gas & Energy Weekly Charts

Gasoline fell \$0.14 per gallon (4.28%) last week.

**Intermediate trend is up.
Gas fell below its 20 day
moving average.**

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



Crude Oil fell another \$2.25 (2.41%) last week.

Intermediate trend remains down. Crude remains below its 20 and 50 day moving averages.

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

Short-term momentum indicators continue to trend down.

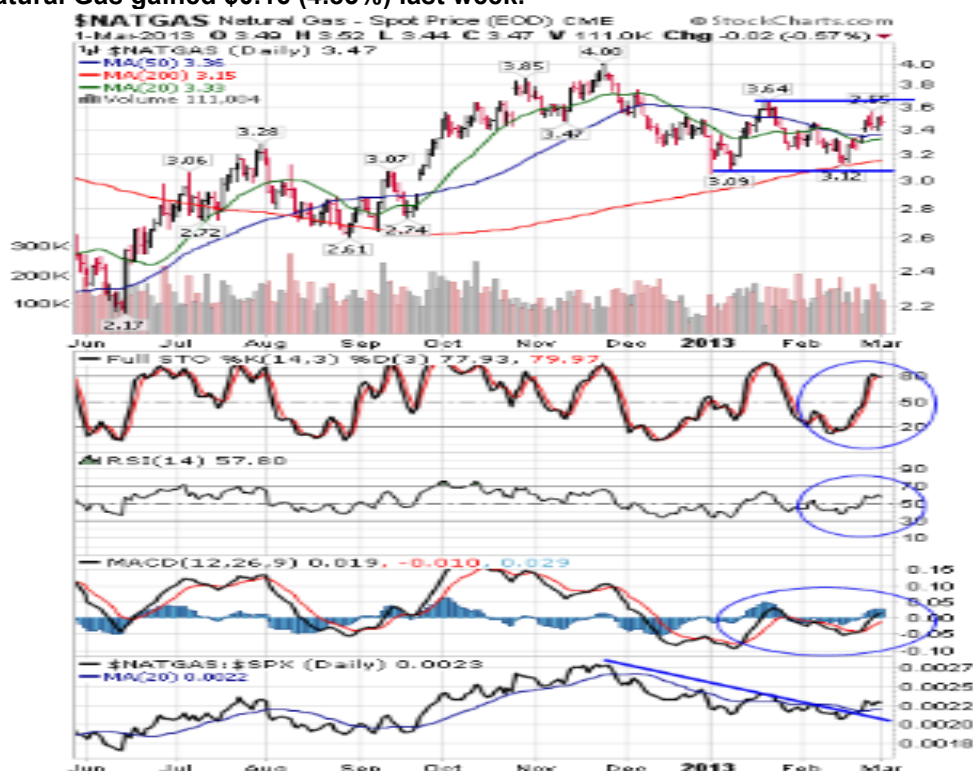


Intermediate trend remains neutral. Gas moved above its 20 and 50 day moving average.

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

Short-term momentum indicators are trending up.

Natural Gas gained \$0.16 (4.83%) last week.



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