



Creative Global Investments

Morning Market Commentary

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Objectivity

Integrity

Creativity

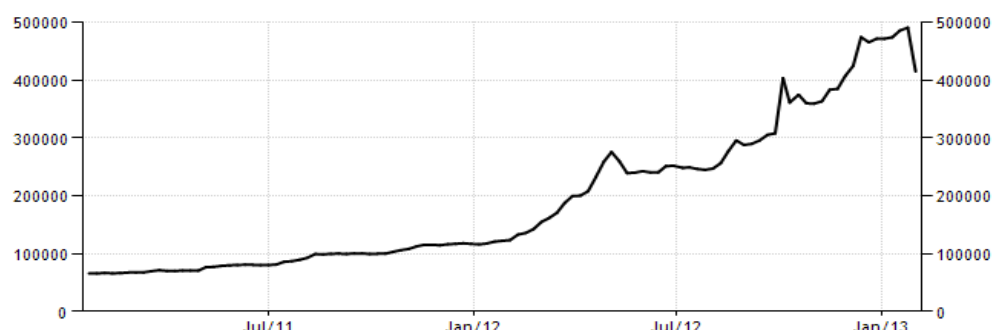
Venezuela?

Venezuela's President Hugo Chavez has died aged 58, after 14 years in power. Mr. Chavez had been seriously ill with cancer for more than a year, undergoing several operations in Cuba. Vice-President Nicolas Maduro will assume the presidency until an election is held within 30 days. Some opposition politicians had argued that the President of the National Assembly, Diosdado Cabello, should take over as interim president in the event of Mr. Chavez's death. However, he was not among the political and military leaders who flanked the vice-president when he announced the news. The opposition has yet to confirm who will be its official candidate for the presidential election, but Mr. Capriles is widely expected to be chosen to stand against the vice-president. Mr. Maduro will most likely win, but the question remains whether he will be able to lead Venezuela following the loss of its iconic president.

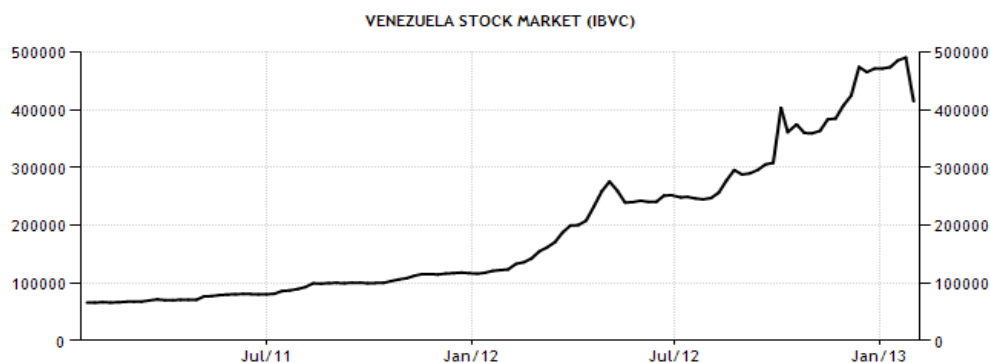
Mr. Chavez's death could alter the political balance in Latin America - dealing a blow to leftist states while favoring more centrist countries. There could also be an economic impact given that Venezuela sells oil at below market prices to some neighboring countries, especially in the Caribbean. Venezuela devalued the bolivar on February 9th February from 4.3 to the US\$ to 6.3. Venezuela has cut the value of its currency against the US\$ by 32%, in an effort to boost its economy. This is the fifth devaluation of the bolivar since Hugo Chavez' administration started controlling the exchange rate, in 2003. The previous devaluation was in 2010.

But Venezuela and several other countries in the region are consequently suffering hyperinflation and will be forced to take drastic monetary and fiscal action. For investors in Latin America, that raises the risks for everyone, even for countries with good policies and relatively low debt. Unfortunately, long-standing investors in this part of the world have seen this hyperinflationary pattern before. Venezuela has managed so far to avoid the hyperinflation that has afflicted the other countries, in the sense that its annual inflation rate has never made it into three digits. However, Venezuela has defaulted no fewer than 11 times in its 202 years of existence as an independent nation. Venezuelan inflation is clearly headed towards the triple digit level (49% annually in the last two months) and even with Hugo Chavez gone, Vice President, Nicolas Maduro, surely is similarly committed to overspending and hostility to international capital.

VENEZUELA STOCK MARKET (IBVC)



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With half the South American continent in dangers of not being able to support their foreign debts, it can't be good news for the other half.

Trade relationships might well be disrupted and companies with large operations in the bankrupt countries will suffer large losses, and international capital markets are likely to "redline" the continent altogether as they did in the 1980s, even though at that time a number of Latin American countries were competently run.

Then there are the political repercussions if countries suffering hyperinflation or bankruptcy try to distract their citizens by starting a war. Old rivalries die hard, and Argentina/Chile, Bolivia/Chile and Venezuela/Colombia are all borders that have seen flare-ups in recent years.

It's a great shame for the well-run countries of Latin America, which are doing things right, growing their economies rapidly, and deserve to be rewarded. But as investors, we should be careful with our money. The currency wars make Latin America a very slippery slope.

So, whilst we are expecting for volatility in Latin American markets to increase, our favorite markets for investors to increase weightings in equities are:

- **Brazil**, which has the highest growth prospects, after 2012 having been a transition year with only 0.9% GDP growth. We are expecting for Brazil to return to +4.0% - 6.0% normalized annual GDP growth over the next 4 years
- **Chile**, which has been well run economically by both autocratic and democratic governments since President Augusto Pinochet took over in 1973. It now has very little foreign debt and a reputation for integrity better than that of the United States, according to global surveys.
- **Colombia**, which had always been better at avoiding debt defaults (none since 1935) and has also avoided hyperinflation, currently appears one of the world's best growth stories.
- **Peru**, which had a dreadful track record in 1978-93, has been much better managed since then, with relatively low debt. Even in 2010, in the early stages of the current enthusiastic market for emerging-market bonds, it managed to issue 40-year bonds.

Global Macro Economics

Upcoming Events:

- The Bank of Japan Rate Announcement will be released. The market expects no change at 0 to 0.1%.
- Euro-Zone GDP for the Fourth Quarter will be released at 5:00am EST. The market expects a year-over-year decline of 0.9% versus a decline of 0.6% previous.
- Bank of Canada Rate Announcement will be released at 10:00am EST. The market expects no change at 1.0%.
- Canadian Ivey PMI for February will be released at 10:00am EST. The market expects 56 versus 58.9 previous.
- ADP Employment Report for February will be released at 8:15am. The market expects 173,000 versus 192,000 previous.
- Factory Orders for January will be released at 10:00am. The market expects a month-over-month decline of 2.2% versus an increase of 1.8% previous.
- Weekly Crude Inventories will be released at 10:30am.
- The Fed's Beige Book for March will be released at 2:00pm.

Past data review

Event	Actual	Forecast	Previous
AUD Current Account Balance (Australian Dollar)	-14678M	-15300M	-15048M
AUD Australia Net Exports of GDP	0.6	0.5	0.1
AUD Retail Sales s.a. (MoM)	0.90%	0.40%	-0.40%
CNY HSBC Services PMI	52.1		54
AUD Reserve Bank of Australia Rate Decision	3.00%	3.00%	3.00%
EUR Italian Purchasing Manager Index Services	43.6	43.5	43.9
EUR French Purchasing Manager Index Services	43.7	42.7	42.7
EUR German Purchasing Manager Index Services	54.7	54.1	54.1
EUR Euro-Zone Purchasing Manager Index Services	47.9	47.3	47.3
EUR Euro-Zone Purchasing Manager Index Composite	47.9	47.3	47.3
GBP Purchasing Manager Index Services	51.8	51	51.5
EUR Euro-Zone Retail Sales (MoM)	1.20%	0.30%	-0.80%
EUR Euro-Zone Retail Sales (YoY)	-1.30%	-2.90%	-3.00%
USD IBD/TIPP Economic Optimism	42.2	47.2	47.3
USD ISM Non-Manufacturing Composite	56	55	55.2

US Equity Markets Commentary & Charts

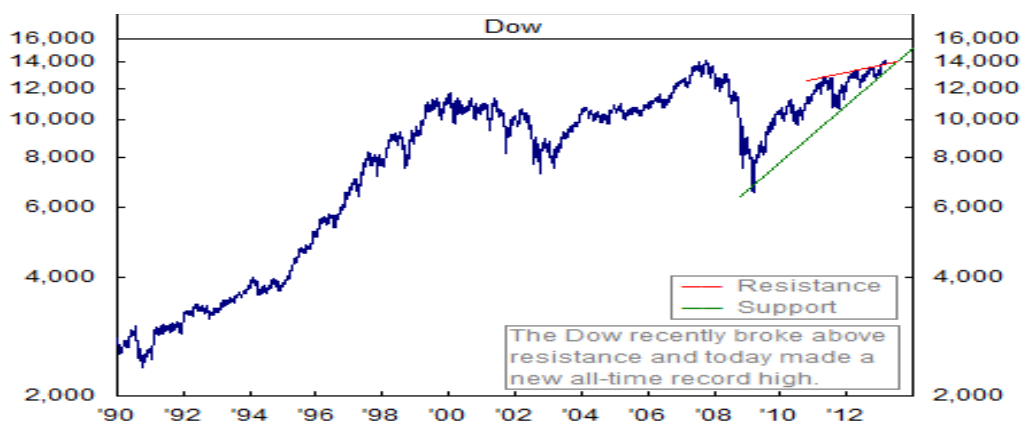
The past couple weeks has served as a healthy consolidation period. The strong showing for the ISM Services report yesterday gives us confidence for markets to grind higher.

The quality of the monthly employment reports on today and Friday may provide the rest of the catalyst to get us to 1565... and perhaps up to 1600 for the S&P 500.

The Dow Jones Industrial Average traded to an all-time high after moving above its 2007 high at 14,198.10.



The chart below depicts the trend of the non-inflation-adjusted Dow from 1990 to the present. The DJIA has been especially volatile as it navigated through a couple of historic boom bust cycles (i.e. dot-com boom and bust of 1995-2002 followed by the credit boom and bust of 2002-2009).



The DJIA's past 4 years performance has been pretty remarkable, (e.g. housing market plunge, near financial meltdown, European sovereign debt crisis, etc.) having more than doubled since its March 2009 low.

The NASDAQ Composite Index also moved to a new high not seen since October 2000, however still



Yesterday also, new multi-year highs for US financial sector, for the technology sector and for the industrial sector, and all three ETFs broke to new inter-day highs.



The Industrial SPDRs closed at an all-time high.

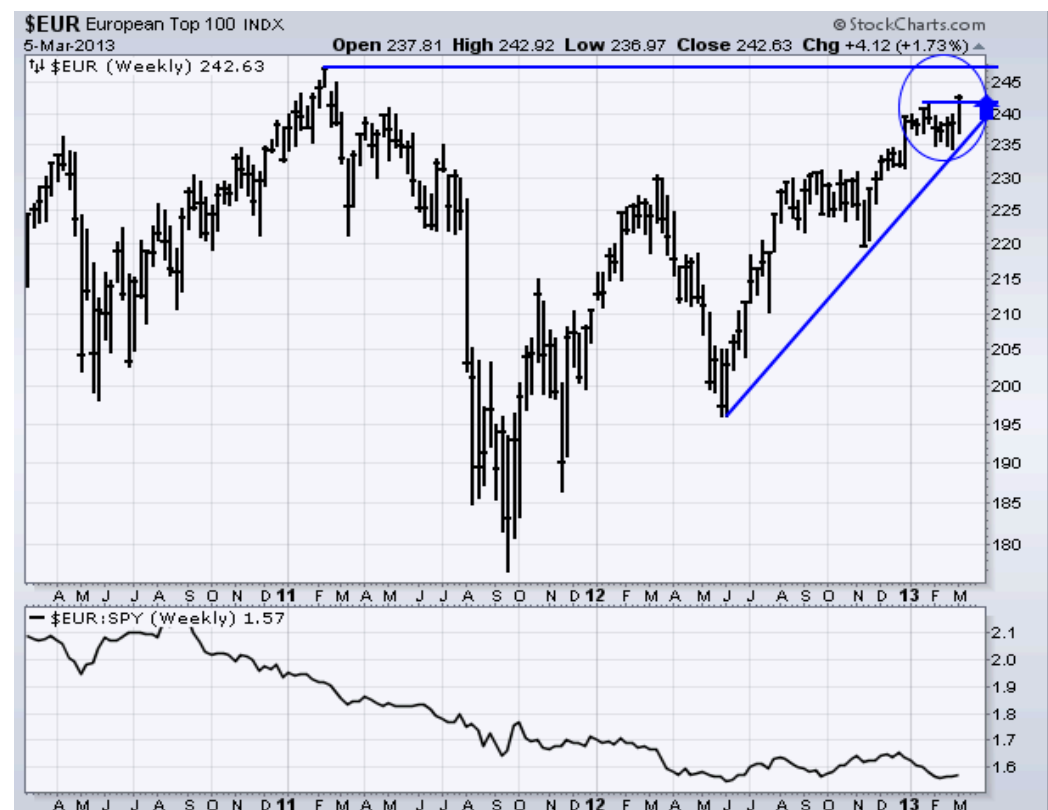
European Equity Market Observations & Charts

European stock markets extended the prior day's rally on Wednesday, with the Stoxx Europe 600 index +0.2% gained to 294.75, on track for its highest level since June 2008.

The \$EUR Top 100 index did surge above resistance to start the year and broken resistance turning first support in the 234 area. The trend line extending up from the June low confirms support here.

The break above 240 would end the consolidation and argue for a continuation of the bigger uptrend.

The European Top 100 Index represents 100 of the biggest companies throughout nine European countries, including the United Kingdom, Germany, France, Italy, Spain and Netherlands.



Italian and Spanish Bond Yields had a strong performance earlier today, lending good support to the equity markets

• German 10y	1.47	+0.02	1.18%
• Italy 10yr	4.59	-0.08	1.78%
• Spain 10yr	4.90	-0.05	1.02%
• UK 10yr	1.96	-0.00	0.15%

European Bonds

Currency Commentary & Charts

Time to go long the EURO again

The US\$ index DXY declined by one-third of one percent, retesting the recent breakout level of 81.50. The DXY has strengthened throughout the month, pushing above significant resistance at 81.50, a level that if sustained above could put pressure on stocks and commodities. Weakness in the Euro has been a significant factor in strength in the US\$. The DXY typically peaks around this time of year, declining into Spring.



Palladium Commentary & Chart

Palladium's seasonal influences are positive until mid-April.



Natural Gas Commentary & Chart

Oil and Gas remains seasonal influences are favorable until mid-April.



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