Creative Global Investments

Morning Market Commentary

Friday, March 8th, 2013

Carlo R. Besenius
Chief Executive Officer
cbesenius@cg-inv.com
+(352) 2625 8640

Creative Global Investments LLC
115 East 57th Street
11th Floor
New York, NY 10022
Tel: 212 939 7256
Mob: 917 301 3734

Creative Global Investments/Europe
5, op der Heed
L-1709 Senningerberg
Tel: +(352) 2625 8640
Mob: +(352) 691 106 969

Objectivity

Integrity

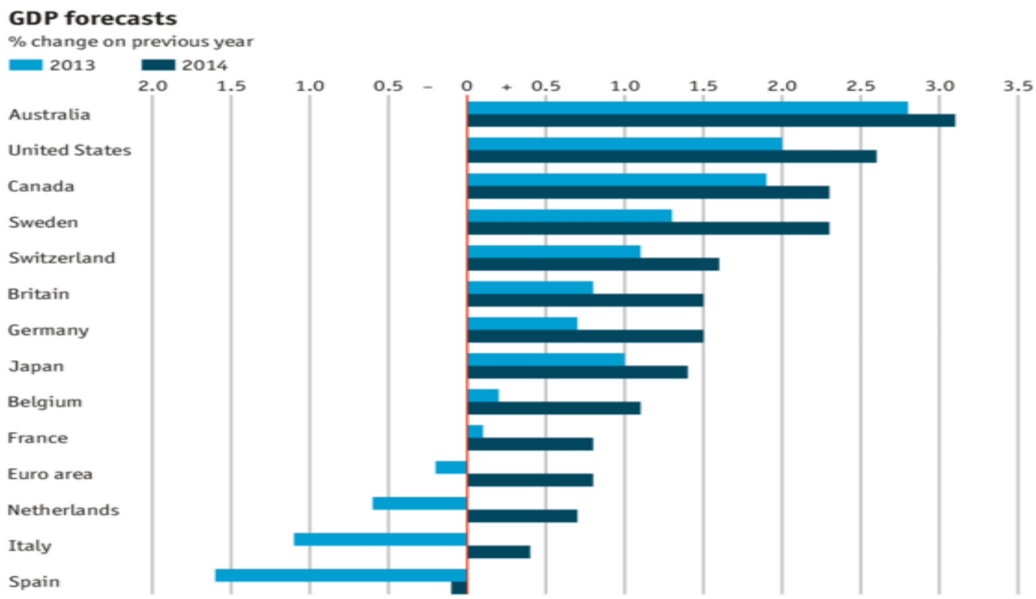
Creativity

More support for global equities due to slowly but gradually improving global economic expectations and economic outlook

Economists from around the world are becoming increasingly less pessimistic about 2013 Global GDP Outlook.

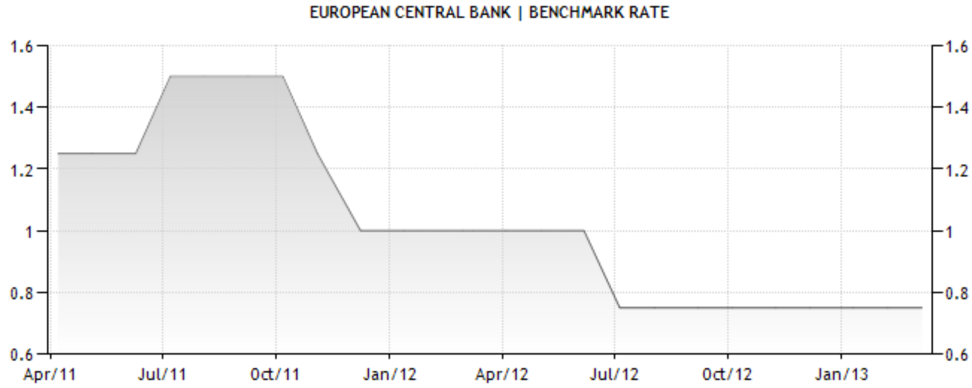
We are expecting for the Euro zone to remain weak, as today's Q4 German GDP numbers are showing. Several EU economies will continue to contract in the 1H 2013. We expect Spain and Italy's GDP to shrink by -1.1% and -1.0% for 2013.

GDP in the Euro area as a whole, we think might surprise on the upside and are expecting a +0.2% GDP number for 2013, and +1.0% GDP for 2014, as we are seeing more evidence of government policies in Europe, but also around the world starting to make progress, and hence why we are expecting for global GDP growth to accelerate in 2014, albeit slowly for Europe, the UK, the US, but more rapidly in Japan, China, India, Africa, Brazil, Russia and emerging economies like the Philippines, Thailand, Turkey, Poland.



The British Chambers of Commerce yesterday has published its latest economic forecast, which sees UK growth in 2013 revised downwards from 1.0% to 0.6% in 2013, and from 1.8% to 1.7% in 2014. Businesses are resilient and have the ambition needed to drive our national recovery forward, but reduced global growth prospects, and the ongoing need to repair Britain's balance sheet, will slow the pace of the UK recovery over the next couple of years.

With the ECB decision of keeping rates unchanged yesterday, we believe that the ECB is giving the market clues about an economic stabilization, and even the possible return to GDP growth in the Eurozone area in the coming months.



Growth in Europe for 2013 has been slow, so far, because southern Europe is suffering not just from a dilemma of austerity but also from a shortfall of credit. There may be some relenting on harsh deficit-reduction targets for this year. But what is painfully lacking is an improvement in bank lending to accompany the revival of financial markets.

The latest credit figures paint a dire picture for southern Europe. Lending to households in the Euro area rose by 0.5% in the year to January, but fell by around 3.5% in Spain and Portugal. The position for non-financial companies was far worse. Lending to firms dropped by 2.5% in the Euro area but that overall figure masks a wide dispersion.

Whereas lending rose by 0.9% in Germany, it fell by 3.2% in Italy, by 6.6% in Portugal and by 11.4% in Spain.

The gap in the cost of corporate credit between Germany and the periphery remains wide, however has compressed significantly for Spain and Italy in the past days, and we are expecting for this trend to continue. We have been advising since Q4 2012 to buy bonds in the Euro periphery, and conversely sell German Bonds. The average interest rate on new one-year business loans below EUR 1MN (US$1.3MN) is 2.8% in Germany but 4.4% in Italy, 5.1% in Spain and 6.7% in Portugal.

The lack of corporate lending is a big worry because firms in Europe depend far more heavily on banks than their American counterparts. The good news is that banks' funding constraints no longer bind as tightly as they once did. Strong lenders can now finance themselves in the markets. The ECB's lavish liquidity programs have supported their weaker brethren.

The bad news is that banks still have lots of reasons to lend less. Under heavy regulatory pressure to raise their capital ratios, the obvious response for many lenders is to reduce their loan books. European state-aid rules mean that banks that have been bailed out have to slim down. Others can find it hard to fill the gap for practical reasons: big banks in Spain say that taking on customers of the cajas, the savings banks that are now being shrunk, is complicated by borrowers not having proper documentation.

Global Macro Economics

Past data review

- German factory orders dropped by 1.9% month-on-month in January, far below the 0.6% gain expected by the consensus
- The French central bank´s business confidence barometer for the month of February has come in at 96 points, ahead of last month´s level of 95.
- Spanish industrial production contracted at a 5% m-o-m pace in January (Consensus: -6%).
- US Consumer credit rose by $16.2bn, ahead of expectations, in January.
- The US trade deficit expanded by more than was expected in January, to reach -$44.45bn versus -$38.5bn in the month before. The consensus estimate had been for a reading of -$38.5bn.
- US Initial weekly unemployment claims dropped by 4,000 last week, to reach 340,000 (Consensus: 355,000).
- US Labor productivity fell at a 1.9% annualized rate in the last three months of 2012 (Consensus: -1.6%).

- **Chinese exports rose more-than-expected in February, adding to optimism over a recovery in its economy. Shipments jumped 21.8% from a year earlier, boosted by strong demand from the US and South East Asia. Most analysts had expected a 15% rise.** Exports, which are a key driver of China's growth, have been hurt recently by a slowdown in its key markets. The data is a bit skewed due to the Lunar New Year, but added that the trend was that of a recovery. Exports in January and February were both quite strong. This shows a recovering trend. However, there was a big fall in imports, which declined 15.2% from a year earlier. The Lunar New Year celebrations did shut factories and businesses in China for days and played a key role in that decline. This meant that factories operated for fewer days in February this year than in 2012. One will have to combine the data for January and February to see the real picture, and that combined data for the two months indicated a jump of 5.1% in imports from a year earlier. However, the jump in exports for February may also have been much stronger if the factories had worked the usual number of days.

US Equity Markets

The Dow Jones Industrial Average broke out to new all-time highs, following recent breakouts to new all-time highs in the Dow Jones Transportation Average, Russell 2000 Index, and the S&P 500 Equally Weighted index.

The S&P 500 Index remains around 2.2% below the all-time peak of 1576.09.

But more importantly than the fact that equity benchmarks are breaking out to new all-time highs is the simple fact that the vast majority of equity benchmarks are charting new highs within the current trend, defining new multi-year or recovery highs.

The trend amongst major equity indices is that of higher-highs and higher-lows, both on a long-term and intermediate basis. In the event that a lower high is revealed, that is the point to start booking profits in equity positions.

The period of seasonal strength for the US small cap sector is from mid-December to mid-March.

This year the seasonal strength started a bit early, and hence why it has been so pronounced.

We are suggesting to investors to reduce weightings in the Russell 2000 and small cap stocks at this point in time.

Units moved above their 20 day moving average and began to outperform the S&P 500 Index in late November. Since then, units significantly outperformed the S&P 500 Index. However, units currently have returned to neutral relative to the S&P 500 Index and the period of seasonal strength has ended. We are advising to take seasonal profits.

In addition to equity benchmarks breaking out to new all-time highs, so too is the NYSE Cumulative Advance-Decline line. When this indicator ceases to make new highs and the trend of higher-highs and higher-lows comes to an end, a leading indication of a long-term peak would likely be provided, as it was in 2007. No inactions here of a market peak, as of yet.

The indicator continues to maintain its positive long-term trend stemming from the March 2009 low suggesting that market breadth remains positive.

Bonds Observations

•	**German 10y**	**1.51**	**+0.01**	**0.87%**
•	**Italy 10yr**	**4.50**	**-0.04**	**0.96%**
•	**Spain 10yr**	**4.80**	**-0.09**	**1.86%**
•	**UK 10yr**	**2.02**	**+0.01**	**0.30%**

We continue to advise investors to "buy" Italian, Spanish and Greek corporate debt, and simultaneously to reduce holdings in German government and corporate debt paper.

The latest credit figures paint a dire picture for southern Europe. Lending to households in the Euro area rose by 0.5% in the year to January, but fell by around 3.5% in Spain and Portugal. The position for non-financial companies was far worse. Lending to firms dropped by 2.5% in the Euro area but that overall figure masks a wide dispersion.

Whereas lending rose by 0.9% in Germany, it fell by 3.2% in Italy, by 6.6% in Portugal and by 11.4% in Spain.

The gap in the cost of corporate credit between Germany and the periphery remains wide, however has compressed significantly for Spain and Italy in the past days, and we are expecting for this trend to continue.

We have been advising since Q4 2012 to buy bonds in the Euro periphery, and conversely sell German Bonds. The average interest rate on new one-year business loans below EUR 1MN (US$1.3MN) is 2.8% in Germany but 4.4% in Italy, 5.1% in Spain and 6.7% in Portugal.

Currency & Commodities' Observations

The US$ Index is thus now near 6 month highs. The US$/YEN rose above the 95 YEN during the session, which had been our currency price target call for Q1 2013, and the US$/YEN stands at its best levels since late 2009.

US$ strength seasonally peaks in March, as first quarter strength concludes.

Commodities have been beaten up over the past month as a result of strength in the US$, which bounced definitively off a point of long-term support.

Copper as an indicator of industrial/manufacturing strength, is widely used as leading indicator as to the health of the economy. The expectation amongst analysts is that equity markets will eventually reflect the struggling fundamentals that Copper is suggesting.

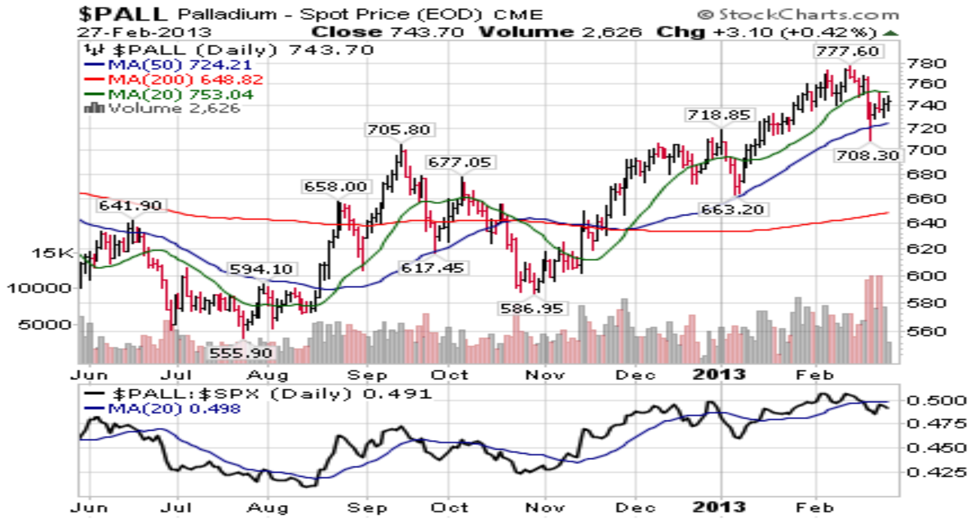
Copper has significantly underperformed equity markets; it has defined a neutral trend relative to other commodity benchmarks, suggesting that the weakness in the price action is no more than that of other commodities.

The ratio of Copper relative to the CRB Commodity index has provided reliable risk-on and risk-off signals, however, the neutral trend that has been in place since December fails to provide any conclusive evidence of something that would be perceived as significantly negative for risk assets.

Gold & Precious Metals

The short cover rally in the gold stocks from a deeply oversold level seems to have come to an end.

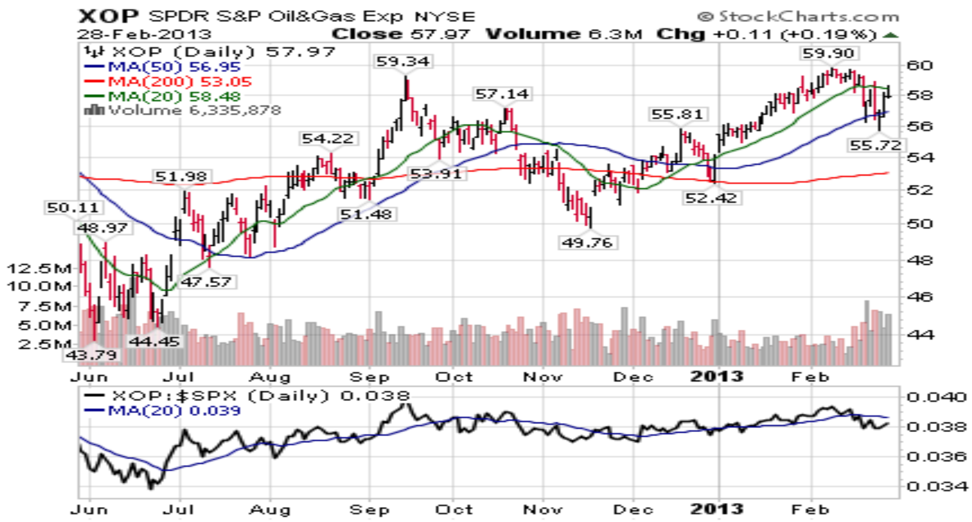
Palladium's seasonal influences are positive until mid-April.



Oil & Energy & Natural Gas

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

WTI futures gained by 1.18% to the $91.53 per barrel mark on the NYMEX on Thursday, although some observers are expecting to see price declines in the next few weeks, as demand from US refineries decreases.



Carlo R Besenius, CEO & Head of Global Strategy
cbesenius@cg-inv.com
office: +(352) 26 25 86 40
mobile: +(352) 691 106 969
Luxembourg/Europe

Sabine CJ Blümel, Head of Global Automotive Research
sblumel@cg-inv.com
office: +44 (7785) 301588
London, UK

Trish Twining, Managing Director of Sales
ttwining@cg-inv.com
office: 7817710117
Boston, MA, USA

Gary Schieneman, Managing Director,
Global Accounting and Finance
gschieneman@cg-inv.com
office: 917-868-6842
New York, NY, USA

Steve Gluckstein, Head of Research
sgluckstein@cg-inv.com
office: 212 939 7256
mobile: 732 768 8843
New York, NY, USA

Marc Peters, Head of Global Industrial Strategy
mpeters@cg-inv.com
office: +(352) 26 25 86 40
mobile: +352 621 36 44 50
Luxembourg/Europe

Allison M Cimon, Director of Sales & Technology
amcimon@cg-inv.com
office: 646 228 4321
Boston, MA, USA

Jennifer Crisman, COO
jcrisman@cg-inv.com
office: +(352) 26 25 86 40
Luxembourg/Europe