



Creative Global Investments

Morning Market Commentary

Thursday, April 4th, 2012

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Objectivity

Integrity

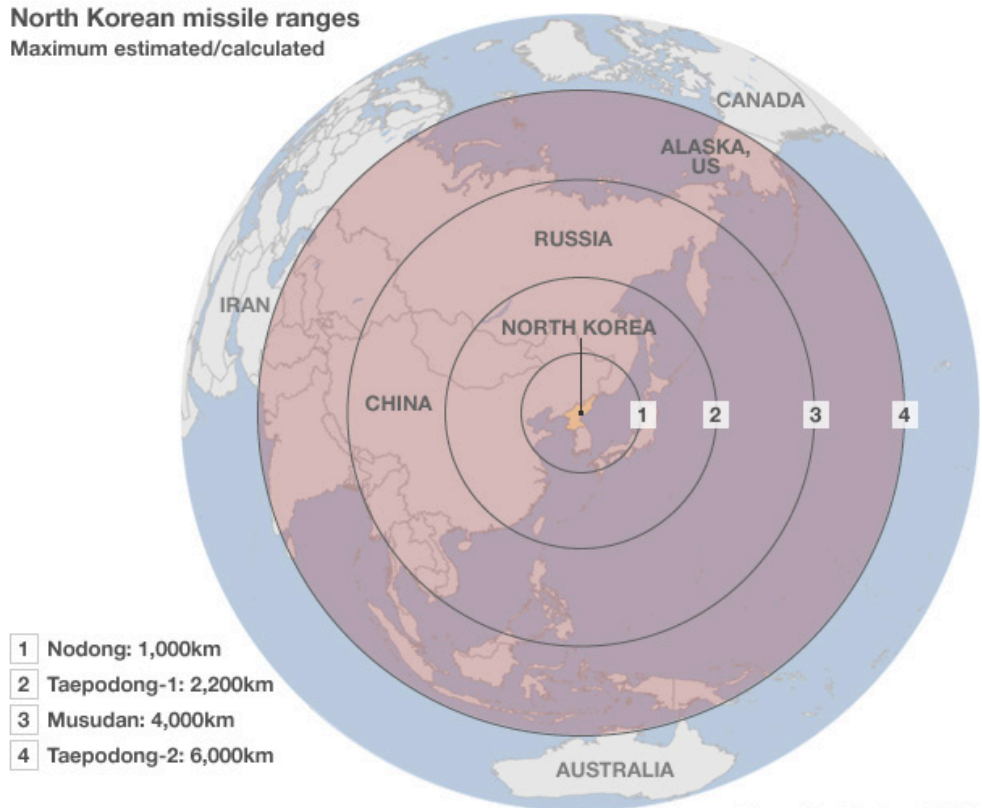
Creativity

Why the Sabre rattling and more importantly, Why now?

For decades, North Korea has been using its nuclear program to threaten and blackmail the world. Now it has announced plans to restart a nuclear reactor. The UN has warned the crisis could spiral out of control. North Korea's state media reported on Tuesday that there were plans to restart a nuclear reactor at the Yongbyon complex to enable production of weapons-grade plutonium to be resumed. The reactor was closed in 2007 as the result of international six-party talks to end North Korea's nuclear weapons program - the talks have been stalled since 2009.

North Korea has shifted a missile with "considerable range" to its east coast, South Korea's foreign minister says. Kim Kwan-jin played down concerns that the missile could target the US mainland, and said the North's intentions were not yet clear.

North Korean missile ranges
Maximum estimated/calculated



Source: Council for Foreign Relations

Pyongyang earlier renewed threats of a nuclear strike against the US, though its missiles are not believed to be capable of carrying nuclear warheads.

The US is responding to North Korea by moving missile defense shields to Guam. The Pentagon said the shield on its Pacific island territory would be ready within weeks, adding to warships already sent to the area.

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The North has previously named Guam among a list of possible targets for attack that included Hawaii and the US mainland.

Japanese and South Korea reports had suggested the missile being moved by the North was a long-range one with a capability of hitting the US west coast. However, experts believe the North's most powerful rocket, which it test-fired last December, has a range of 6,000km (3,700 miles) and can reach no further than Alaska.

Kim Kwan-jin told MPs in a parliamentary defense committee meeting that the missile had "considerable range".

The missile does not seem to be aimed at the US mainland. It could be aimed at test firing or military drills. Mr. Kim's description as referring to the Musudan missile, estimated to have a range up to 4,000km. Guam would be within that range. The North is believed to have its main military research centers in the east. It has test-fired missiles from there before, and its three nuclear weapons tests were carried out in the east.

While many buy into the old disarmament-for-food storyline, there's another camp concerned this episode might be different: that Kim, with little more than a year on the job, might actually believe his nation has become a nuclear power."

Despite its belligerent rhetoric, North Korea has not taken direct military action since 2010, when it shelled a South Korean island and killed four people. But in recent weeks it has threatened nuclear strikes and attacks on specific targets in the US and South Korea. It has announced a formal declaration of war on the South, and pledged to reopen a mothballed nuclear reactor in defiance of UN Security Council resolutions.

In its latest statement, attributed to a military spokesman, the North appeared to refer to ongoing military exercises between the US and South Korea in which the US has flown nuclear-capable bombers over the South. The statement said the "ever-escalating US hostile policy towards the DPRK North Korea and its reckless nuclear threat will be smashed". It promised to use "cutting-edge smaller, lighter and diversified nuclear strike means of the DPRK" and said the "merciless operation of its revolutionary armed forces in this regard has been finally examined and ratified".

The US Department of Defense said on Wednesday it would deploy the ballistic Terminal High Altitude Area Defense System (Thaad) to Guam in the coming weeks. The Thaad system includes a truck-mounted launcher and interceptor missiles.

US officials recently also announced that the USS John McCain, a destroyer capable of intercepting missiles, had been positioned off the Korean peninsula. Some analysts say Pyongyang's angry statements are of more concern than usual because it is unclear exactly what the North hopes to achieve.

As well as the rhetoric, Pyongyang has also taken action to deepen antipathy with the South. It has shut down an emergency telephone line and stopped giving access to South Koreans who work at the joint industrial zone in Kaesong in the North. The Kaesong complex is staffed mainly by North Koreans but funded and managed by South Korean firms. Pyongyang blocked access for a second day on Thursday, and threatened to shut down the zone.

Global Macro Events

Upcoming Macro Events:

- German PMI Services for March will be released at 3:55am EST. The market expects 51.6 versus 54.7 previous.
- Euro-Zone PMI Services for March will be released at 4:00am EST. The market expects 46.5 versus 47.9 previous.
- Great Britain PMI Services for March will be released at 4:30am EST. The market expects 51.5 versus 51.8 previous.
- Euro-Zone PPI for February will be released at 5:00am EST. The market expects a year-over-year increase of 1.4% versus an increase of 1.9% previous.
- Bank of England Rate Announcement will take place at 7:00am EST. The market expects no change at 0.5%.
- ECB Rate Announcement will take place at 7:45am EST. The market expects no change at 0.75%.
- Challenger Job Cuts for March will be released at 7:30am.
- Weekly Jobless Claims will be released at 8:30am. The market expects Initial Claims to decline to 350K versus 357K previous.

Review of past macro-economic data:

Event	Actual	Forecast	Previous
AUD Trade Balance (Australian dollar)	-178M	-1000M	-1215M
CNY Non-manufacturing PMI	55.6		54.5
CNY HSBC Services PMI	54.3		52.1
GBP Purchasing Manager Index Construction	47.2	48	46.8
EUR Euro-Zone Consumer Price Index Estimate (YoY)	1.70%	1.60%	1.80%
USD MBA Mortgage Applications	-4.00%		7.70%
USD ADP Employment Change	158K	200K	237K
USD ISM Non-Manufacturing Composite	54.4	55.5	56
USD DOE U.S. Crude Oil Inventories	2707K	2050K	3256K
USD DOE Cushing OK Crude Inventory	-287K		439K
USD DOE U.S. Gasoline Inventories	-572K	-1000K	-1596K
USD DOE U.S. Distillate Inventory	-2266K	-1100K	-4513K
AUD AiG Performance of Service Index	49.6		48.5

Asian Economies

Bank of Japan's Haruhiko Kuroda in aggressive growth move This is the first policy meeting chaired by new governor Haruhiko Kuroda Japan's central bank has surprised markets with the size of its latest stimulus package, as it tries to spur growth and end years of falling prices. This is a clear signal by the bank's new boss, Haruhiko Kuroda, that he was willing to spend heavily to achieve an inflation target of 2%.

The bank said it would increase its purchase of government bonds by YEN 50 trillion (US\$ 520bn) per year. That is the equivalent of almost 10% of Japan's annual gross domestic product. The bank added that it would buy longer-term government bonds as well as riskier assets. The previous approach of incremental easing wasn't enough to pull Japan out of deflation and achieve 2% inflation in two years. This time, the BOJ took all necessary steps to achieve the target.

We think that achieving that target will be an uphill battle, however, the central bank's policies indicate that it was moving in the right direction.

Japan's economy has been hurt by a variety of factors, not least decades of deflation or falling prices. Falling prices discourage people from spending and companies from investing, and that has trapped Japan in a cycle of sluggish growth and recession. Given the slowdown in Japan's export sector in recent years, reviving domestic demand has become ever more crucial to spurring a fresh wave of economic growth in the country. Prime Minister Shinzo Abe has also said that stoking inflation is key to boosting domestic consumption. Under pressure from the government, the central bank had doubled its inflation target to 2%, earlier this year.

The YEN fell against the US\$, and Tokyo's Nikkei 225 index rose 2.2% on the central bank's decision, indicating markets were reacting positively to the extent of the stimulus measures.

EURO Economies

ECB holds rates at 0.75%. ECB president Mario Draghi said a proposal to make "insured depositors" pay did not come from the ECB, the European Commission or the IMF. He said the proposal only arose in talks with the Cyprus authorities, and was "swiftly corrected". He was speaking after Eurozone interest rates were again held at 0.75%. It was the ninth month in a row that they had been kept unchanged,

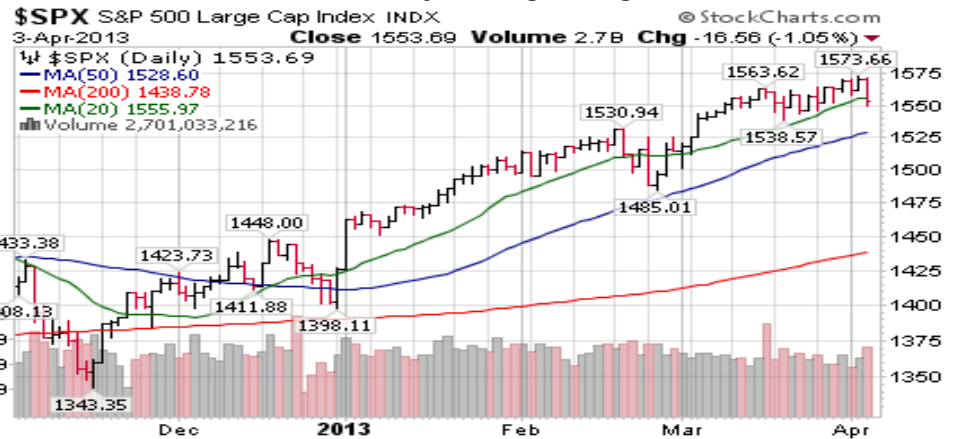
Germany's economy slowed to near stagnation last month, while France's recorded its biggest contraction for four years, according to the Markit composite purchasing managers' index (PMI), which measures both the manufacturing and services sectors, declined to 50.6 in Germany last month, from 53.3 in February. France's reading fell to 41.9 points, its worst since March 2009. For the Eurozone as a whole, the index fell to 46.5 from 47.9 in February.

The Eurozone recession is deepening once again as businesses report that they have become increasingly worried about the region's debt crisis and political instability.

US Charts

US equity markets started to roll over.

The S&P 500 Index fell below its 20 day moving average.



Yesterday's technical negative action increased significantly.

The equally weighted S&P 500 ETF was not spared from same carnage.



The long term picture for the S&P 500 is still positive, however momentum clearly is waning



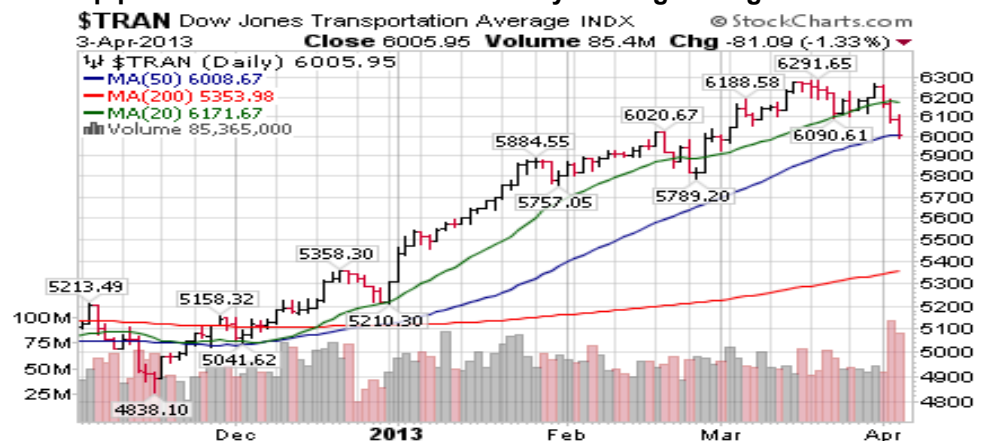
Same for the NASDAQ Composite Index!



The Russell 2000 Index broke support at 936.73, developed a downtrend and fell below its 50 day moving average.



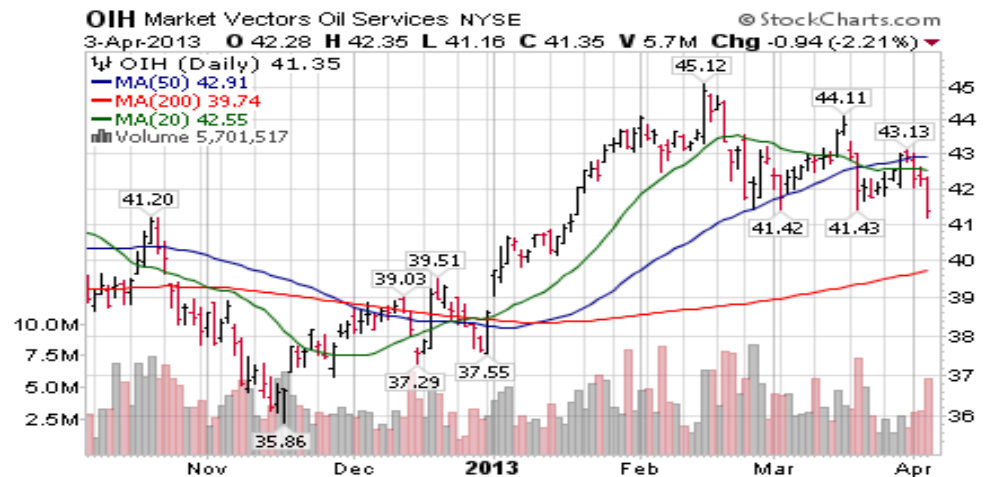
The Dow Jones Transportation Average broke support at 6,090.61, completed a double top pattern and closed below its 50 day moving average.



iShares on US Financials fell below their 20 day moving average, broke support at \$67.03 and established a downtrend.



Energy stocks on both sides of the border broke key support levels and established downtrends.



Semiconductor stocks and related ETFs broke support and established downtrends.



Canadian Markets charts

In Canada, the TSX Composite broke support at 12,605.78 and completed a double top pattern.



Gold & Precious Metals

Gold broke support at \$1,554.30 to reach a nine month low.



Gold stocks and related ETFs followed



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