Creative Global Investments

Morning Market Commentary & Weekly Charts

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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

"Sell in May & Go Away" or is it "Sell in April", like it was in 2012?

Equity markets on both sides of the Atlantic have a history of moving higher during the month of April in anticipation of first-quarter reports, and when those Q1 earnings are released at annual meetings, historically, most CEO's have not shied away from offering encouraging comments about company prospects for the current year.

During the past 62 years, April has been the strongest month for the Dow Jones industrial average and second strongest for the S&P 500 index.

For now, consensus estimates show that first-quarter earnings reports released by major US companies will be sluggish. Consensus earnings estimates for the 30 Dow Jones industrial average companies shows an average (median) gain of only 3.1 per cent on a year-over-year basis. Additionally, as we were discussing with US clients last week, we see evidence for negative currency adjustments for earnings for Q1 and Q1 in the US, as US analysts have not done so yet, due to a -28% decline of the Yen versus the US$ since October 2012, and a decline of 5.2% of the EUR/US$ since January 1st 2013.

With 25% of S&P 500 earnings coming out of Europe, and 6% coming from Japan, we think that most sell side analysts are behind the curve on this.

The historic move higher by equity markets in the month of April may be in doubt this year. Technical indicators for the S&P 500 index, Dow Jones industrial average and the TSX composite index also are flashing a warning sign. Since Nov. 16, the S&P 500 index is up 16.8 per cent, the Dow Jones industrial average has gained 16.9 per cent and the TSX composite index has advanced 8.4 per cent. Short-term momentum indicators are overbought, but have yet to show significant signs of peaking.

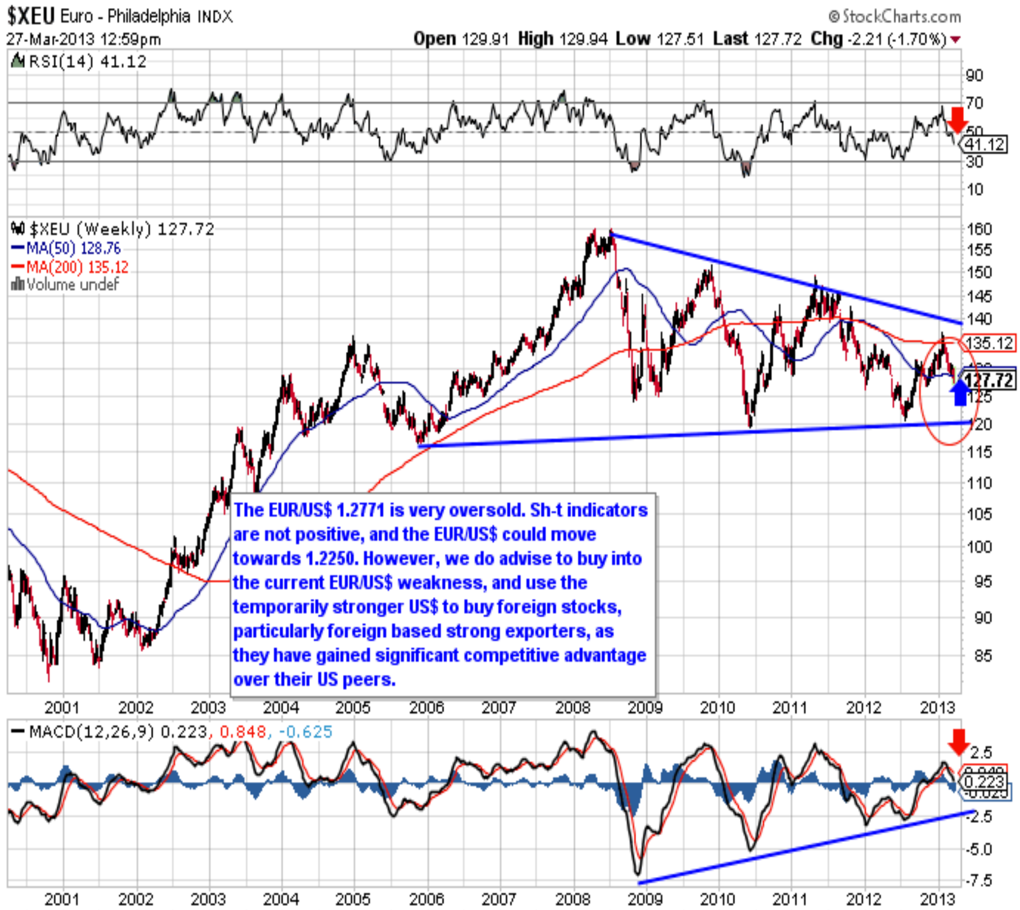
So, our Q2 Global Strategy Outlook's advice to clients to "Sell in May and Go away" strategy seems so far to become more and more reality. Current technical data and the likely response to first-quarter reports is that North American equity markets might enter into at least a shallow corrective phase before May 5 of this year.

Additionally, we are advising to use the current inherent US$ strength, which we expect to fade, as seasonal tendencies for the US$ are negative from April to August, and for investors to increase weightings in foreign stocks, particularly in Japanese and in Eruopean stocks.

Japanese companies see the continued weakening of the Yen as an opportunity to increase investments abroad, and are buying foreign assets. European companies are generating more than 50% of their earnings from outside of the Eurozone, and for the Eurostoxx 600, about 30% of earnings are coming from emerging markets.

Hence why we see better buying opportunities in Japanese and European stocks.

EUROPINION?



The Euro is very oversold, particularly relative to the US$. The EUR/US$ is entering its period of seasonal strength from April – August, and we are expecting for the EUR/US$ to move back towards EUR/US$ 1.3450 in the coming 2 – 3 months.

What is interesting is that US equity markets have not taken into consideration tat the EUR/US$ has corrected by -5% since January, and that this has a serious impact on US corporate earnings and corporate competitiveness, as more than 45% of the S&P earnings are coming from foreign operations, and more than half of that from the Euro zone.

We believe that investors should be aware that the weak Euro is a pure negative for US companies and their earnings, and will lead to a negative earnings surprise further down the road in 2013.

Best example: EADS versus Boeing pricing their products in US$'s, however both having a very different currency cost profile.

Global Macro Commentary & Events

Upcoming Macro Events:

- German Industrial Production for February will be released at 6:00am EST. The market expects a decline of 0.9% versus a decline of 1.3% previous.
- The Bank of Canada Business Outlook Survey for the First Quarter will be released at 10:30am EST.
- China Consumer Price Index for March will be released at 9:30pm EST. The market expects a year-over-year increase of 2.4% versus an increase of 3.2% previous. Producer Price Index is expected to decline by 1.9% versus a decline of 1.6% previous.

Review of past macro-economic data:

Event	Actual	Forecast	Previous
JPY Coincident Index	**92.1**	91.9	91.6
JPY Leading Index	**97.5**	97.3	95
EUR Euro-Zone Retail Sales (MoM)	**-0.30%**	-0.40%	0.90%
EUR Euro-Zone Retail Sales (YoY)	**-1.40%**	-1.20%	-1.90%
EUR German Factory Orders s.a. (MoM)	**2.30%**	1.10%	-1.60%
EUR German Factory Orders n.s.a. (YoY)	**0.00%**	-1.50%	-2.10%
CAD Unemployment Rate	**7.20%**	7.00%	7.00%
CAD Part Time Employment Change	**-0.4**		17.2
CAD Participation Rate	**66.6**	66.7	66.7
USD Change in Non-farm Payrolls	**88K**	190K	268K
USD Change in Private Payrolls	**95K**	200K	254K
USD Change in Household Employment	**-206**		170
USD Underemployment Rate (U6)	**13.80%**		14.30%
CAD International Merchandise Trade (Can. $)	**-1.02B**	0.10B	-0.75B
CAD Net Change in Employment	**-54.5K**	6.5K	50.7K
CAD Full Time Employment Change	**-54**		33.6
USD Trade Balance	**-$43.0B**	-$44.6B	-$44.5B
USD Change in Manufacturing Payrolls	**-3K**	10K	19K
USD Unemployment Rate	**7.60%**	7.70%	7.70%
USD Two-Month Payroll Net Revision	**61K**		
USD Average Hourly Earnings All Employees (MoM)	**0.00%**	0.20%	0.10%
USD Average Hourly Earnings All Employees (YoY)	**1.80%**	2.00%	2.10%
USD Average Weekly Hours All Employees	**34.6**	34.5	34.5
CAD Ivey Purchasing Managers Index s.a	**61.6**	52.2	51.1
USD Consumer Credit	**$18.139B**	$15.000B	$12.731B

US Economy

The US' trade deficit narrowed 3.4% in February to US$ 43.0 billion from US$ 44.5 billion in January, the Commerce Department said. The trade deficit has been volatile in recent months, mostly due to swings in oil. The U.S. petroleum deficit narrowed sharply in December then rebounded in January and has now retreated again in February as the quantity of US oil imports dropped to the lowest level since March 1996. The petroleum deficit narrowed 12.8% in February to US$21.2 billion.

The narrowing of the overall deficit was unexpected. Analysts' consensus was for the deficit to widen to US$ 45.0 billion. As a result of the improvement, the trade gap may have little impact on first-quarter growth. This could push economists' estimates of first-quarter growth even higher as prior to the report they were generally expecting trade to make a slight negative contribution to growth in the first three months of the year. Estimates of first quarter growth are now well above a 3% annual rate. The economy grew at a slim 0.4% rate in the fourth quarter. But the economy is still struggling to create jobs. The Labor Department reported that nonfarm payrolls increased by only 88,000 in March.

In February, exports rose 0.8% to $186.0 billion, reversing a 1.2% drop in the prior month. The gain was led by exports of industrial supplies including fuel oil, and autos. Exports of civilian aircraft declined in the month. Imports were virtually unchanged at $228.9 billion, after a 1.8% rise in January.

The value of US crude oil imports fell to US$ 19.65 billion in February from US$ 24.53 billion in January. The quantity of crude imports fell to 204.8 million barrels. The price of a barrel of oil rose to US$ 95.96 from US$ 94.08 in the previous month.

The US trade deficit with China widened to US$ 23.4 billion in February compared with US$ 19.4 billion in the same month last year. The deficit is lower than the US$ 27.8 billion gap in January. For all of 2012, the US deficit with China was US$ 315.1 billion, the largest imbalance ever recorded with a single country. The weak economy in Europe continues to weigh on US trade. Exports to the Euro area are down 5.6% year-to-date compared with the first two months of 2012.

Consumer credit rose at a US$ 18.1bn pace in February, ahead of forecasts for a gain of US$ 16bn.

European Economy

The Eurozone's retail sales decreased a seasonally adjusted 0.3 percent in February from the previous month, reversing the revised 0.9 percent growth seen in January, statistical office Eurostat said. Economists had forecast sales to drop 0.4 percent.

German factory orders grew 2.3 percent in February from the prior month, the Federal Ministry of Economics and Technology said. The increase reversed January's 1.6 percent drop and exceeded the 1.1 percent increase forecast by economists.

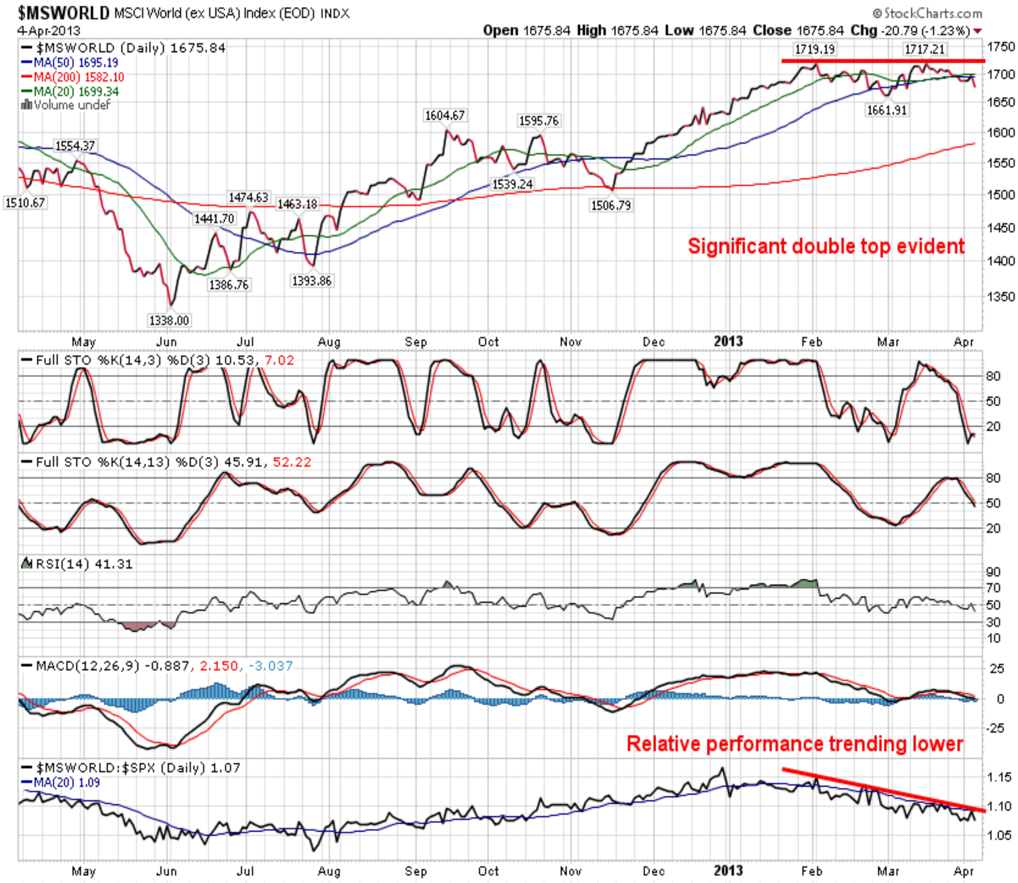
Separately, a survey by Market Economics showed that the German construction sector contracted at the fastest pace in more than a year in March, driven mainly by a sharp and accelerated fall in home building activity amid bad weather conditions.

Global Markets Commentary

Given the time of year, with the average "Sell in May" date just around the corner, we are within the window when sell signals are typically realized.

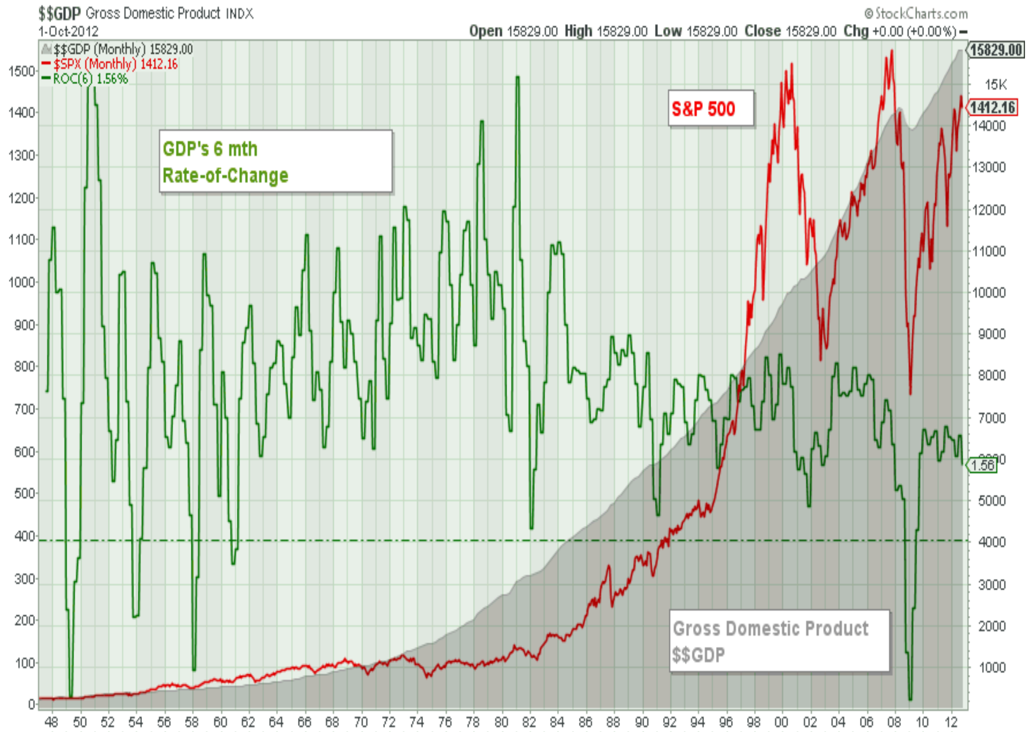
Just as the market realized last year, (we had identified the peak of global markets to have been April 2nd) it is increasingly likely that a "Sell in April" event will be realized given the technical Sell signals that are becoming ubiquitous.

The MSCI World (ex-USA) is starting to show a double top pattern. Indices around the globe are overwhelmingly showing bearish setups, the impact of which could bring upon the long-awaited correction in equity markets.



US Market Commentary & Weekly Charts

Let's look at the following chart, indicating the dichotomy between the price of the S&P 500 and the US GDP over the past 70 years.

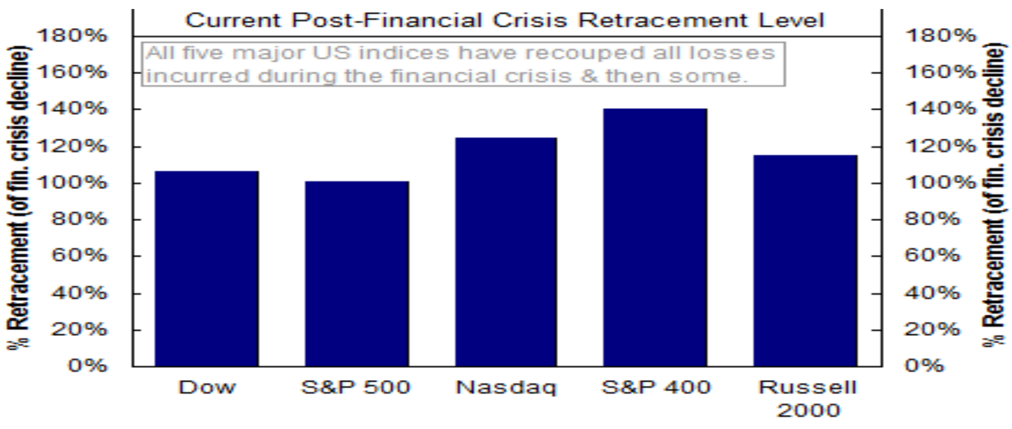


The post-financial crisis rally is shown on the chart below, where we illustrate how much of the downturn that occurred as a result of the financial crisis has been retraced by each of the five major US stock market indexes. For example, the S&P 500 peaked at 1,565.15 back in October 9, 2007 and troughed at 676.53 back on March 9, 2009.

The most recent close for the S&P 500 is 1,570.25; it has retraced 100.6% of its financial crisis bear market decline.

Each of the five major stock market indices has recouped all losses incurred during the financial crisis (i.e. all are above 100% on today's chart). However, it the often overlooked S&P 400 (mid-cap stocks) that has been the star performer.

The S&P 400 has recouped over 140% of its financial crisis decline.



The VIX Index gained 1.22 (9.61%) last week. The Index moved above its 20 and 50 day moving average.

Alcoa kicks off earnings season today by reporting results after the closing bell. Consensus is that the company will report 10 cents per share, up from the 6 cents per share reported for the fourth quarter of 2012.

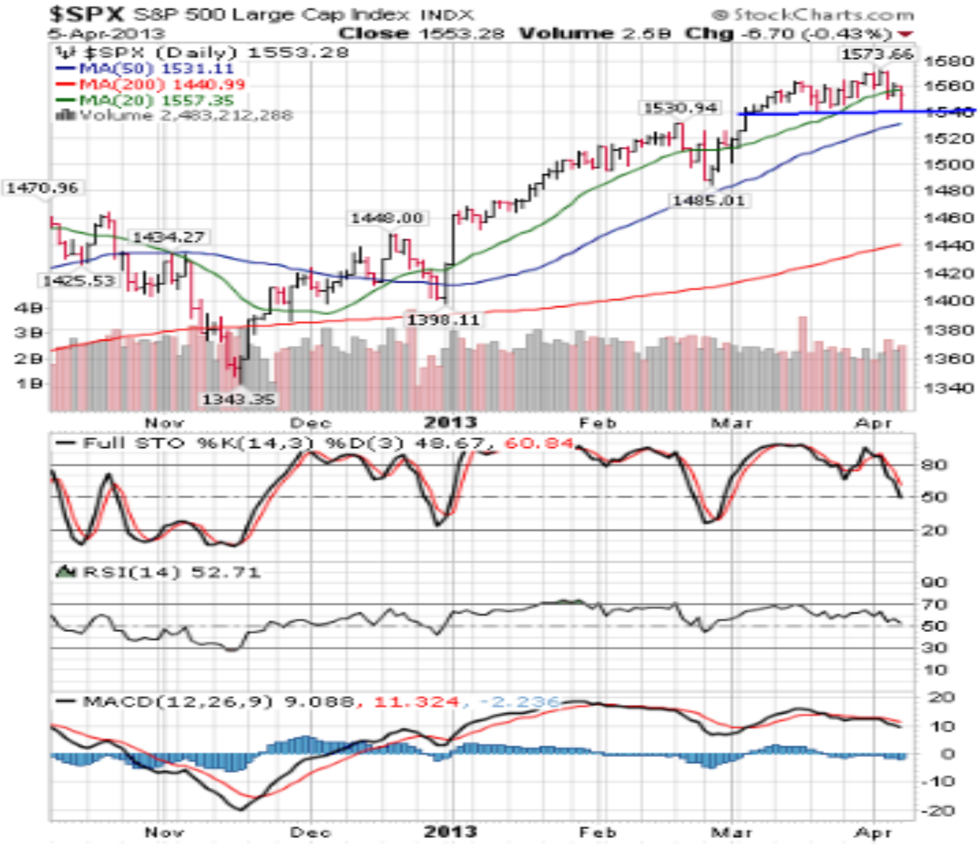
AA has been underperforming the market since results were released in January, declining both on an absolute and relative basis during what is typically a period of seasonal strength.

Seasonal tendencies for AA typically turn flat to negative starting in May, running through to October.

The S&P 500 Index fell 15.91 points (1.01%) last week.

Resistance is forming at 1,573.66. Support is at 1,538.57. Intermediate trend remains up. The Index remains above its 50 and 200 day moving average, but fell below its 20 day moving average.

Short-term momentum indicators are trending down.



Percent of S&P 500 stocks trading above their 50 day moving average fell last week to 62.60% from 79.80%.

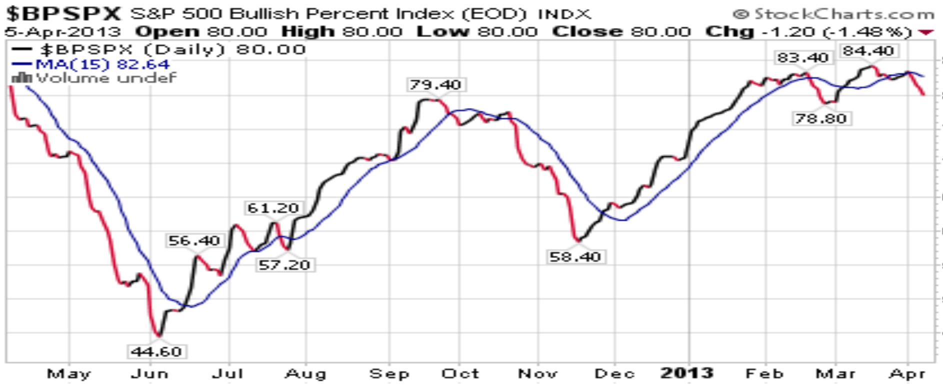
The index remains intermediate overbought and trending down.

The index remains intermediate overbought and showing early signs of rolling over.

Percent of S&P 500 stocks trading above their 200 day moving average fell last week to 87.40% from 89.80%.

The Index remains intermediate overbought and trending down.

Bullish Percent Index for S&P 500 stocks fell last week to 80.00% from 83.20% and fell below its 15 day moving average.



The Dow Jones Industrial Average slipped 13.29 points (0.09%) last week.

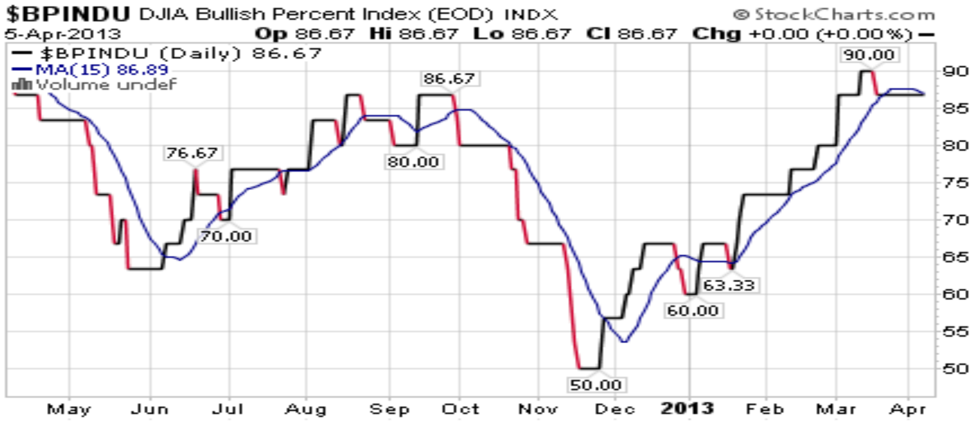
Intermediate trend remains up. Resistance is forming at 14,684.49. Support is at 14,382.09. The Average remains above its 20, 50 and 200 day moving averages.

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

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

The Index remains intermediate overbought.

Bullish Percent Index remained unchanged at 86.67% last week and remained below its 15 day moving average.



The Dow Jones Transportation Average dropped 217.97 points (3.48%) last week.

Intermediate trend changed from up to down on a break below support at 6,090.61. The Average fell below its 20 and 50 day moving averages.

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

Short-term momentum indicators are trending down.

The Index remains intermediate overbought and starting to trend down.

Bullish Percent Index for NASDAQ Composite stocks fell last week to 65.61% from 67.08% and remained below its 15 day moving average.

The NASDAQ Composite Index dropped 63.66 points (1.95%) last week.

Intermediate trend changed from up to neutral on a break below support at 3,204.52. The Index remains above its 200-day moving average, but fell below its 20 and 50 day moving averages.

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

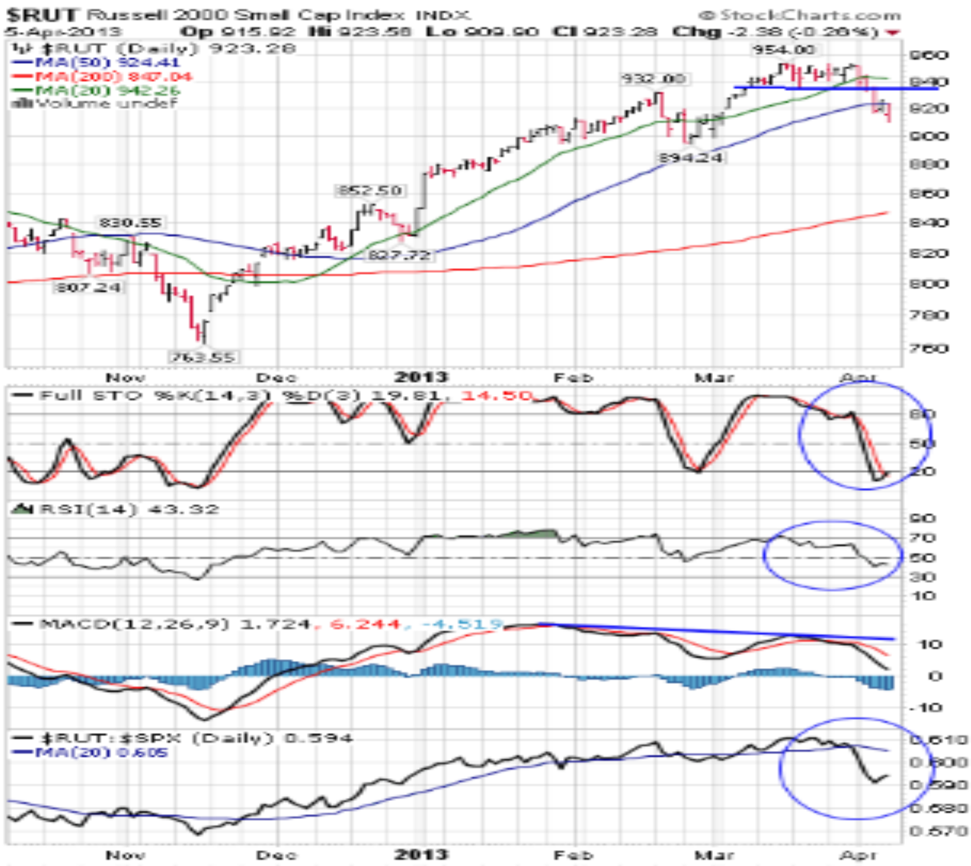
Short-term momentum indicators are trending down from overbought levels.

The Russell 2000 Index dropped 28.26 points (2.97%) last week.

Intermediate trend changed from up to down on a break below support at 936.73. The Index fell below its 20 and 50 day moving averages.

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

Short-term momentum indicators are trending down.



The S&P Energy Index fell 12.82 points (2.20%) last week.

Intermediate trend changed from up to down on a break below 570.52. The Index fell below its 20 and 50 day moving averages.

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

Short-term momentum indicators are trending down.

The Philadelphia Oil Services Index fell 7.23 points (2.94%) last week.

Intermediate downtrend was confirmed on a break below 235.79. The Index 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.

The Gold Bug Index dropped 29.07 points (8.14%) last week.

Intermediate downtrend was confirmed on a break below 337.29. The Index remains below its 50 and 200 day moving averages and fell below its 20 day moving average.

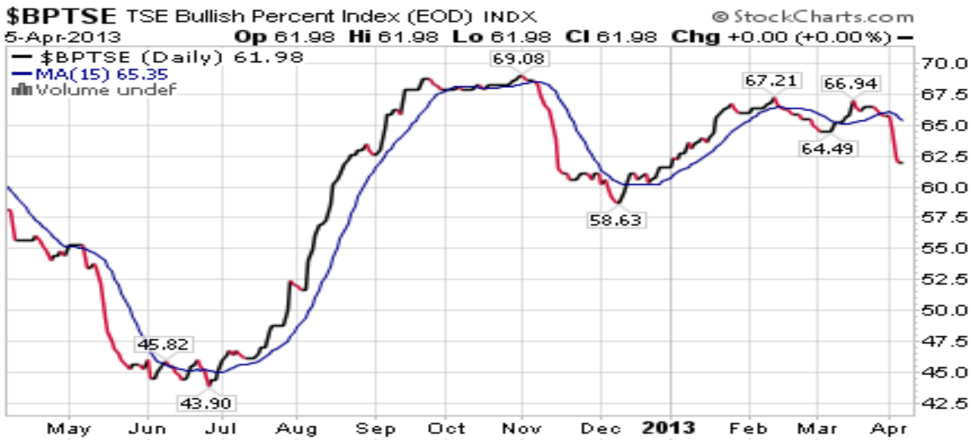
Strength relative to gold remains negative.

Short-term momentum indicators are oversold.

Canadian Markets Commentary & weekly charts

The Index remains intermediate overbought and trending down.

Bullish Percent Index for TSX Composite stocks dropped last week to 61.98% from 65.70% and dropped below its 15 day moving average.



The TSX Composite Index plunged 418.05 points (3.28%) last week.

Intermediate trend changed from up to down. The Index remains above its 200 day moving average and below its 20 and 50 day moving average.

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

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

The index is intermediate oversold, but has yet to show signs of bottoming.

Percent of TSX Composite stocks trading above their 50 day moving average plunged last week to 30.99% from 45.42%.

The index continues to trend lower.

Percent of TSX Composite stocks trading above their 200 day moving average fell last week to 53.72% from 59.58%.

Asian Markets Commentary & weekly charts

The Bank of Japan said it would buy long-term Japanese government bonds. Under the plan, each month the bank will buy Yen 7 trillion worth of bonds, roughly US$ 75 billion. This should result in lower long-term interest rates inside Japan. While the Japanese quantitative easing program may look similar to the American program, the macro economic conditions and objectives are completely different. In Japan, there is a terrible, chronic budget deficit near -8% a year; 20 years of deflation; and a fully employed economy operating with little to no annual growth.

In the US quantitative easing programs are designed to lower long-term interest rates, help spur economic growth and reduce unemployment. Until the US reaches a 6.5% unemployment rate, Fed bond buying will continue. In Japan, their unemployment rate is already quite low. Therefore, creating jobs is not the hoped-for result. The Bank of Japan wants money to flow directly through to prices in the economy and stimulate inflation. Yes, Japanese bond purchasing will lower long bond rates, but the effects will be different. Their actions have already depreciated the yen, raised the demand for Japanese exports, and started the macro ball rolling. The recent rally in Japanese stock prices is a direct result of the bond-buying program. While it is unclear if the Japanese monetary activity will cause inflation in the immediate term or a benefit to the Japanese economy, it should continue to push Japanese equity prices higher.

Despite the unknown effect of the Japanese policy in the long-term, for now, the move will likely cause the Japanese equity markets to continue to strengthen.

We can agree with Japan's strategy for ending their 20-year deflationary cycle makes sense, and hence why we continue to advise investors to consider adding exposure to Japanese equities in their portfolio.

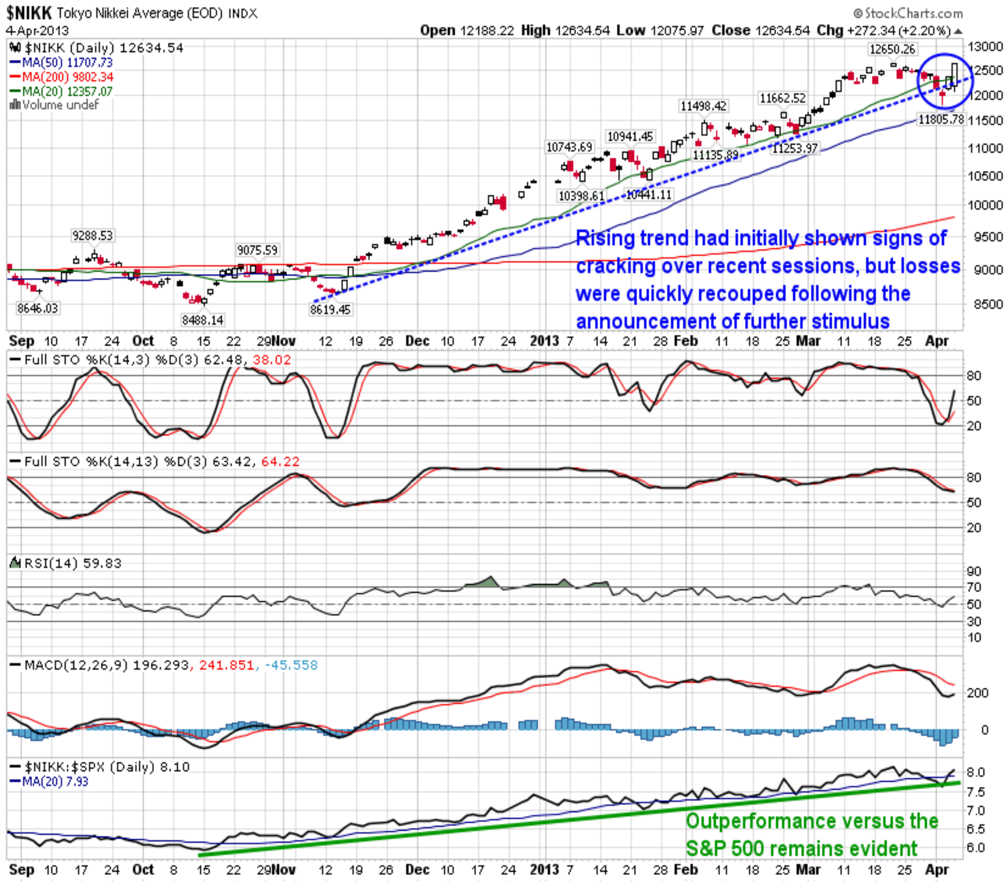
There is however some risk associated with what is going on in Japan. Japan has to get this just right. They want a 2% annual inflation rate without any unintended consequences. Very often, our experience is that monetary policy tends to have unintended consequences. If Japan experiences too much inflation, then a negative cycle of a different sort could start. Too little inflation would mean nothing is achieved and the deflationary feedback loop is not broken.

A rising Yen contributed to fifteen years of Japanese deflation. Thursday's announcement by the Japanese central bank of huge bond buying and money creation is designed to raise Japanese inflation to 2% within two years, and break the deflationary cycle. Consequently the Yen dropped on the news and the N-225 rallied. Thursday's 's BOJ announcement also pushed Japanese bond yields to the lowest level in history. Just as in the US, historically low Japanese yields are forcing some money out of bonds and into Japanese stocks. Some of that Japanese bond money is also finding its way into US bonds. The plunging yen has also boosted the US$, which has hurt commodity prices, including gold.

Since last October, when Japan first started talking about a big quantitative easing program, the Yen has fallen significantly.

At the same time, Japanese stocks soared as we were anticipating, due to Japanese stocks and the Yen having a strong negative correlation.

The Nikkei Average jumped over 500 points from the lows of the session, completely reversing declines realized over the last couple of weeks.



The Nikkei Average gained 497.68 points (4.03%) last week.

Intermediate uptrend was confirmed on a break above resistance at 12,650.26.

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 trending up.

The Shanghai Composite Index lost 11.01 points (0.49%) last week.

Intermediate downtrend was confirmed when the Index fell below 2,232.02. The Index remains above its 200 day moving average and below its 20 and 50 day moving averages.

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

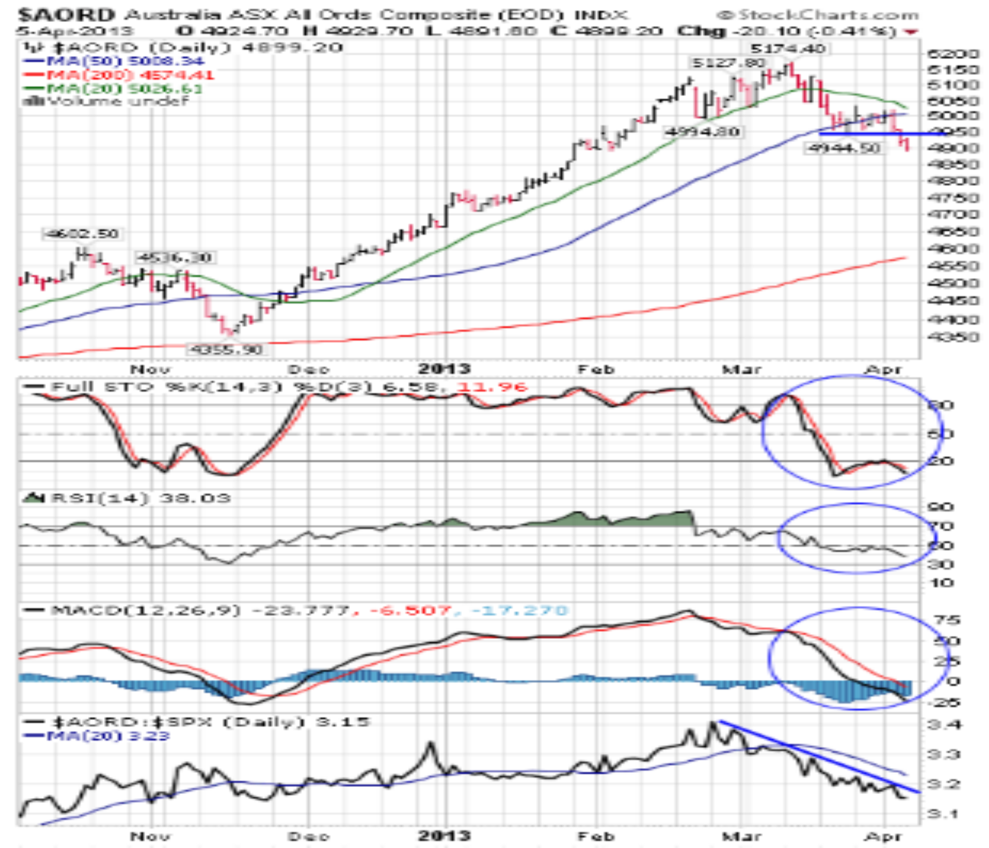
Short-term momentum indicators are oversold, but have yet to show signs of bottoming.

The Australia All Ords Composite Index gave up 79.80 points (1.60%) last week.

Intermediate trend changed from neutral to down on a break below 4,944.50. The Index remains below its 20 and 50 day moving averages.

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

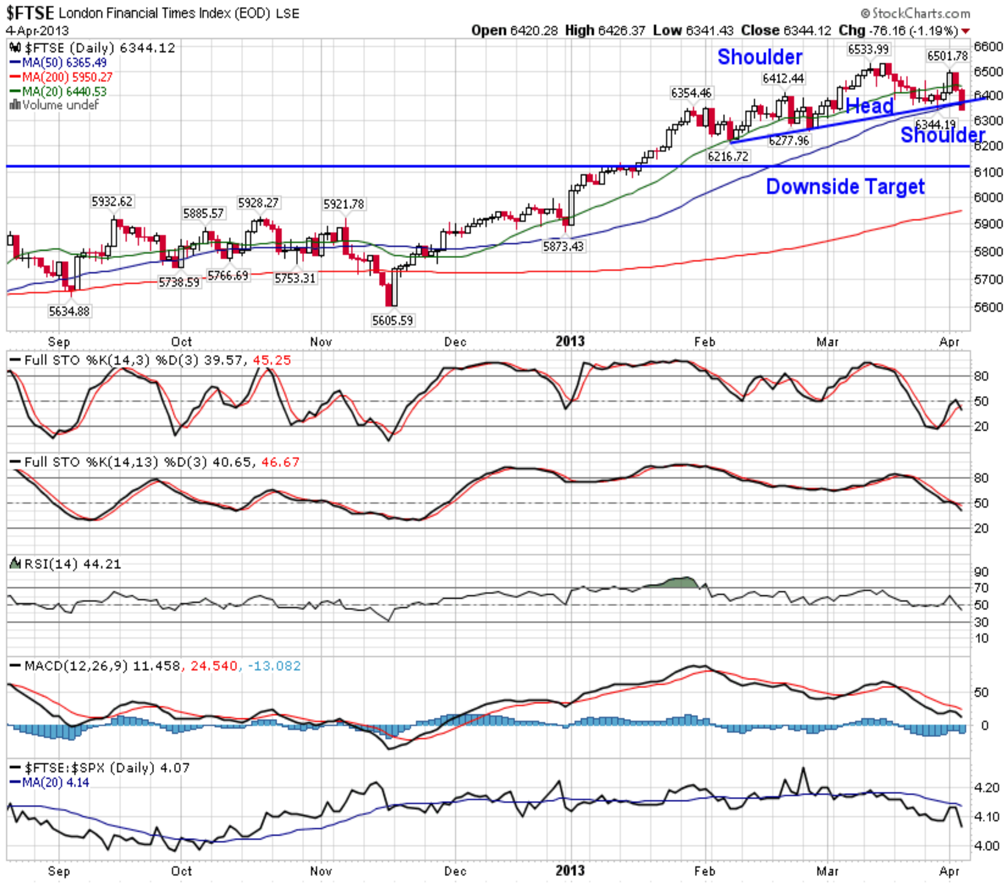
Short-term momentum indicators are oversold, but have yet to show signs of bottoming.



European Markets Commentary & weekly charts

The last 3 years for European equity indices appears to be a fractal view of the last 15 years. Same pattern, shorter time frame. Having 40 % of the large European economies below the 20-month mva and 20-week mva is not a positive development after we had started a global bull late last year. Having 80% of these markets below the 20-weekmva is very bearish for short-term price action. This week matters in terms of the charts breaking down technically.

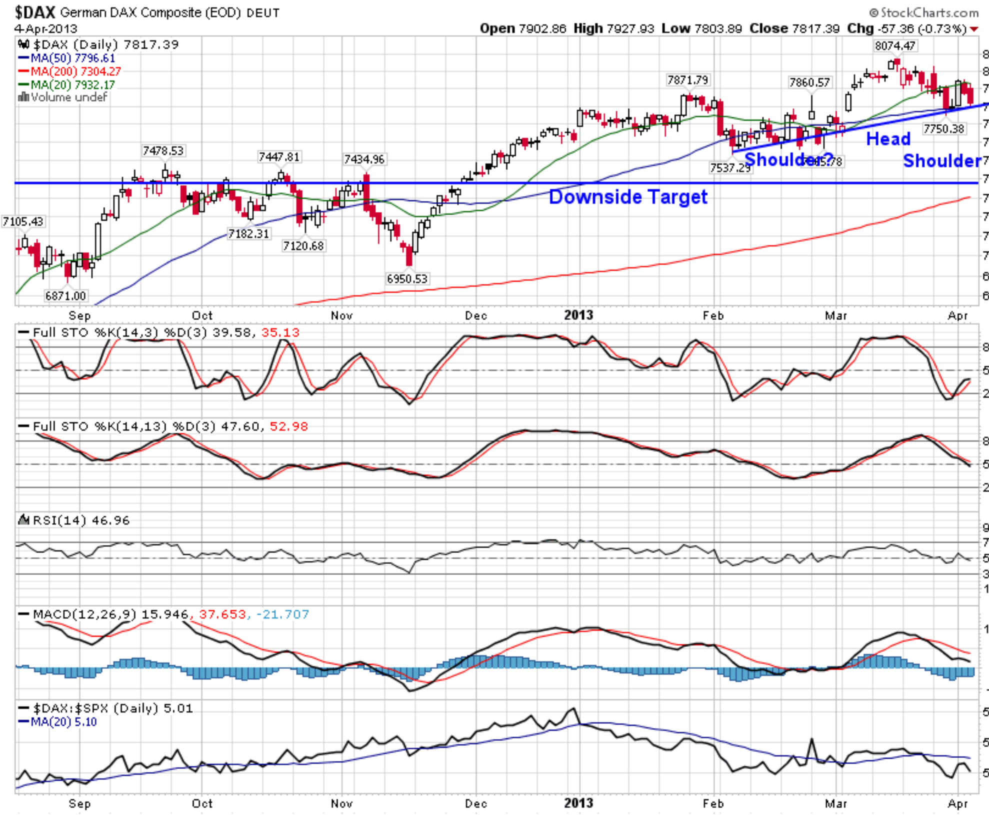
6 major markets currently are below the 20-weekmva and Canada testing it on Friday is troublesome. The new bull market has not held together very well. Maybe it just needs a pullback to rev up the engines of growth. Even though in the US the financial media are not covering this European market with any real depth, this past week behaved very poorly without 'new' news out of the region.
The UK had an outside week this week. That is the weekly bar went above the last week and moved down to close below the range of the previous week. Usually, that type of candle action is associated with tops. It can happen in the middle of the uptrend, but not nearly as often as it appears in tops. It also wiped out the gains of 8 weeks worth of work to close near the low of the range. While residing above the horizontal support line and the 20-week mva is hardly disturbing, the price action this week was.



The DAX was not only unable to break to the upside after a lower close last week; it stroked a big week with a 4% range. It also took out the lows of the last 7 weeks in one weekly bar.

The Dax moved to close just below the 20-week mva. Just a brief scan of the recent price action shows that the 20-week mva has been good support. We'll see if it can get back above this level in the coming week.

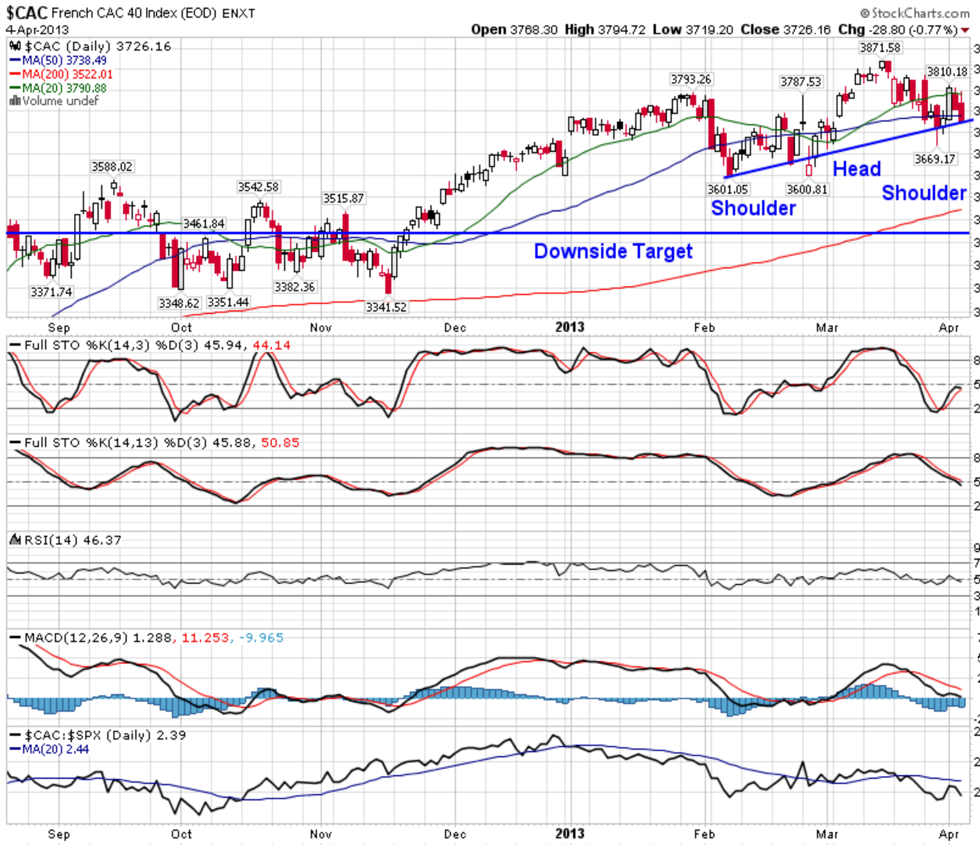
2 weekly closes below support going into seasonal weakness would be adding to the concern pile when we are talking about one of the 3 strongest markets in the world currently.



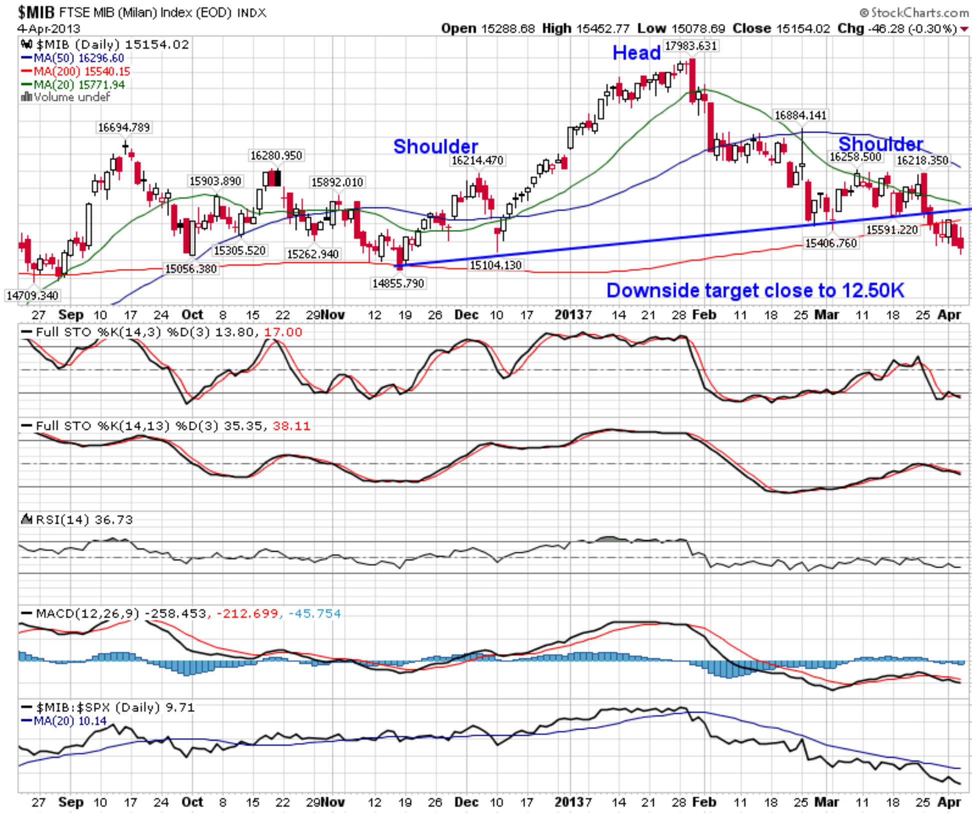
The CAC made lower highs for the third week and closed below the 20-week mva. Maybe it just needs another few months.

The CAC has broken below the 20-week mva, which now means 80% of these charts are below the 20-week mva. A failure of the formerly AAA-french bond market to follow London and Germany above the 2011 highs is worrying for the broader European zone as it is the second largest economy the Euro.

The CAC still makes lower lows. France is still making higher highs and higher lows on the bigger trend (multiple week view say 10-12) as well as holding inside the December to March range, but closer to the lows than the highs. The 3600 level is serious support. A sustained move below that would mark a test of the 3300 zone



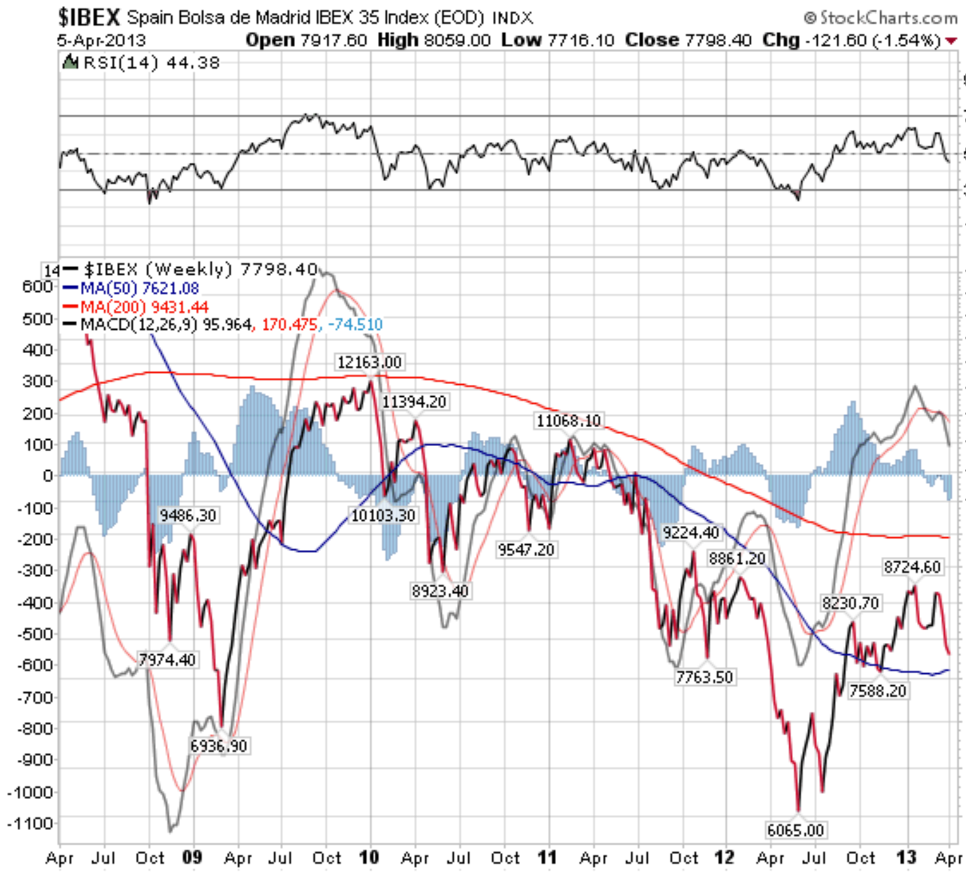
The MIB has also broken below the 6 months trend line. It is also making lower highs and lower lows. Not an encouraging sign.



The IBEX took out the January lows and moved below the late December lows as well.

The Ibex is making lower highs and lower lows. It is very close to the top of the horizontal zone of support at 7750. The bottom would be 7500 and would make a head/shoulders topping pattern using the September 2012 highs as the left shoulder.

This is a much shorter head/shoulders top than the big multi year bottom. The previous four weeks saw the market touch the 20 WMA but failed to break above. Now it is clearly falling away from the uptrend support level.



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

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

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

The Athens Index plunged another 46.24 points (5.32%) last week.

Intermediate trend is down. Support is at $38.87. 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 trending down.

iShares Europe 350 fell $0.22 (0.55%) last week.

Fixed Income Markets Commentary & weekly charts

EURO Bonds

German 10y	1.24	+0.02	1.87%
Italy 10yr	4.27	-0.06	1.27%
Spain 10yr	4.70	-0.07	1.49%
UK 10yr	1.69	+0.06	3.46%

US Bonds

The yield remains below its 20 and 50 day moving averages and fell below its 200 day moving average on Friday.

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

The yield on 10-year Treasuries plunged 15.8 basis points (8.53%) last week. Reaction to the March employment report on Friday was most notable.

The long term Treasury ETF gained $5.06 (4.30%) last week with much of the gain occurring on Friday.

The Price remains above its 20 and 50 day moving averages and moved above its 200 day moving average on Friday.

Currencies Commentary & weekly charts

The Euro added 1.74 (1.36%) last week.

Intermediate trend remains down. The Euro moved above its 20 and 200 day moving averages on Friday.

Short-term momentum indicators are recovering from oversold levels.

The US$ fell 0.48 (0.58%) last week.

Intermediate trend is up. The Index remains above its 50 and 200 day moving average, but fell below its 20 day moving average on Friday.

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

The Japanese Yen fell 3.77 (3.55%) last week.

Intermediate downtrend was confirmed on a break below support at 103.54. The Yen remains below its 20, 50 and 200 day moving averages.

Short-term momentum indicators have declined to neutral.

The C$ slipped 0.12 cents (0.12%) last week, all of the loss occurring on Friday.

Intermediate trend is up. The C$ remains above its 20 day moving average and below its 50 and 200 day moving averages.

Short-term momentum indicators are trending up.

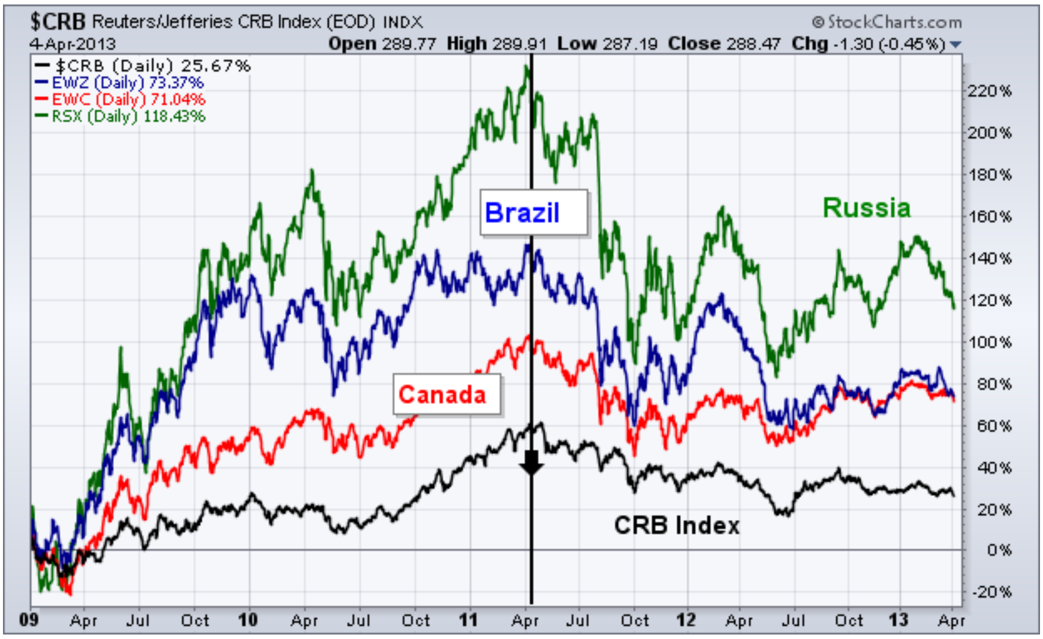
Commodities Commentary & weekly charts

Brazil, Canadian, and Russian stock ETFs peaked at the same time and have continued to weaken along with commodities. Russia's stock market is especially sensitive to trends in energy, which is its biggest export market. Relative weakness in the Chinese stock market (which is the world's biggest importer of commodities) has also hurt demand for commodities and country stocks that produce them.

The chart shows the trend in the CRB Index (bottom line) to Brazil (blue line), Canada (red line), and Russia (green line) iShares since 2009.

All four markets rose together until the spring of 2011.

The CRB Index peaked that spring (thanks to a rising US$), and has continued to weaken.



The CRB Index fell 8.11 points (2.74%) last week despite weakness in the US$.

Intermediate downtrend was confirmed on a break below support at 289.20. The Index remains below its 20, 50 and 200 day moving averages.

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

Short-term momentum indicators continue to trend down.

Copper fell $0.06 per lb. (1.76%) last week.

Intermediate downtrend was confirmed on a break below $3.388. 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, but have yet to show signs of bottoming.

Lumber fell $14.59 (3.72%) last week.

Intermediate trend changed from up to down. Lumber moved below its 20 and 50 day moving averages.

Strength relative to the S&P 500 Index has turned negative.

Short-term momentum indicators continue to trend down.

The Grain ETN fell $1.83 (3.65%) last week.

Intermediate trend remains down. Units remain below the 20, 50 and 200-day moving averages.

Strength relative to S&P 500 remains negative.

The Agriculture ETF dropped $1.83 (3.65%) last week.

Intermediate downtrend was confirmed on Friday when units moved below $52.88. Units remain above their 200 day moving average and below the 20 and 50 day moving averages.

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

Short-term momentum indicators are oversold.

Gold & Precious Metals Commentary & weekly charts

We see both the mining and oil & gas sectors "in transition" toward (particularly in the case of the mining sector) more realistic and better understood (by financial market participants) risk profiles, improved corporate governance, and increased (with attendant positives and negatives) regulatory interference;

but we share the view that the opportunities in these sectors will be substantively greater in the coming two years, than what they have been in the past two years.

With US stock indexes at or near record highs, the safe haven attraction of bullion is gradually diminishing.

Over the short-run, a pullback in stocks is giving gold a boost off chart support.

Longer term we expect stocks will do well, but we also believe Gold will recover towards the 2012 high ratio.

The gold mining sector is not delivering optimal leverage over the gold price to investors" in circumstances where Exchange Traded Funds (ETFs) provide direct access to the gold price upside without the attendant exploration, development, and mining risks related to extraction and production; ongoing capital and operating cost pressures. In this regard, the cost inflation has averaged 5% - 7% annually since the early 2000s, and was 10% - 15% in 2011. We do not expect this trend to abate going forward. That said, it seems unlikely the "cost increase tide" will turn going forward as mining projects require large capital and operating expense outlays, in circumstances where there is substantive sustaining capital reinvestment (i.e. equipment "wear and tear" that requires continual repair and maintenance expense and replacement).

Escalating resource nationalism (country risk) in both traditional and non-traditional jurisdictions has the potential to introduce operational uncertainties and delay, escalate project costs, render project development or production targets unfeasible, and may even result in a loss of ownership or control; and people skills shortages at a time of significant demographic challenges as a significant number of people with the greatest mine management and technical skills are becoming eligible for retirement. Risks to the gold sector, are equally relevant to the base metals sectors, the silver sector, and all other resource extraction sectors, including oil & gas; there is risk in the financial markets generally in times of "normal" macro-economic conditions - i.e. stable and meaningful economic growth on both a world and country-specific basis.

Currently, it is hard to imagine our present world macro-economic condition to be "normal", unless one assumes the current macro-economic condition to be a "new" and generally more risky and volatile "normal" from here; alternate resource investment vehicles that side-step resource company operating and related cost escalation risks, permitting and operating cost escalation risks, jurisdictional (country) risks, and skills shortages risks all point to (likely) reduced resource supplies going forward as "financing for new projects" is likely to become ever more difficult and more expensive. While this is likely to increase the price of resources (be it copper, gold, oil & gas, rare earths, silver, etc.) trading and investing in the sector will require both careful research and a clear understanding of both operating and jurisdictional risks; this means that the most attractive resource stocks are likely to prove to be well-financed smaller companies with high-grade reserves and resources in the safest of jurisdictions.

The following chart shows the Gold/DJIA ratio, with the black line showing the price of gold divided by the Dow since 2007. Throughout most of the last decade, gold was the better performing asset. Starting in 2011, however, the pendulum has swung away from gold and back to stocks. The Gold/Dow ratio peaked that year and has since fallen to the lowest level in three years. We believe that's due primarily to belief among market watchers that US stocks are emerging from a lost decade dominated by deflationary pressures, which weakened the US$ and boosted commodity prices.

Gold fell $19.80 per ounce (1.24%) last week despite a gain of 1.45% on Friday.

Intermediate downtrend was confirmed on a break below support at $1,554.30 per ounce.

Gold fell below its 20 day moving average and remains below its 50 and 200 day moving averages.

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

Short-term momentum indicators are oversold.

Silver fell $1.10 per ounce (3.88%) last week.

Intermediate downtrend was confirmed on a break below support at $27.92.

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

Strength relative to gold remains negative.

Short-term momentum indicators are oversold.

Platinum fell $39.60 per ounce (2.51%) last week.

Intermediate downtrend was confirmed when Platinum fell below $1,549.80.

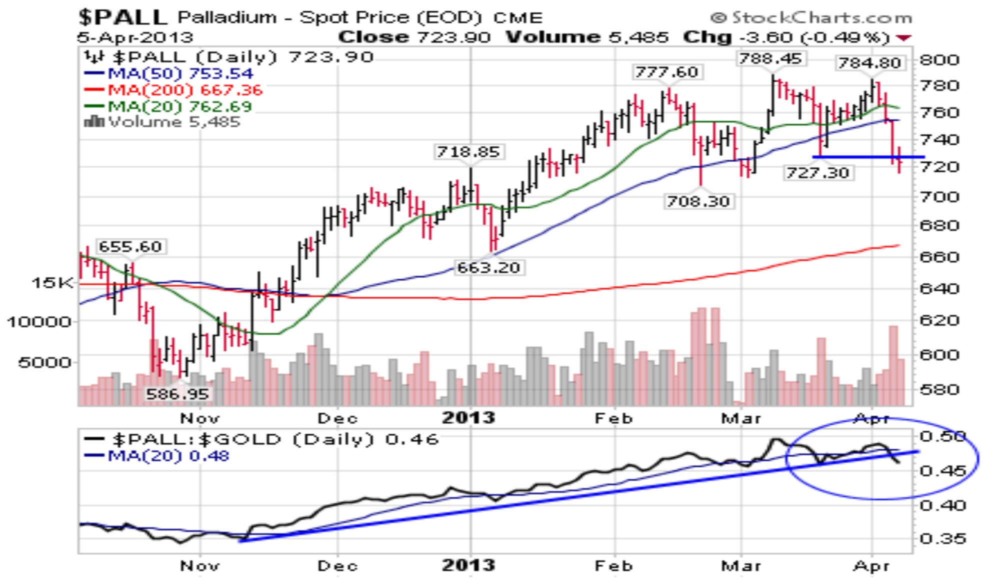
Platinum remains below its 20, 50 and 200 day moving averages.

Strength relative to gold remains negative.

Palladium fell $49.05 per ounce (6.35%) last week.

Intermediate trend changed from up to down on a break below $727.30.

Palladium fell below its 20 and 50 day moving averages.



Oil, Gas & Energy Commentary & weekly charts

Just about a year ago, the Nat Gas market was laboring under expectations that the NYMEX futures contract for natural gas would remain at around US$ 3 per 1,000 cubic feet (or million BTUs).

The pundits were proclaiming that a surplus of shale gas, over production, and historic storage surpluses translated into long-term discounted pricing. Last year's historically warm winter over much of the US had not helped the price either. While this year the weather is more seasonal, there are other factors in the price rise. For the investor this means there will be plays developing in specific areas that were simply nonexistent six months ago. We are not seeing Nat Gas to go back up to the US$ 12 - US$ 15 levels experienced a few years ago. Those days may be gone forever, due to the tangible impacts of the unconventional gas revolution (shale, tight, coal bed methane). However, there will still be volatility in this sector as the ongoing balance between extraction potential and well counts works itself out. But prices of Nat Gas are likely to move into a manageable pricing dynamic. Natural gas pricing used to be largely about how cold were winters and hot were summers. Heating needs were the driver in the first case, electricity generation for air conditioning determining the second. These still exist, but today there are other determining factors.

The environment in which Nat Gas companies operate has changed dramatically. Given the known extractable reserves currently available in the US market, it would be possible to increase overall gas production 20% a year for the near future. Nobody is about to do that, of course. It would destroy the market and most of the companies working in it. But that amount of available volume eliminates a concern on the supply side. In fact, it will serve to moderate and put some downward pressure on pricing whether or not it is extracted.

The key to Nat Gas prices is on the demand side. Here, several factors are emerging to portend higher prices.

We keep our estimates of about US$ 4.35 come high summer, absent any unforeseen developments, with an increase to $4.85 to $5.60 by the end of 2014.

We see 5 factors impacting Natural Gas Prices, and each has been enhanced by the period of reduced prices since lower prices will always encourage greater energy use. As the reliance increases with the usage levels, so will the commodity price.

- **1. Broad based industrial use has returned and is higher than at pre-crisis levels.** This is always the last of the main traditional demand areas to return after a recession (and the most recent as the worst in seventy years).
- **2. Natural gas replacing oil as a feeder stock for petrochemicals,** everything from ingredients used in the production of plastics to fertilizers and widely used chemicals. This flow is actually increasing quicker than I had initially anticipated.
- 3. **A move to liquefied natural gas (LNG) and compressed natural gas (CNG) as a vehicle fuel.** The transition remains primarily noticeable in higher end trucks, with the emphasis on passenger vehicles still awaiting cost reductions. Nonetheless, heavy truck, bus and equipment fleets are moving to natural gas.
- **4. A move from coal to gas for the production of electricity,** a development occurring most rapidly than even the rather optimistic predictions. The background is this. The US will retire at least 90 GW of capacity by 2020, with an additional 20-30 GW likely from the imposition of EPA non-carbon emission standards (mercury, sulfurous and nitrous oxides). Most of today's capacity is fueled by coal. Last year, we estimated that for each 10 GW transferred, 1 billion cubic feet of natural gas per day would be required. Initial figures are coming in at 1.2 billion, which implies at half of the transition from coal to gas actually takes place, it will eat up three times the current volume in storage. Certainly, increasing production will offset some of that. But the operators have learned that flooding the market does not help any of them. That is another lesson taught by the shale gas age.
- **5. US LNG exports to Canada are not likely to begin until late 2014,** but will transform the sector. From providing none of the current global LNG trade, the US will account for at least 9% within ten years.

The key factor for the US Nat Gas industry and for pricing is going to be balancing production. LNG exports will act as a primary outlet for excess shale gas extraction. The greater the exports, the lower the price volatility in the US..

Natural Gas gained $0.10 per MBtu (2.49%) last week.

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

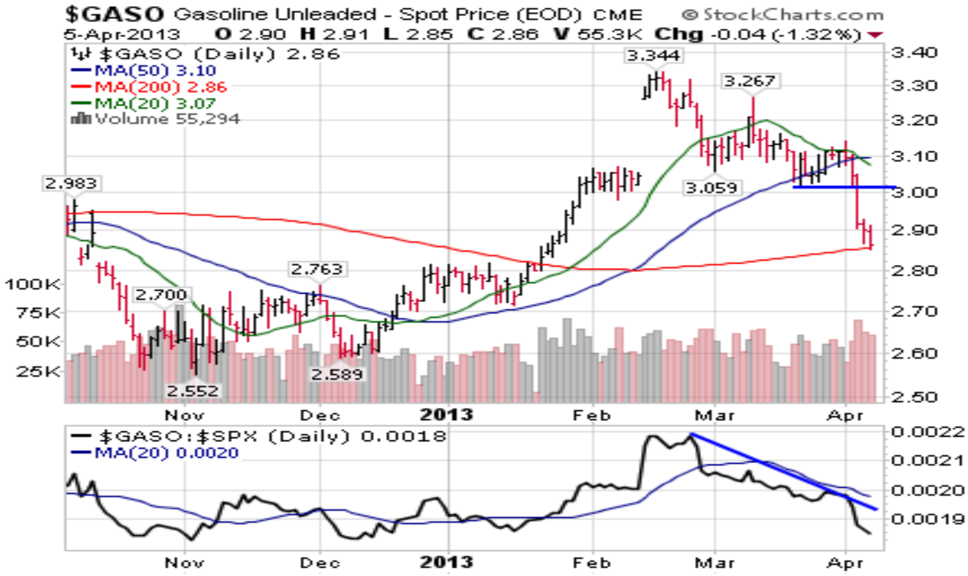
Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are overbought.

Intermediate downtrend was confirmed on a break below 3.015 per gallon. Gasoline remains below its 20 and 50 day moving averages.

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

Gasoline fell another $0.25 per gallon (8.04%) last week.



Crude fell below its 20 and 50 day moving averages.

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

Short-term momentum indicators are trending down.

Crude Oil fell $4.53 per barrel (4.66%) last week.

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

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

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

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

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

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

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

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