Creative Global Investments

Morning Market Commentary

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Objectivity

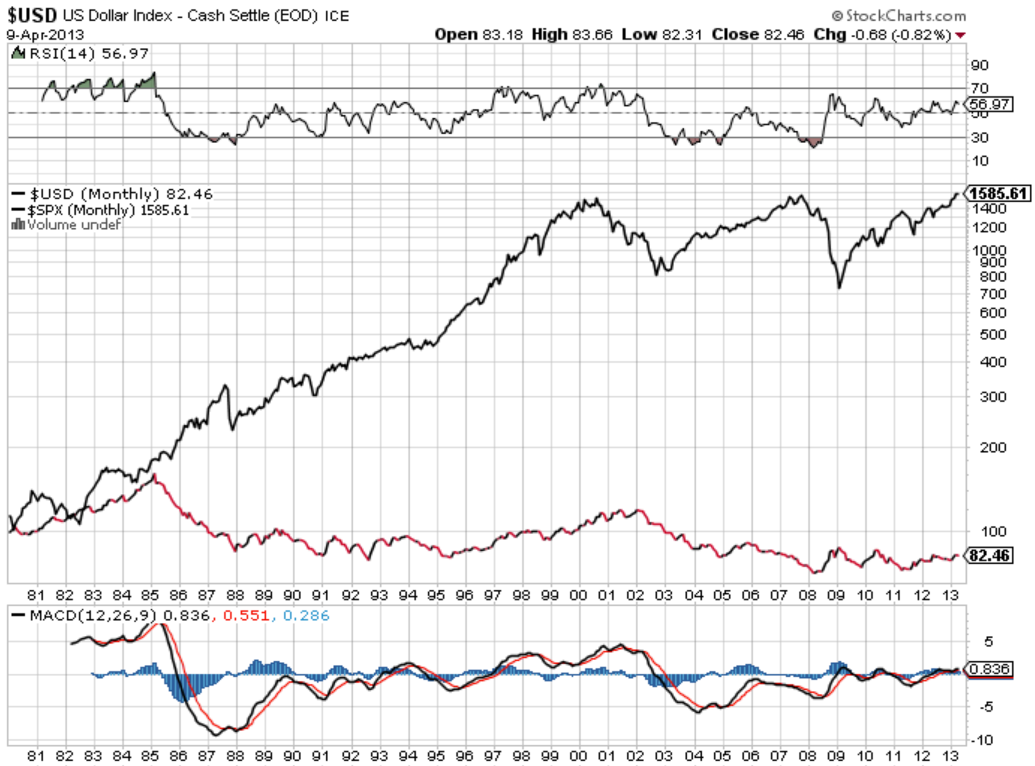
Integrity

Creativity

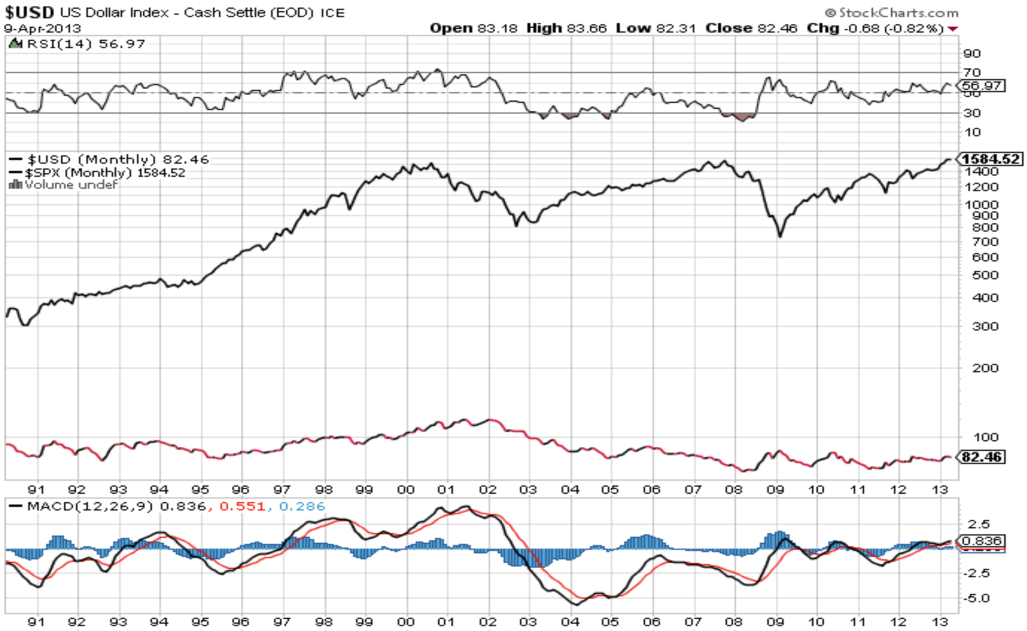
US Dollar and its impact on US equities

The fact is, the US$ index is down over 33% in the past 35 years. Below we have added a few charts elaborating on a major subject which we clearly part with the "so called experts" on economics, and stock markets, who are now predicting a period of US$ strength, paired with simultaneous strength and outperformance of US equities:

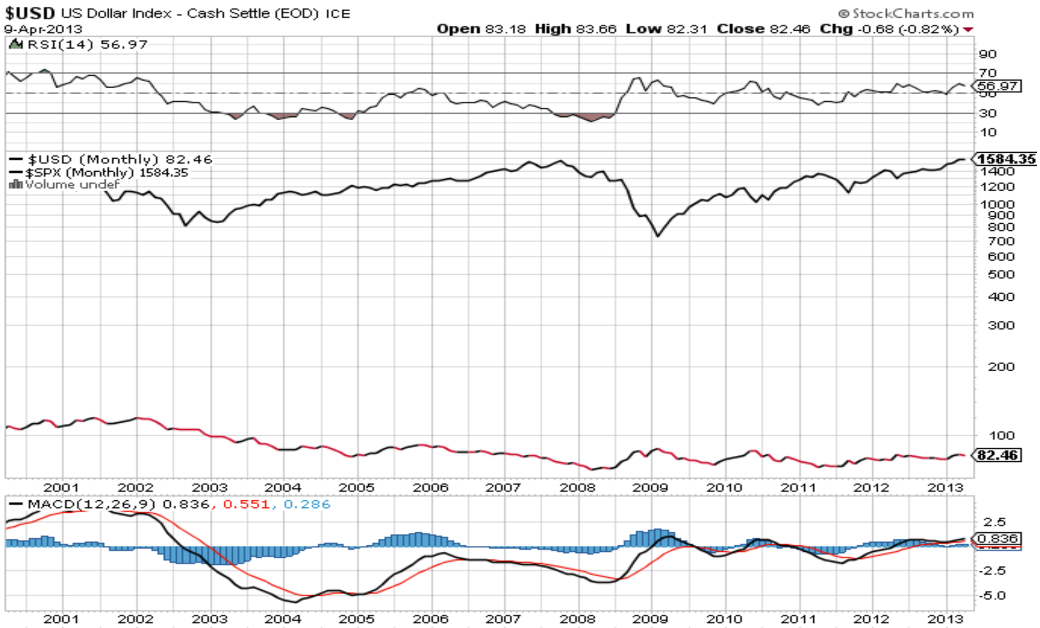
Well, for those "experts" and their opinions, let's see if they have a point, as we believe a few pictures are worth a few million (wasted) words. Let's look at the chart of the US$ versus the S&P 500 going back to 1980.



And the chart from 1990 – 2013 shows a very similar US$/S&P500 pattern.



So does the 2001 – 2013 chart.



And strangely, so does the 2006 – 2013 chart.

Here is where we differ with the "experts":

So, whilst at no data point in the past 35 plus years, there has been a period of US equities outperforming, when the US$ had been strengthening, it amazes us that "experts" are of the opinion (as there are no facts validating their predictions) that investors and their behavior towards US equities should change now, and that the view has become that a rising US$ would be positive for US equities performance going forward?

Companies of the S&P 500 collect approximately 46% of their earnings from abroad.

Companies from the Russell 2000 small caps collect about 18% from abroad.

Since August 2012, when Mr. Abe started to heavily influence its government and the BoJ to increase stimulus to the Japanese economy, the still 4th largest in the world, that is when we changed our views on the US$/Yen 76, and then forecasted the US$/Yen would fall to 95 by fiscal year end 2012 (March 31st, 2013 Japan), and for 2013 fiscal year end we are expecting for the Yen/US$ to fall to 112, with our US$/Yen price target for 2014 reaching US$/Yen 125 likely.

So currently, in just 7 months since we changed our forecast for the US$/Yen, the Yen has lost 31.5% against the US$.

Simultaneously, the EUR/US$ 1.3125 had lost about 5% (EUR/US$ 1.3685) since the January 2013.

These are the two biggest trading currencies for US trade, however, very few sell-side strategists, if any, and fewer sector analysts have adjusted their earnings estimates for US companies for Q1 2013 and the full year. We think this is where the disappointment will occur, in that EPS for the SPX at currently 112 consensus are too high, and for currency adjustment purposes only, need to be revised downwards, which is not a common view yet as of this moment.

This is why we are sticking to our sub-100 EPS for the S&P 500, not even taking global economic slowdown factors into account at this point yet. (The IMF yesterday downgraded US & global GDP forecasts for 2013 by .2%).

We see more and more evidence that the macro picture for 2013 is weakening beyond current forecasts, and this could be an additional factor for EPS downward revisions.

Global Macro Commentary

Upcoming macro events:

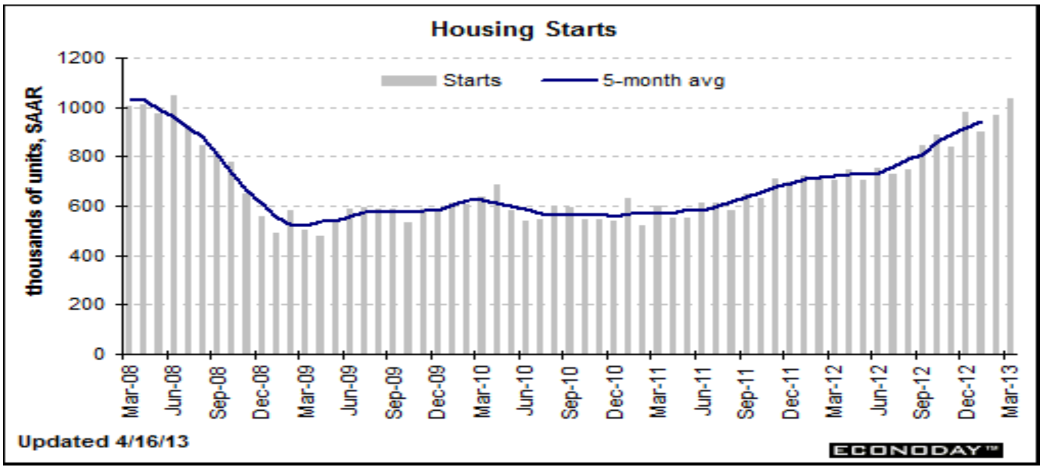
- Bank of England Minutes will be released at 4:30am EST.
- Great Britain Labor Market Report for March will be released at 4:30am EST. The market expects the Claimant Count to decline by 1700 versus a decline of 1500 previous. The Unemployment Rate is expected to remain unchanged at 7.8%.
- Bank of Canada Rate Announcement will be released at 10:00am EST. The market expects no change at 1.00%.
- Japan Trade Balance for March will be released at 7:50pm EST. The market expects -¥522.2B versus -¥779.5B previous.
- Weekly Crude Inventories will be released at 10:30am.
- The Fed's Beige Book for April will be released at 2:00pm.

Past Data Review:

Event	Actual	Forecast	Previous
GBP Producer Price Index Input n.s.a. (YoY)	**0.40%**	0.70%	2.10%
GBP Producer Price Index Output n.s.a. (MoM)	**0.30%**	0.30%	0.80%
GBP Producer Price Index Output n.s.a. (YoY)	**2.00%**	2.00%	2.30%
GBP Producer Price Index Output Core n.s.a. (YoY)	**1.30%**	1.40%	1.30%
GBP Consumer Price Index (MoM)	**0.30%**	0.30%	0.70%
GBP Consumer Price Index (YoY)	**2.80%**	2.80%	2.80%
GBP Retail Price Index	**248.7**	248.7	247.6
GBP Retail Price Index (MoM)	**0.40%**	0.40%	0.70%
GBP Retail Price Index (YoY)	**3.30%**	3.30%	3.20%
GBP Core Consumer Price Index (YoY)	**2.40%**	2.30%	2.30%
EUR Euro-Zone Consumer Price Index – Core (YoY)	**1.50%**	1.40%	1.30%
EUR Euro-Zone ZEW Survey (Economic Sentiment)	**24.9**		33.4
EUR Euro-Zone Consumer Price Index (MoM)	**1.20%**	1.20%	0.40%
EUR Euro-Zone Consumer Price Index (YoY)	**1.70%**	1.70%	1.70%
EUR German ZEW Survey (Current Situation)	**9.2**	14	13.6
EUR German ZEW Survey (Economic Sentiment)	**36.3**	41	48.5
CAD International Securities Transactions (C$)	**-6.31B**		14.32B
USD Consumer Price Index (MoM)	**-0.20%**	0.00%	0.70%
USD Consumer Price Index Ex Food & Energy (MoM)	**0.10%**	0.20%	0.20%
USD Consumer Price Index n.s.a.	**232.773**	232.953	232.166
USD Housing Starts	**1036K**	930K	968K
USD Building Permits (MoM)	**-3.90%**	0.30%	3.90%
CAD Manufacturing Sales (MoM)	**2.60%**	0.60%	-0.60%
USD Consumer Price Index (YoY)	**1.50%**	1.60%	2.00%
USD Consumer Price Index Ex Food & Energy (YoY)	**1.90%**	2.00%	2.00%
USD Housing Starts (MoM)	**7.00%**	1.40%	7.30%
USD Building Permits	**902K**	943K	939K
USD Consumer Price Index Core Index s.a.	**232.758**	232.984	232.512
USD Industrial Production	**-0.10%**	0.20%	0.90%
USD Capacity Utilization	**78.50%**	78.40%	78.30%

US Economy

Housing Starts for the month of March were reported at the highest level since mid-2008, rising a whopping 46.7% on a year-over-year basis.

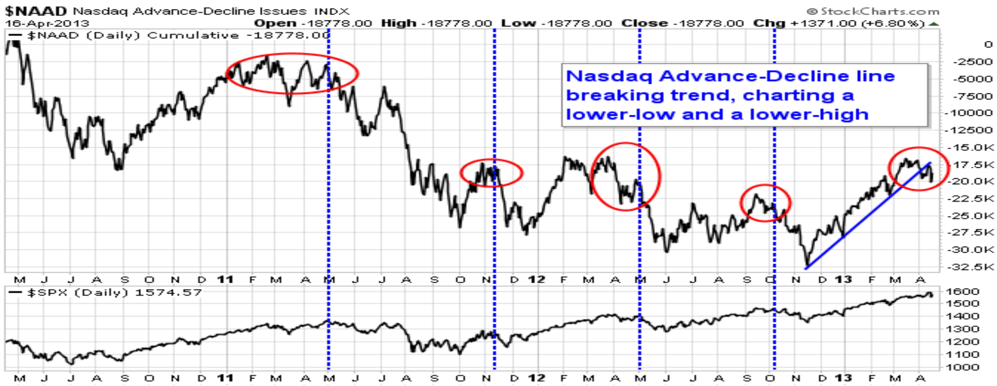


US Market Commentary

The NASDAQ Advance-Decline line has shown definitive signs of breaking lower, moving below an intermediate positive trend line while charting a lower low and a lower high.

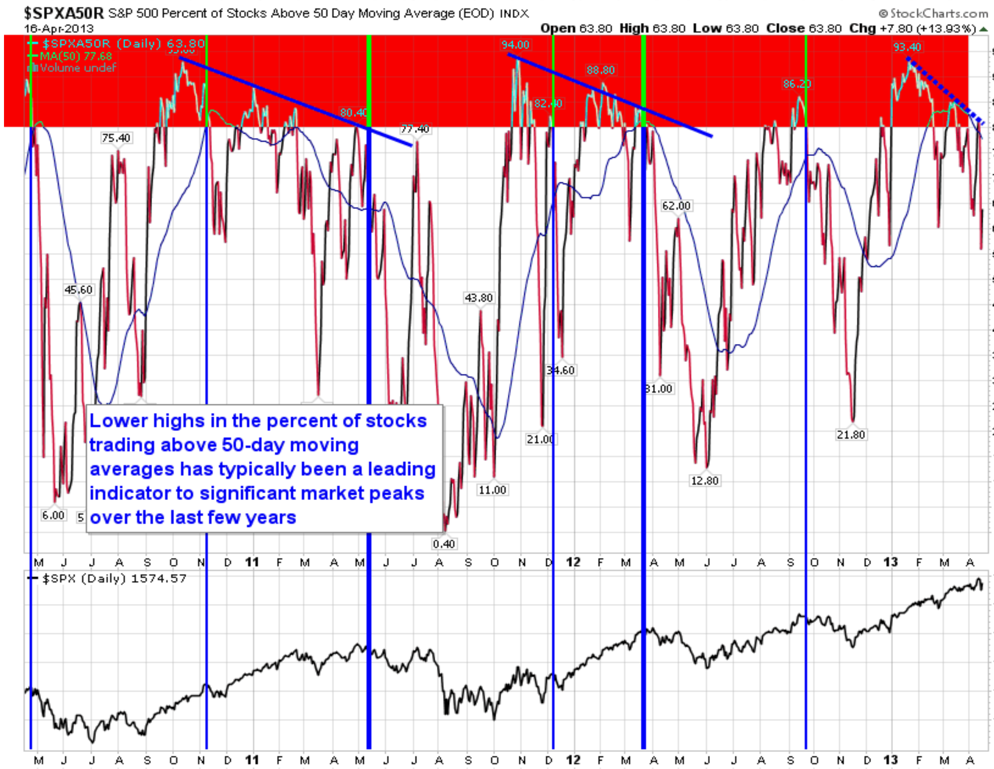
When this indicator turns lower, the broad equity market is quick to follow.

Tuesday’s snap-back rally was yet another bounce for the S&P 500 off of a rising intermediate trend line that stretches back to November of last year. Despite the positive direction of the market, weakness in technical indicators continues to increase.



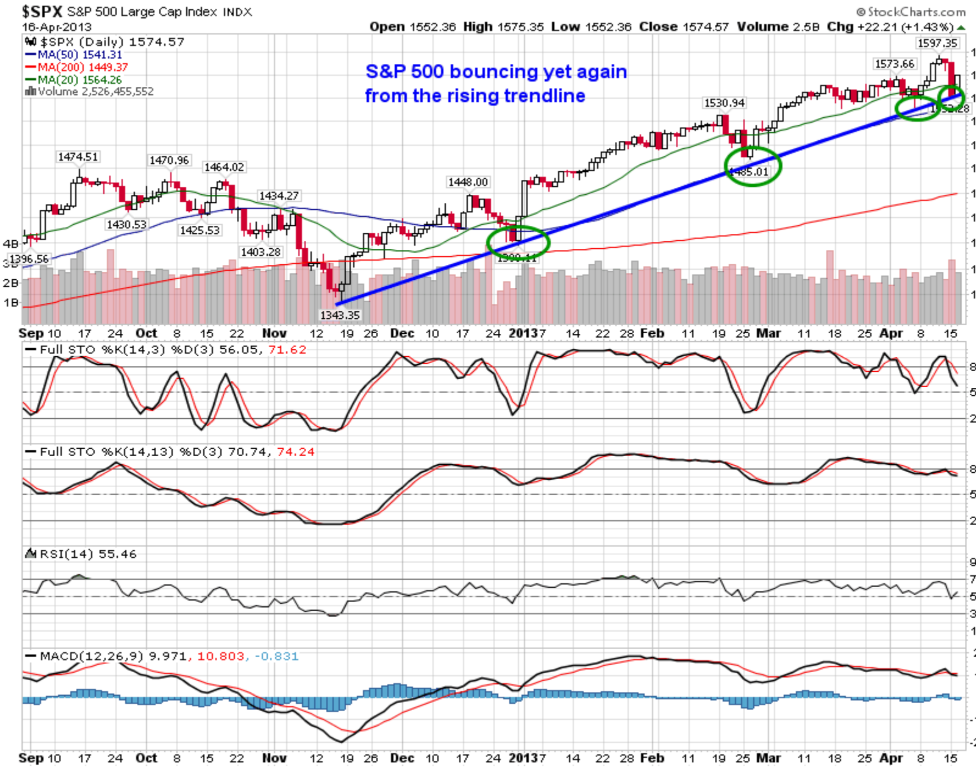
Similarly, the percent of stocks in the S&P 500 trading above 50-day moving averages is also on a negative path, charting a series of lower-lows and lower-highs over recent weeks. Declines in this indicator are typically a precursor to market peaks.

Percent of S&P 500 stocks trading above their 50 day moving average has deteriorated significantly during the past two trading days.



Equity market momentum is on the decline and equities are setting up for a correction as the period of seasonal weakness for stocks gets set to begin.

A break below the prevailing trend line for the S&P 500 would, quite simply, signal the change of trend.

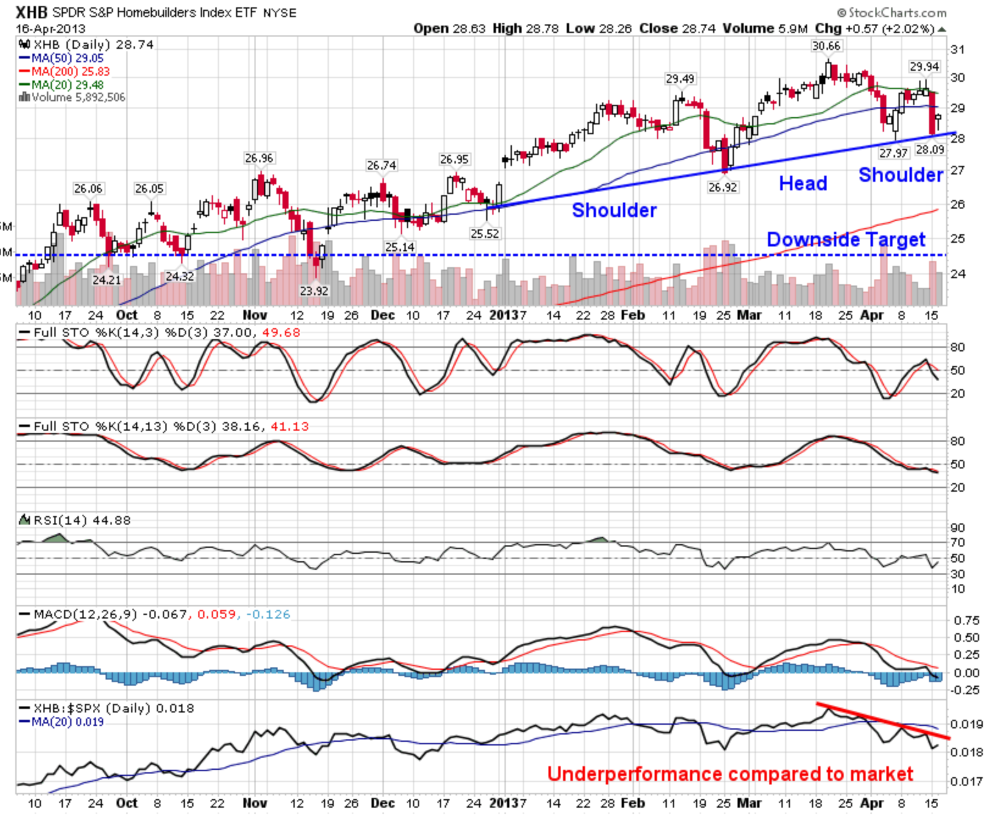


Homebuilding stocks jumped as a result. The Homebuilders ETF has charted an apparent head-and-shoulders topping pattern over the past few months setting the stage for a potential move lower should the neckline of the pattern be broken at $28.

Potential target of the bearish setup is down to $24.50, or almost 15% below present levels.

Seasonal tendencies for the homebuilders are predominantly negative following a mid-February seasonal peak.

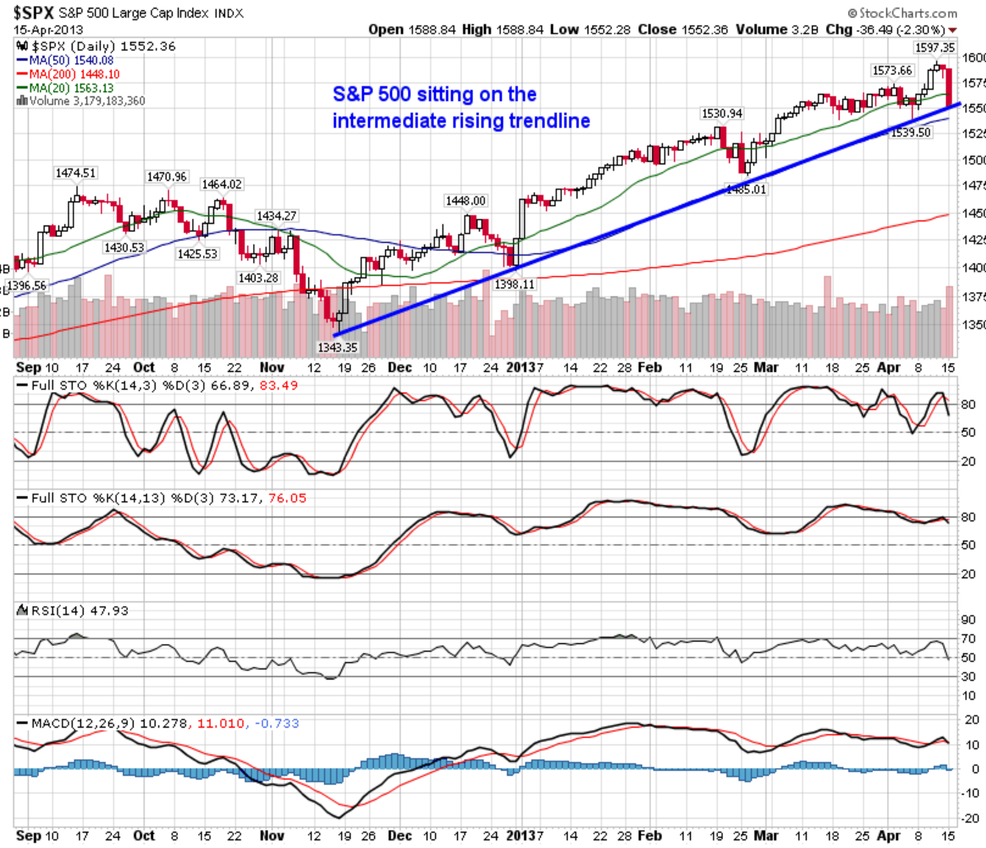
As the Homebuilders falter, REITs flourish, outperforming the market between March through May and once again from July through September.



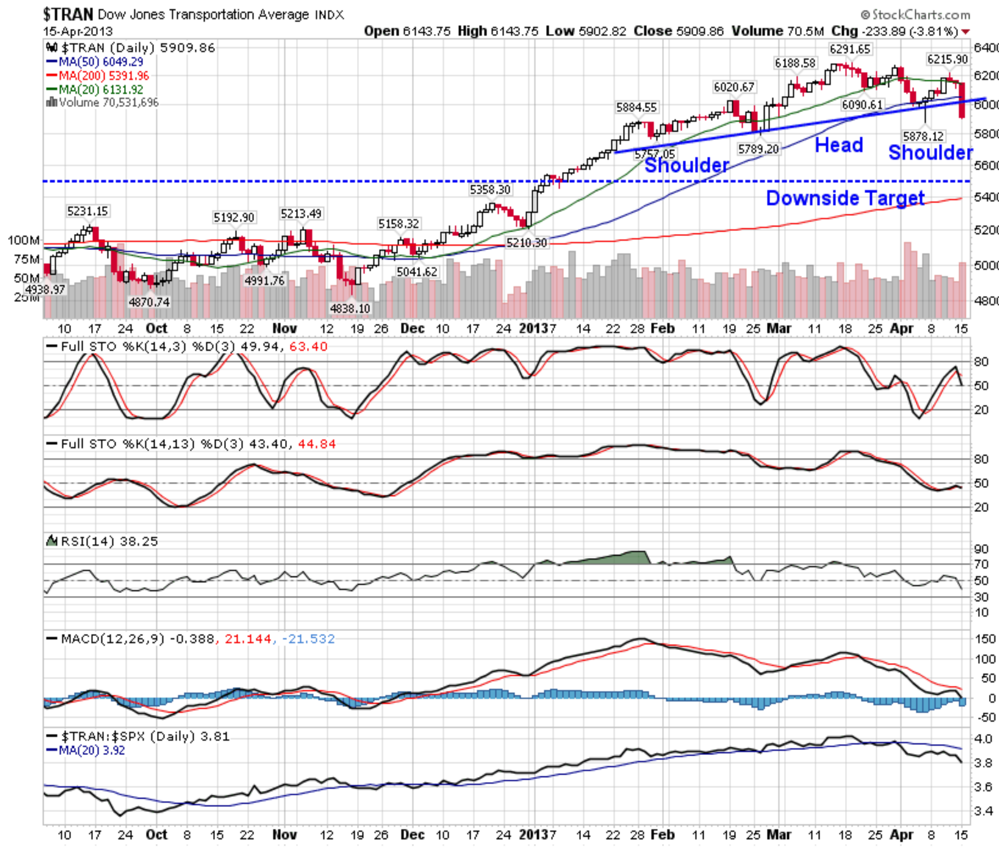
The S&P large cap index is now sitting precisely on the rising trend line that stretches back to November of last year.

A break of trend would likely imply escalated selling pressures as the period of seasonal strength for equity markets reaches an end.

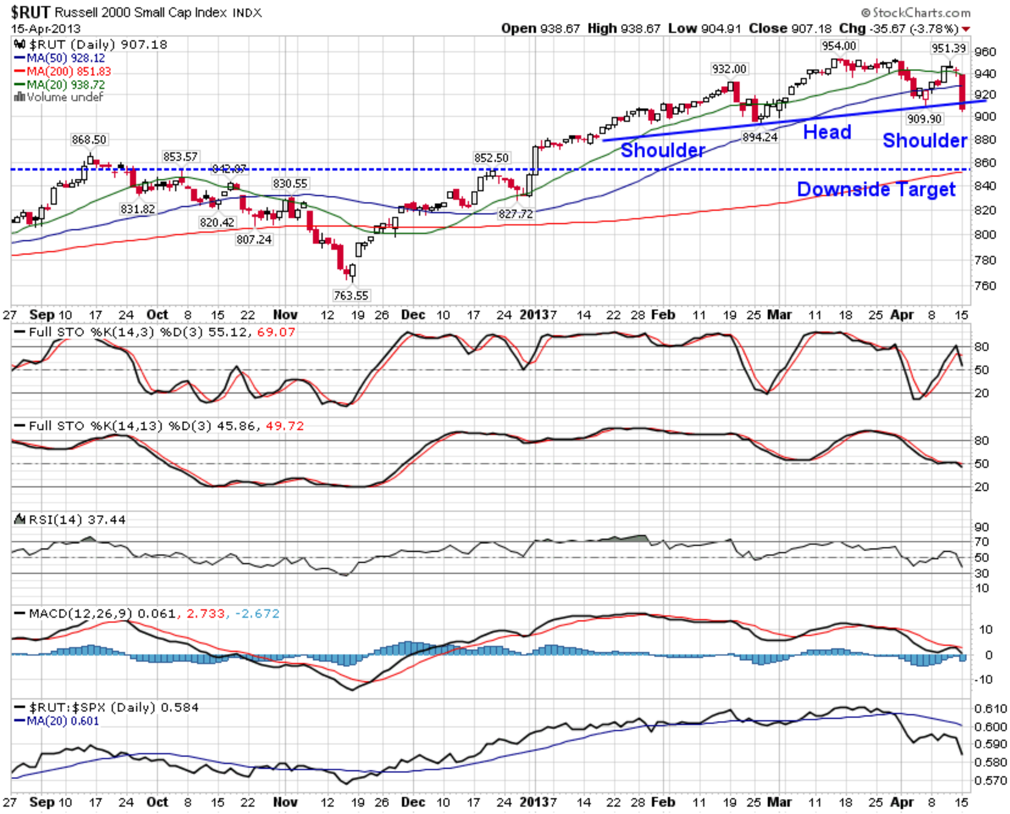
The S&P 500 Index fell below its 20 day moving average.



Similar bearish head-and-shoulders patterns are now becoming evident on the charts of equity benchmarks, including the Dow Jones Transportation Average



And the Russell 2000 small cap index

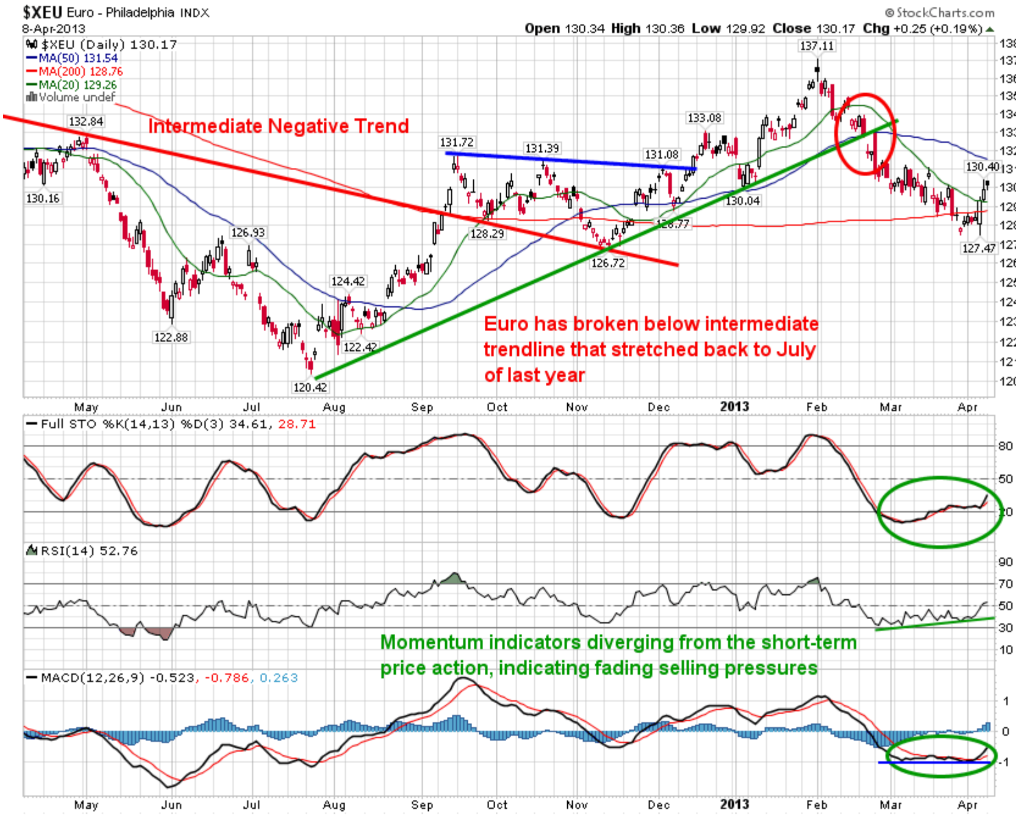


Currencies Commentary

The intermediate trend is noted to have changed, but a continuation of this short-term rebound is reasonable as the currency corrects an oversold condition. A retest of the 50-day moving average around 1.32 is increasingly probable as the currency exits a period of seasonal weakness that concluded at the end of March.

Euro strength has generally coincided with US Dollar index weakness, often seen as a positive catalyst for equity and commodity prices.

The Euro has realized rather pronounced declines since the start of February, but recently momentum indicators have diverged from the short-term price action, indicating that selling pressures were abating.



The US$ index is showing signs of rolling over from its recent positive trend.

The US$ index is pushing towards its 50-day average as seasonal weakness in the month of April pressures the currency lower.

Commodities Commentary

Copper was testing last year's lows at US$ 3.24 Monday. Previously, we were talking about copper breaking a trend line support off the rising lows. Now Copper is testing the horizontal level. Copper made new one-year lows intraday.

Copper is at a big support level that must hold.

However, indexes in many countries are in trouble technically on the charts as we have been highlighting about for 3weeks.

Other commodities are also losing ground, or have already lost support.

Gold, Silver & Precious Metals

Margin calls rolled across Silver and Gold. Natgas, Silver and Gold all had changes in margin requirements announced by the CME. Precious metal companies also were crushed.

Inflation expectations remain low, and consequently the price of Gold has faltered.

The break of Gold at US$ 1,525 implies that there is now risk towards the 61.8% Fibonacci retracement level, which is at US$ 1,250 - 1,225.

We are advising investors to accumulate Gold at current levels, and maintain our 2013 price target for Gold at US$ 1,750.

Silver enters into a period of seasonal weakness in the month of April, running through to the end of June.

We are advising for investors to accumulate Silver at current price levels of US$ 23.

With the break of support of US$ 26, we could see a measured move down to as low as US$17.

Oil, Gas & Energy Commentary

Natgas also had changes in margin requirements announced by the CME.

$WTIC now trades below both the 10-WMA and the 40-WMA. It has broken the rising trend line, but is trading on the single most significant trend line in the commodities book for me.

We think $WTIC may pause at horizontal support around $85 and if that can't hold, we would expect a sharp drop to $77. If $WTI could not hold at those levels, and a major violation of support at $76 would occur, then Oil and the oil stocks would show serious long-term chart breakdowns.

Crude Oil ($WTI) was a notable percent decliner. The long-term trend lines are very important.

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