Creative Global Investments

Morning Market Commentary & Charts

Thursday, May 22nd, 2014

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

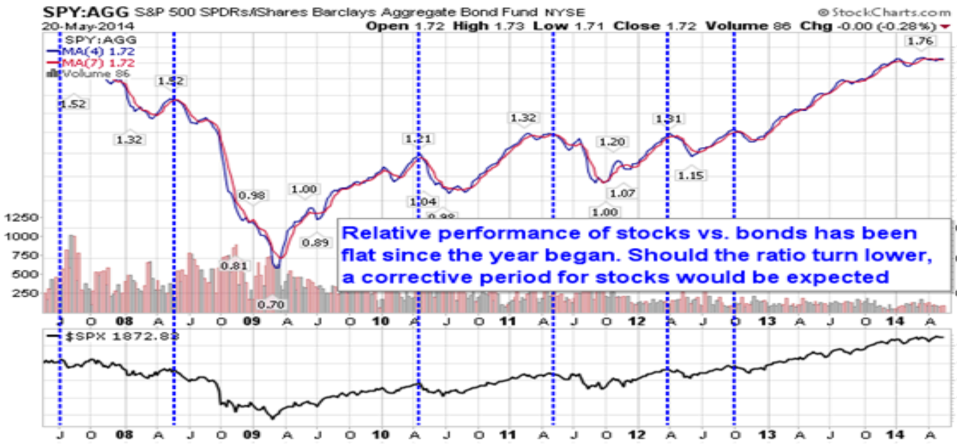
Creative Global Investments/Europe
5, op der Heed
L-1709 Senningerberg
Tel: +(352) 2625 8640
Mob: +(352) 691 106 969

Objectivity

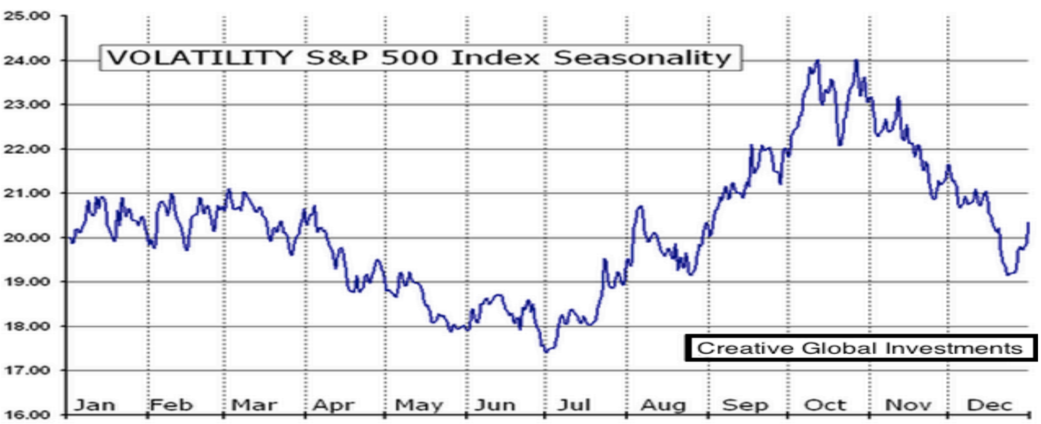
Integrity

Creativity

The battle on the year remains between bond and equity markets as investors struggle with the end of the present quantitative easing program. The ratio of the S&P 500 ETF (SPY) and the Barclays Aggregate Bond Fund (AGG) has been flat since the year began, indicating that the performance between bonds and stocks have been equivalent. The ratio is useful in order to determine trends towards equities or fixed income instruments: as one market strengthens, the other weakens. The outperformance of bonds relative to stocks can often be both a leading and coincident indicator of equity market weakness, which, over recent years, has resulted in corrective periods for stocks on 6 distinct occasions. The ratio had maintained a positive trend since the low in the last quarter of 2012, remaining positive through the stellar equity market gains of 2013. The flat relative performance since 2014 began suggests indecision between the two markets, which is neither negative nor positive. Should the ratio turn lower, a corrective period for stocks would be expected.



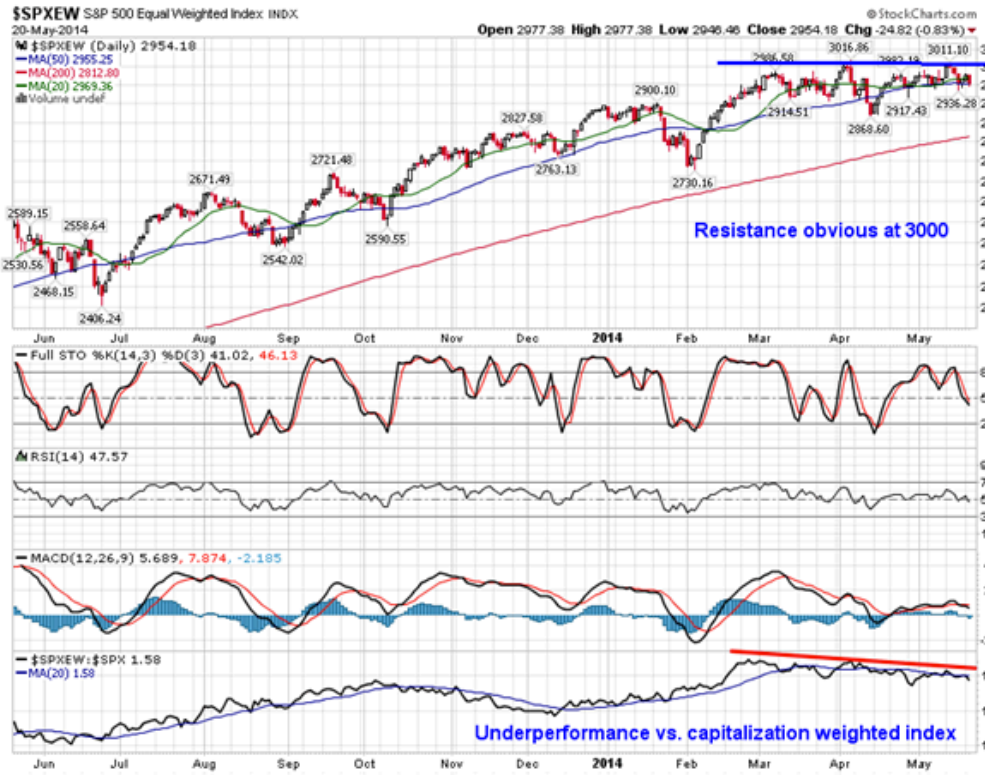
A summer rally for US equities is statistically a myth. The majority of the past 30 years US equities have been in for a summer swoon, as the following chart on the VIX Index shows that volatility in equity markets moves higher in summer usually because of unexpected political, economic, international or weather-related events. If something in the world goes wrong, it usually happens in the May to October period. The VIX's sweet spot is from the beginning of July to the middle of October.



And this year, the scenario for the VIX is quite similar, VIX is low and has yet to show signs of spiking

Corrective action in the growth indexes, the Nasdaq and Russell 2000, turning to bottoming action as they attempt to follow the strong S&P higher. And what was most impressive on Tuesday was how well the Nasdaq held up in the face of weaker retail sales reports since it has a sizable Consumer Discretionary component too. The sideways market this year is still leaning toward one direction as it tests the patience and resolve of both bulls and bears. And if the "sorting out" of investors and speculators is almost over, we can expect bottom-up money managers to be net buyers of stocks and push the indexes higher.

The S&P 500 Equally Weighted Index is already providing warning signs. The benchmark has been underperforming the capitalization-weighted index since early March as consumer and financial stocks lag the broad market. Resistance for the equally weighted index appears obvious at 3000 as the price activity and the major moving averages start to flatten. The benchmark is typically viewed as an indication of breadth of the overall market, the strength of which continues to show signs of waning.



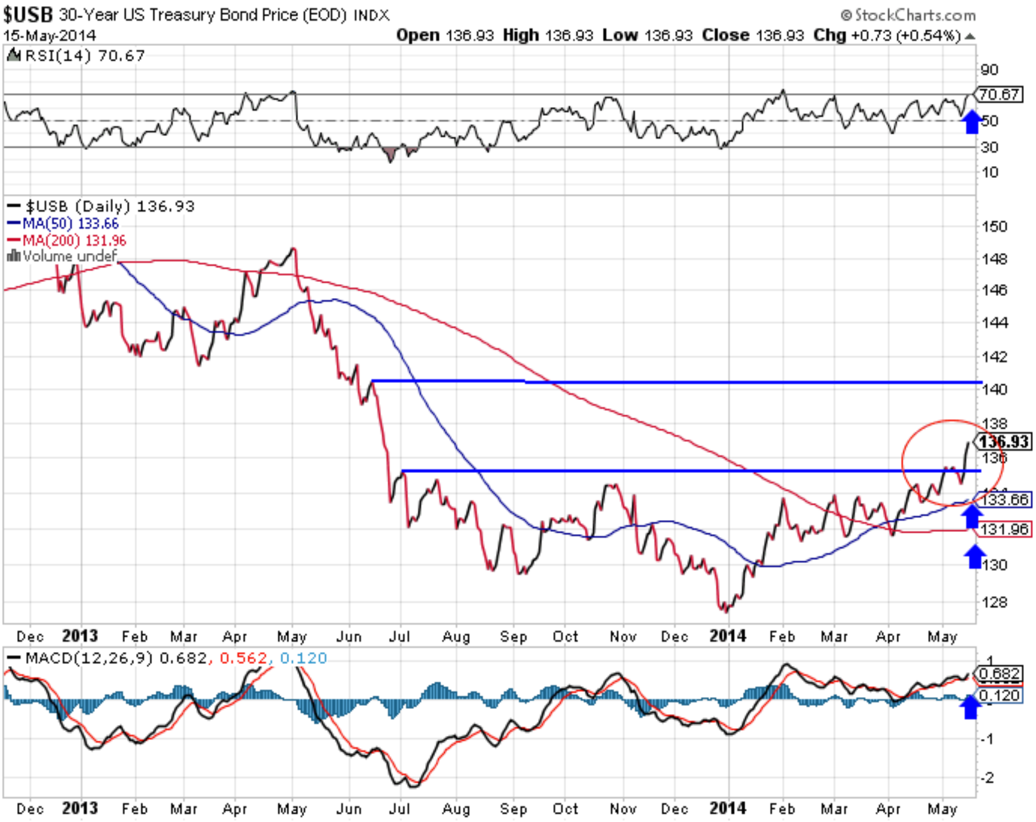
The Discretionary sector, which includes retail, has been the weakest of the nine major market segments this year as disappointing results from consumer oriented companies have investors concerned about the strength of the economy; the unseasonably cold winter weather during the first quarter continues to be cited as a factor. Discretionary is seasonally one of the weakest sectors of the market between May and October, declining by an average of 3.8% over the past 20 years. Retail is already showing a trend of lower-highs and lower-lows, bringing an end to the positive trend that arguably stretched all the way back to the 2009 lows. The consumer helped the equity market recover from the recessionary lows of 2009, will it now lead the market lower from these post recession highs?

We want to reiterate that Investors need to focus on seasonal trends for the various asset classes.

- **Bonds have entered their period of seasonal strength!**
- **The US$ has entered its period of seasonal weakness!**
- **Energy & Commodities have entered their period of seasonal weakness!**
- **Equities have entered their period of seasonal weakness! "Sell in May & Go away"!**

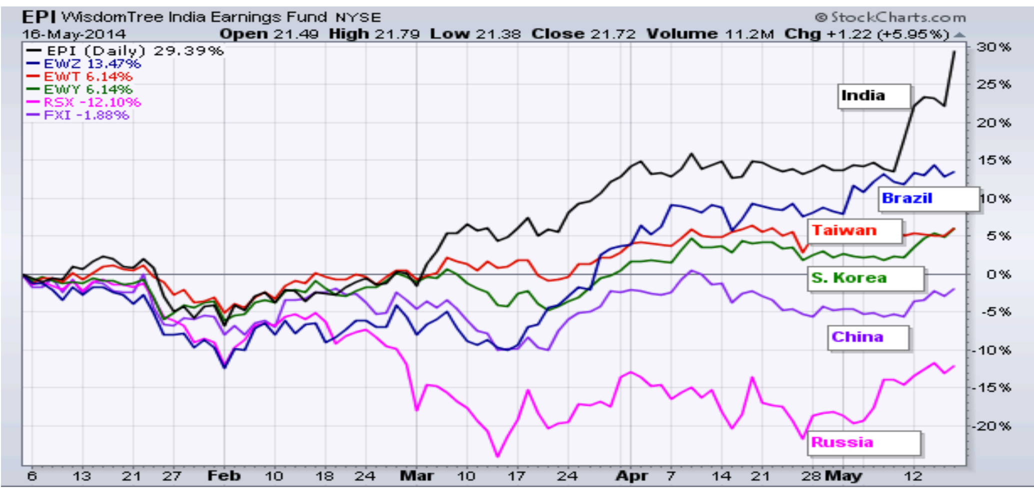
The US 10-Y Bond yield falls to seven months' low, which in return is a negative divergence for equities. An additional negative is that High-yield bonds are underperforming US treasuries.

Long-term Treasury prices continue to climb despite tapering by the Fed by $10 bn per month. Higher Treasury prices imply a slowdown in the US economy.

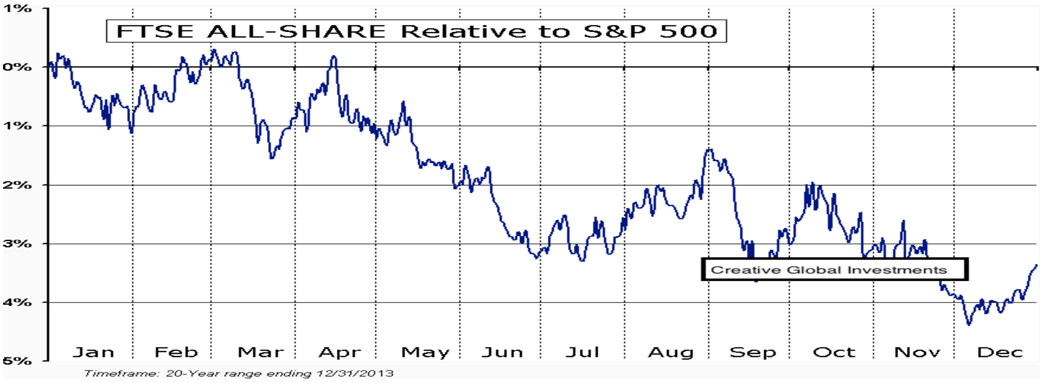


However, not all equity markets are performing alike. As we had been highlighting, there are significant seasonality pattern differences between various equity markets. As the seasonality charts on the following pages are showing, whilst the US and European equity markets are currently in their period of seasonal weakness, which historically starts as early as April and May ("Sell in May & go away") other equity markets, and particularly emerging markets are showing an inverse seasonal pattern relative to the US & Europe.

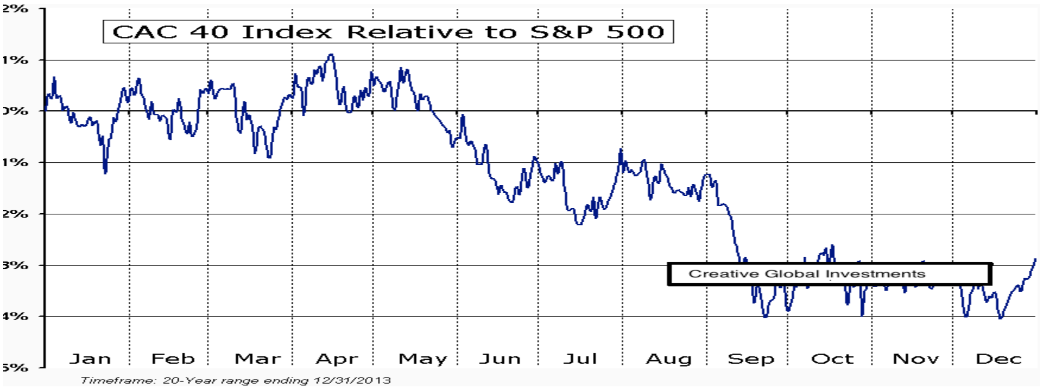
Money started moving into emerging markets during the first week of March when US small cap and Nasdaq stocks started to weaken. Since March 4, US small cap stocks have fallen nearly 10% (while the Nasdaq Composite has lost -6%). Emerging market ETF winners since March 4th to include India, Brazil, Taiwan, South Korea, China, and Russia. It seems reasonable to assume that some money leaving the US is moving into those emerging markets. Russian stocks have stabilized after falling in February and early March on Ukraine tensions. That has helped stabilize the EEM. Two other markets worth close watching are China and India.



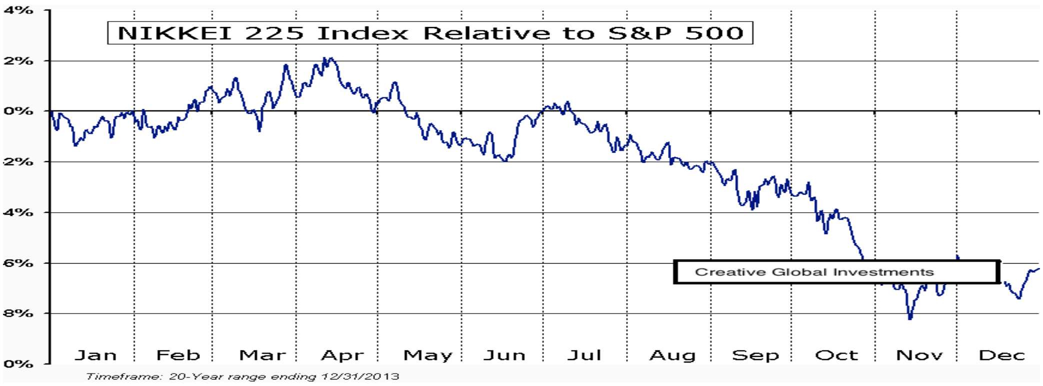
Equity indices around the world recorded technical deterioration last weak, as the seasonal chart of the FTSE ALL-SHARE index indicates.



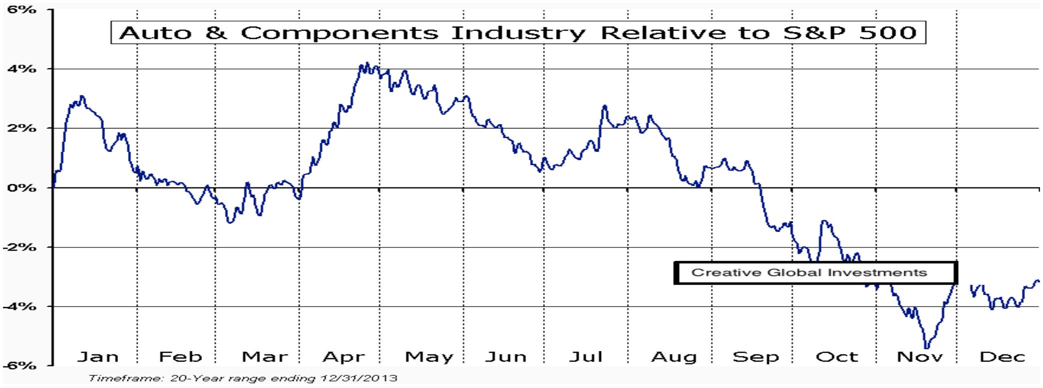
Same pattern for the CAC 40.

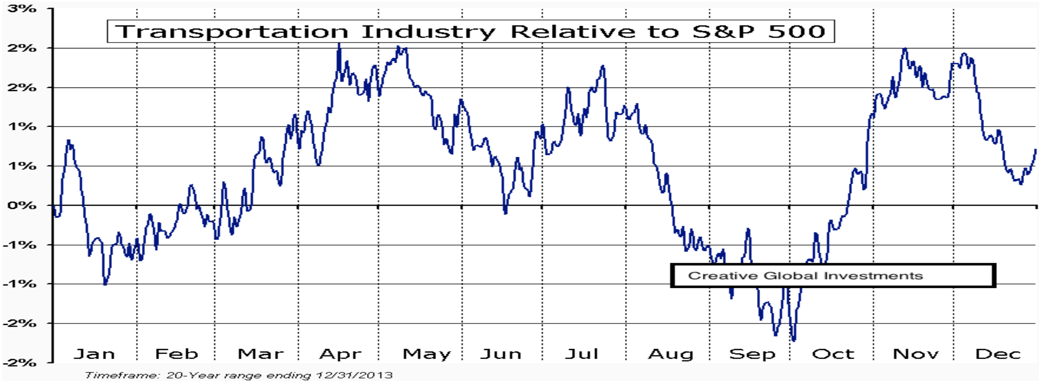


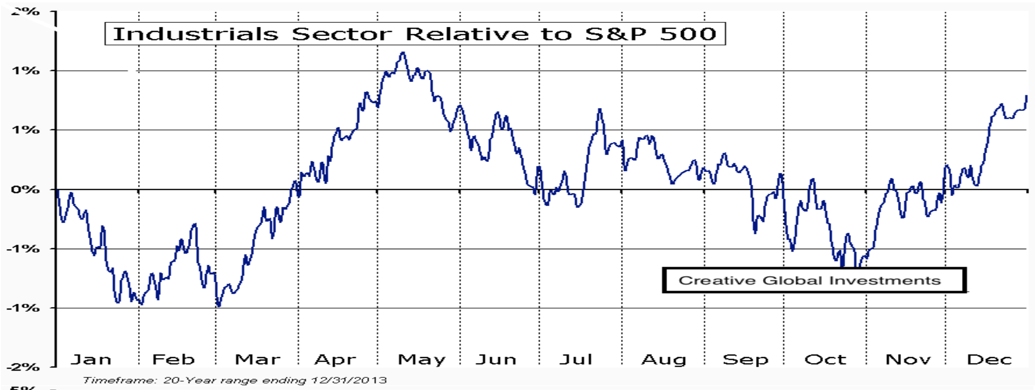
And for the Nikkei 225

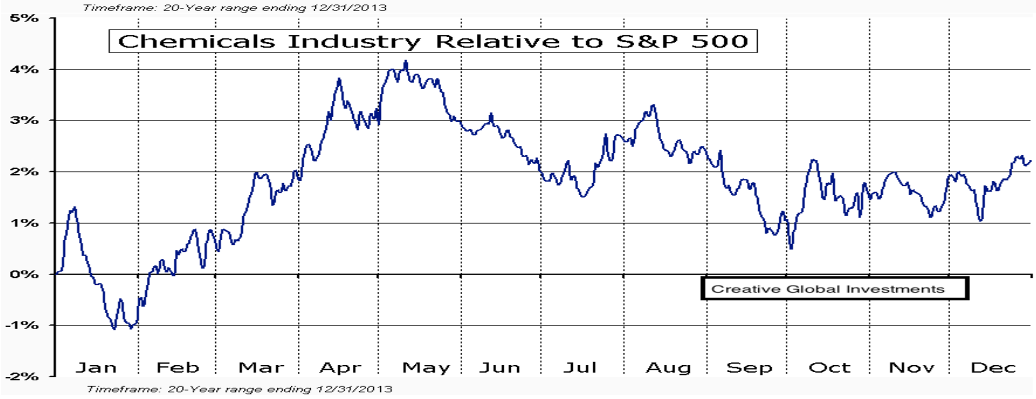


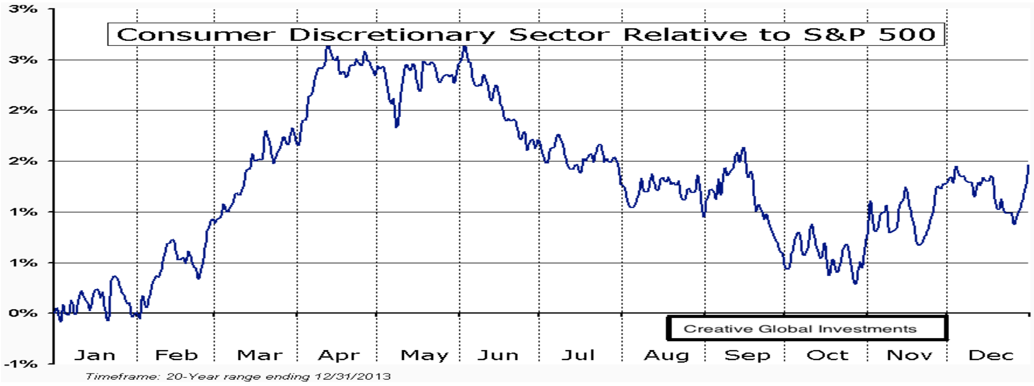
Most economically sensitive sectors have negative seasonality on a real and relative basis starting at this time of year and continuing until October. Pair trades and shorts are possible during the May to October period.

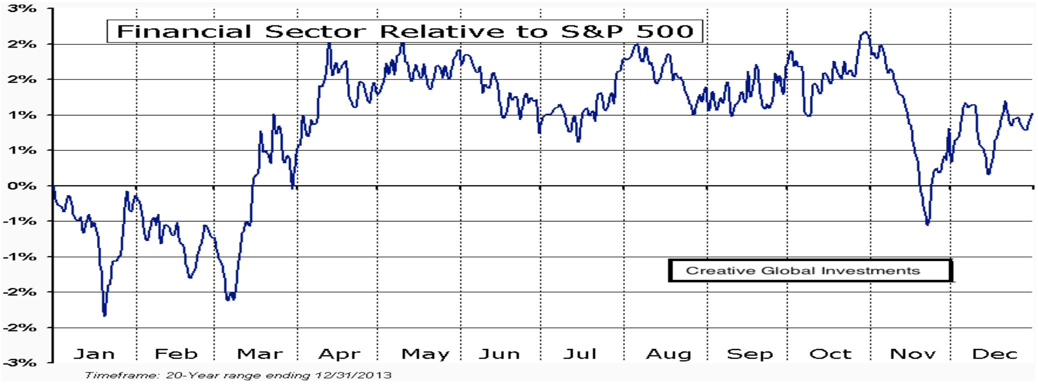


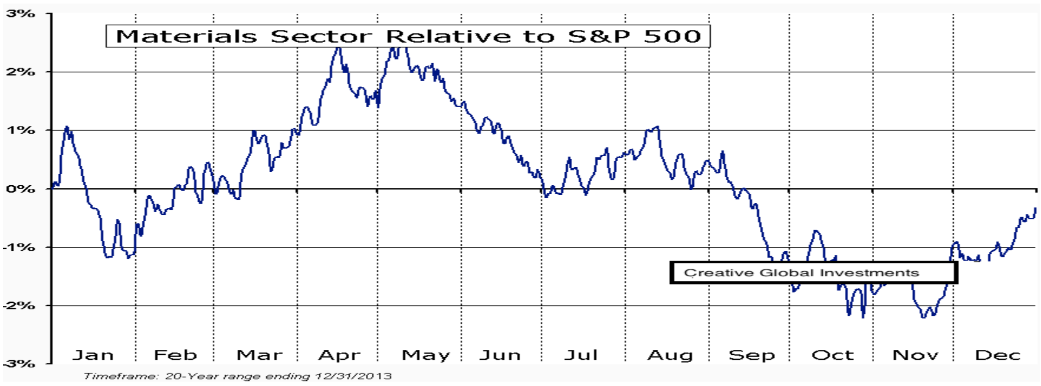


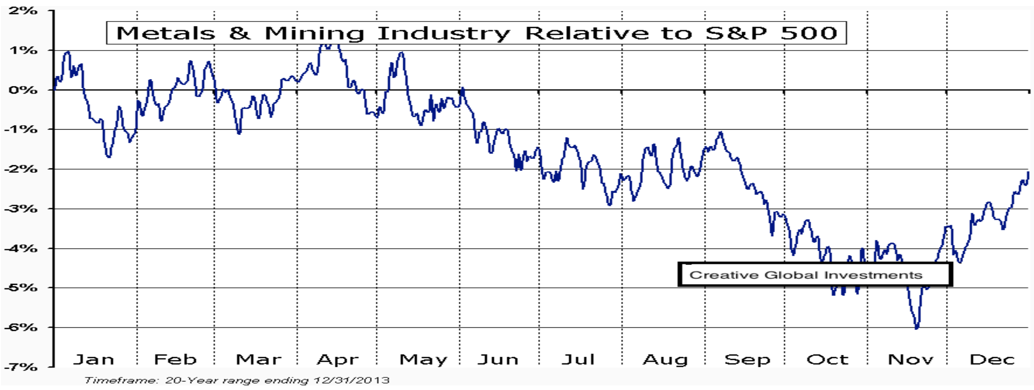


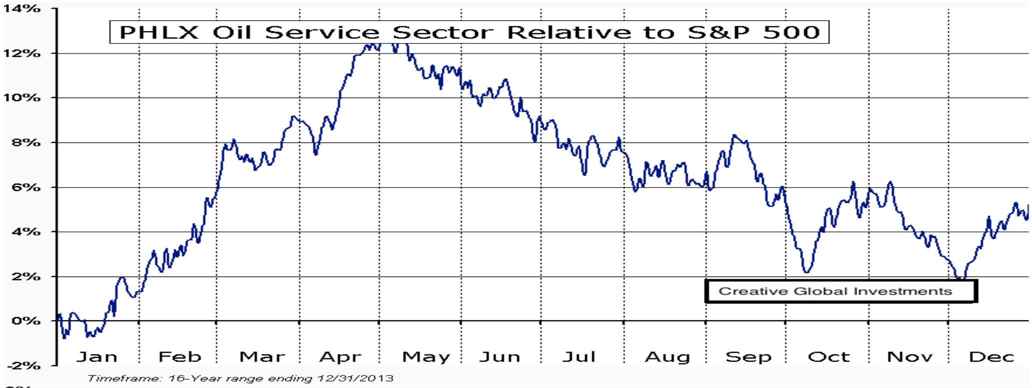


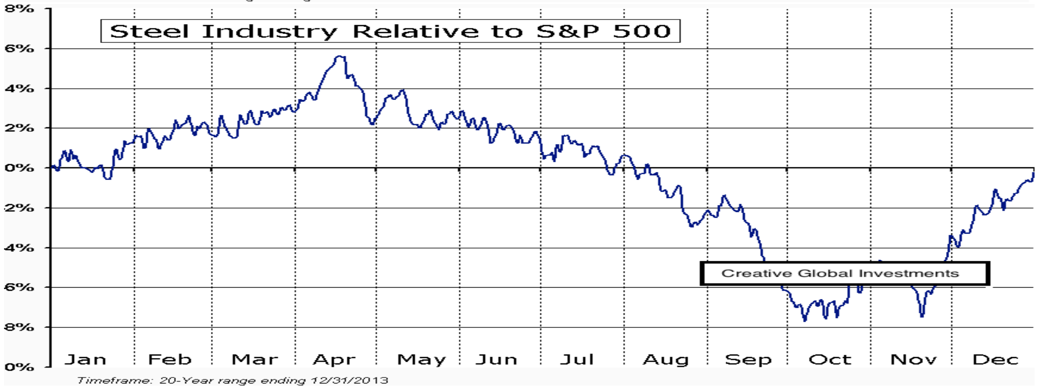

Consumer Discretionary Sector Relative to S&P 500
3%
3%
2%
2%
1%
1%
0%
-1%
Creative Global Investments
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Timeframe: 20-Year range ending 12/31/2013


Financial Sector Relative to S&P 500
3%
2%
2%
1%
1%
0%
-1%
-1%
-2%
-2%
-3%
Creative Global Investments
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Timeframe: 20-Year range ending 12/31/2013


Materials Sector Relative to S&P 500
3%
2%
1%
0%
-1%
-2%
-3%
Creative Global Investments
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Timeframe: 20-Year range ending 12/31/2013

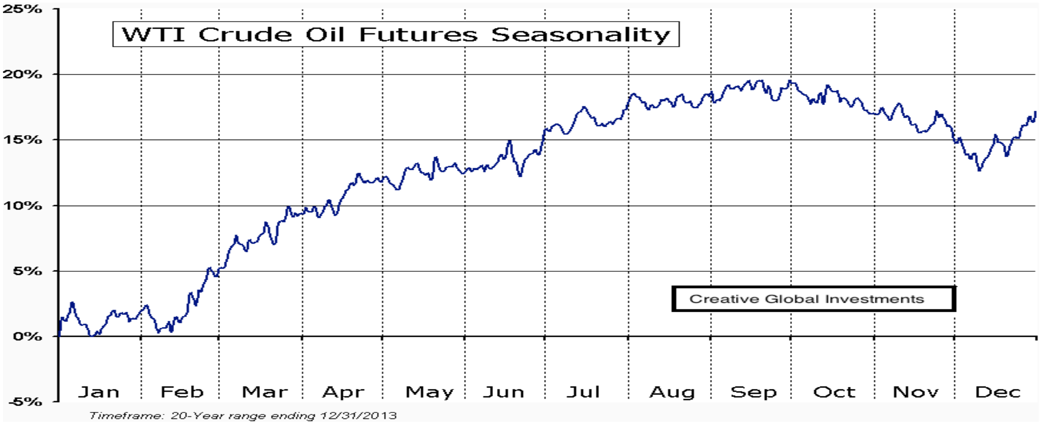

Metals & Mining Industry Relative to S&P 500
2%
1%
0%
-1%
-2%
-3%
-4%
-5%
-6%
-7%
Creative Global Investments
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Timeframe: 20-Year range ending 12/31/2013


PHLX Oil Service Sector Relative to S&P 500
14%
12%
10%
8%
6%
4%
2%
0%
-2%
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Creative Global Investments
Timeframe: 16-Year range ending 12/31/2013


Steel Industry Relative to S&P 500
8%
6%
4%
2%
0%
2%
4%
6%
8%
0%
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Creative Global Investments
Timeframe: 20-Year range ending 12/31/2013

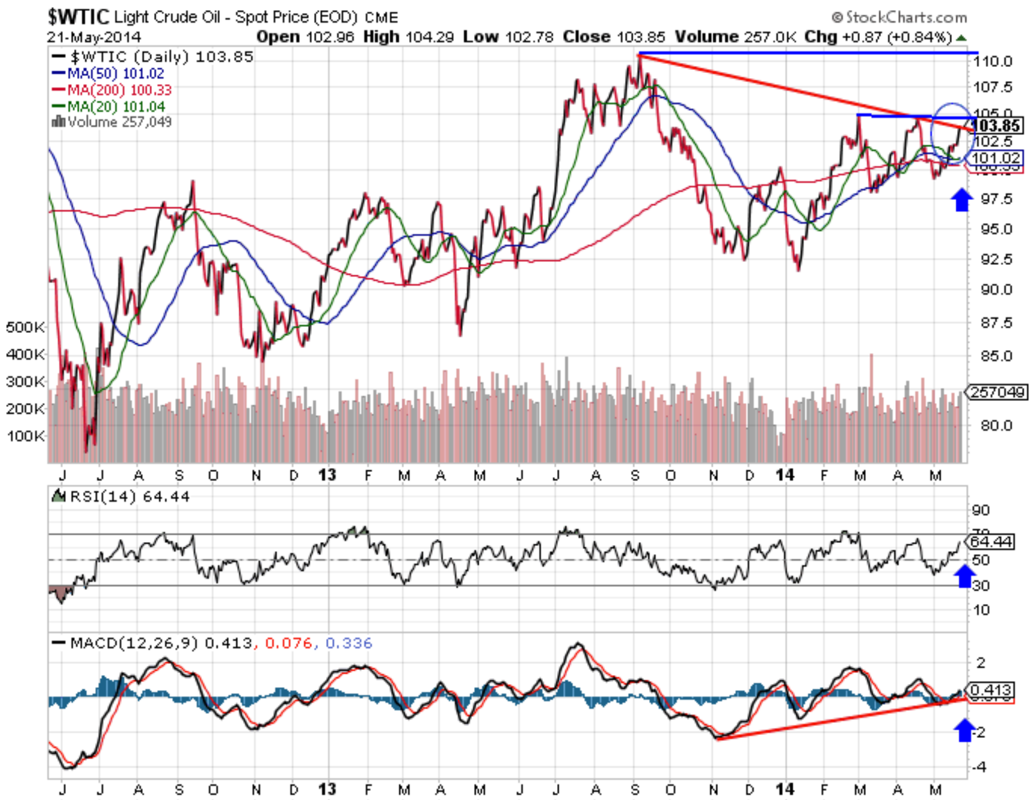
Energy Commentary & Charts

A US government report yesterday revealed a big drop in oil inventories last week has pushed oil prices to new highs. **The period of seasonal strength for Oil has started in February and historically lasts until the end of the summer as the chart below shows.**



The following chart shows $WTIC testing resistance at $104.

With Memorial Weekend, and the US "driving season" impacting demand for Oil & Gasoline, we are expecting for WTI to rise to our 2014 price target of US$ 112 by the end of the summer.

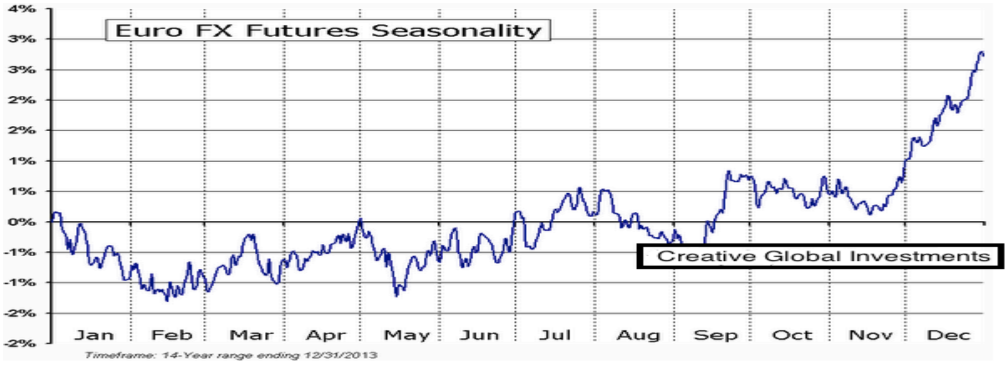


The next chart shows a similar technical picture for $BRENT, testing the long-term trend line resistance at $112.

We also see $BRENT taking out that resistance and move towards the 2013 high of $119 by the end of this summer.

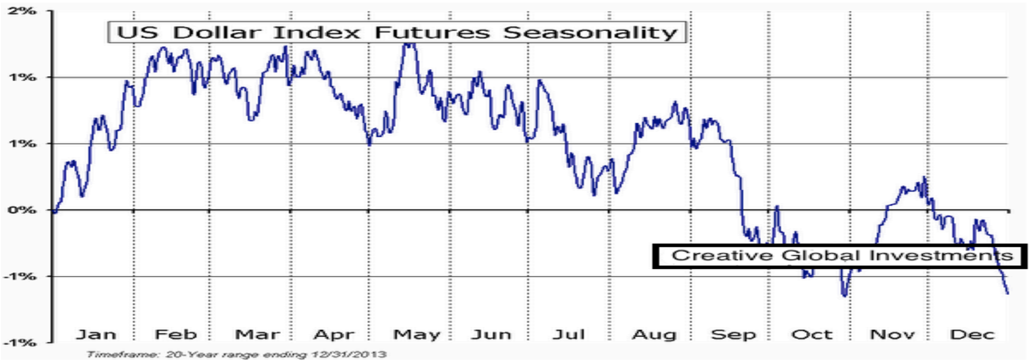
Currency Commentary & Charts

The Euro is holding steady in its new trading range, EUR/US$ 1.3450 – 1.3850, which the ECB actions intended for it to be.



However, we believe that the EUR/US$ strength will once again accelerate in the coming weeks, as the EURO is in its period of seasonal strength, and with improving fundamentals in the Eurozone, and particularly relative to US by comparison, we anticipate for more assets to be re-allocated towards Europe, and benefit the EUR/US$ strength.

Additionally, as the chart below shows, the US$ is starting it's annual period of seasonal weakness in May. Hence why we are expecting for the US$ Index to fall to below .77 in the coming three months



We keep our EUR/US$ 1.42 near term price target. The Euro/US$ was 0.15% higher at 1.3710.

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: 781-771-0117
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