Creative Global Investments

Morning Market Commentary & Weekly Charts

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Objectivity

Integrity

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Global Equity Markets Observations

Japanese shares fell further this morning, hurt by weak manufacturing data from China and fears over the US scaling back a key stimulus measure. The worries are that a slowdown in the US bond buying program and weakness in China, two of Japan's biggest export markets, may hurt its recovery. There have also been concerns over whether Japan's recent policy moves will be sustainable in the long run.

The Nikkei 225 index fell 3.7% on Monday, to a six-week low of 13,261.82. It has fallen 15% since hitting a five-and-half-year high in May. As per some of our prior reports, we were expecting for the N-225 to correct downwards towards 12,500 in this quarter, and so far our Q2 Global Strategy Outlook forecast for the N-225 has been dead on. The possibility for an overshoot to lower levels exists, however, we gauge it as very slim, and we are advising our clients to "buy" into the current and expected weakness.

The fears of a slowdown in the global economy have given rise to an uncertainty about the demand for Japan's exports, despite the weaker Yen. At the same time, there are concerns whether the Bank of Japan's policies will be enough to engineer a long-term sustainable recovery. That has put the brakes on the recent run seen in Japanese equities.

Earnings news this week is sparse and unlikely to have an influence on equity markets.

Economic focus this week is on the May ISM report today and the May employment report on Friday. Consensus estimates for economic reports this week show continuation of modest US growth.

Above average currencies fluctuations will continue. The market's surprise last week was weakness in the US$ and its impact on the precious metals sector, however, we were expecting for this US$ weakness to occur, due to historic US$ seasonal weakness over the summer period.

Short and intermediate technical indicators turned significantly bearish last week. Effectively, most equity markets around the world peaked on or about May 22nd when the Federal Reserve hinted plans to taper their Treasury and Mortgage Backed security purchases and when major equity indices recorded bearish key reversal patterns. Technical weakness was confirmed on Friday when the Dow Jones Industrial Average and the S&P 500 Index fell below their 20-day moving average.

In addition, S&P sector indices (Technology, Materials, Consumer Discretionary, Health Care and Energy) broke below their 20-day moving average on Friday. Again, we keep on warning our clients of the historic "Sell in May" factor and the inherent equity markets correction, which for 2013 we had forecasted to materialize within the third week of May, amply highlighted in our Q2 Global Strategy Outlook. So far, against most "Sell side experts" advice, which was for history not to repeat itself, our timing was dead on.

The 200 points drop by the Dow Jones Industrial Average during the last two hours of trading on Friday may have been a short-term anomaly. Rebalancing of MSCI indices at the close-triggered unusual selling pressure. Removal of pressure could trigger a short-term reversal in equity markets today and tomorrow. However, strength could provide an opportunity to take short-term profits on strength. Also, the first day of trading in June historically has been a positive day for US equity indices (18 of the past 25 periods) due to the inflow of institutional funds on that date.

The performance of North American equity markets in the month of June other than their first two trading days historically has not been pleasant for equity investors.

June during the past 62 periods is the second worst performing month in the year for the Dow Jones Industrial Average and the TSX Composite Index and the third worst performing month for the S&P 500 Index.

During the past 10 periods, average decline per period were 1.14% by the Dow Jones Industrial Average, 1.07% for the S&P 500 Index, 0.67% for the NASDAQ Composite Index and 0.43% for the TSX Composite Index. Best performing sector in June is Health Care.

Worst performing sectors are Materials, Financials, Consumer Discretionary and Industrials. Best performing sub-sectors are Software and Pharmaceuticals. Worst performing sub-sectors are US banks, Chemicals and Homebuilders.

Favorable seasonal influences triggered by annual recurring events are lacking from May to October. Net results is that equity markets provide lower returns relative to the October to May period, are more volatile and experience at least one correction in the 5%-20% range. If something happens to cause equity markets to go into a significant corrective phase, it more likely will occur in the May to October period.

Given the exceptional volatility recorded by equity markets in the month of May, history is repeating.

Weekly Investment Conclusion:

Technical evidence of at least a short-term correction starting on May 22nd continues to build. Appropriate action is recommended.

The May 22nd 'KEY REVERSAL' confirmed our global equities' markets tops for the first half of 2013. During the correction, watch for outperformance by selected sectors with improving seasonality (e.g. Agriculture, Gold). They will be the first to buy when the correction is over.

On May 25th, the number of S&P 500 stocks with positive Strength tallied 466.

466, in all seriousness, let's think about that for a moment. 93.2% of all the S&P 500 stocks had positive Strength. This very high percentage clearly is unsustainable. With only 6.8% of all the S&P stocks being in neutral or negative strength, this was our confirmation of a clear "sell signal". After the May 25th peak; notice how the number of stocks with Positive Strength dropped sharply. And of course, the number of stocks with Negative Strength went up at the same time.

As we wrote on May 25th, with most of the "sell side experts" (this is one of the best jokes going around yet) being positive, and adamantly denying the "Sell in May" phenomenon, and coming out with arguments on "why this year is different" we had it pretty easy to stay firm to our balanced approach on historic analysis, and get the "sell in May" timing factor right.

Markets sold off on Friday, reversing early day gains and ending on the lows of the session. Since the market peak on May 22, equities have developed a pattern of succumbing to selling pressures into the close as investors book profits given the stretched state of many equity benchmarks. Looking at the S&P 500, a bearish descending triangle has resulted. On the hourly chart of the large-cap index, lower-highs are apparent and a breach of support around 1635 is now evident.

Downside implications following the break of support are approximately 45 points (or 2.8%) lower than present levels. The bearish setup follows a series of momentum "sell" signals with respect to RSI, Stochastics, and MACD, all of which triggered about a week ago on the daily chart.

Friday's decline pushed the S&P 500 below its 20-day moving average, suggesting weakness on a short-term scale. However, a longer-term chart pattern is also at risk. Recent price action is once again testing the lower limit of the rising trend channel that has been prominent since the November 2012 low.

Support below this present limit can be found at the 50-day moving average, now around 1600. Declines below this intermediate moving average would threaten the positive returns achieved over the past few months as equity markets attempt to correct recent stretched conditions.

The bearish forecast being implied by the technicals are not surprising for this time of year. Over the past 20 years, June has been one of the weakest months of the year for the S&P 500 Index. Average decline during this 30-day period is 0.2%. The largest gain for this sixth month of the year came in 1999 when the benchmark returned 5.4%. Albeit a stellar result, this is the lowest high gain of the 12 months over a 20-year history. Still, 13 of the past 20 June's have ended positive for the large-cap index, suggesting that opportunities remain.

Monthly Averages over past 20 years:

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
% Return	0.4%	-0.6%	1.5%	2.0%	0.5%	-0.2%	0.3%	-0.5%	-0.2%	1.6%	1.4%	1.5%
Gain Frequency	65%	55%	70%	70%	60%	65%	45%	60%	55%	65%	65%	80%
Max Return	6.0%	6.9%	9.6%	9.4%	5.8%	5.4%	7.6%	5.9%	8.5%	10.6%	7.4%	6.4%
	1997	1998	2000	2009	1997	1999	1997	2000	2010	2011	2001	2010
Min Return	-8.4%	-11.1%	-6.3%	-6.2%	-8.2%	-8.8%	-7.5%	-15.3%	-11.3%	-15.7%	-8.2%	-6.1%
	2009	2009	2001	2002	2010	2008	2002	1998	2002	2008	2000	2002

Three sectors typically drag upon the broad equity benchmarks at this time of year:

- **Materials**
- **Industrials**
- **Consumer Discretionary**

Declines of 1.4%, 0.7%, and 1.2%, respectively, are the average over recent history. Lack of favorable catalysts relating to Consumer Spending, Manufacturing, and Industrial Production are culprit for this average price action. Weakness in each of these economically sensitive areas has already become evident in data released over the last few weeks.

Global Macro Commentary & Events

Upcoming Macro Events:

- **May ISM** to be released at 10:00 AM EDT on Monday is expected to slip to 50.5 from 50.7 in April.
- **April Construction Spending** to be released at 10:00 AM EDT on Monday is expected to increase 1.0% versus a decline of 1.7% in March.
- **April U.S. Trade Deficit** to be released at 8:30 AM EDT on Tuesday is expected to increase to $41.0 billion from $38.8 billion in March.
- **Canadian May Merchandise Trade Balance** is expected to slip to a deficit of $350 million from a surplus of $24 million in April.
- **May ADP Private Employment Report** to be released at 8:15 AM EDT on Wednesday is expected to show an increase to 170,000 from 119,000 in April.
- **First Quarter Revised Productivity** to be released at 8:30 AM EDT on Wednesday is expected to remain unchanged at 0.7% from its initial release.
- **April Factory Orders** to be released at 10:00 AM EDT on Wednesday are expected to increase 1.4% versus a decline of 4.9% in March.
- **May ISM Services** to be released at 10:00 AM EDT on Wednesday are expected to increase to 53.5 from 53.1 in April.
- **The Beige Book** is to be released at 2:00 PM EDT on Wednesday.
- **Weekly Initial Jobless Claims** to be released at 8:30 AM EDT are expected to ease to 345,000 from 354,000 last week.
- **May Non-farm Payrolls** to be released at 8:30 AM EDT on Friday are expected to increase to 168,000 from 165,000 in April. **Private Non-farm payrolls** are expected to slip to 175,000 from 176,000 in April**. The May Unemployment Rate** is expected to remain unchanged at 7.5%. **May Hourly Earnings** are expected to increase 0.2% versus a gain of 0.2% in April.
- **Canadian May Employment** to be released at 8:30 AM EDT on Friday is expected to increase 20,000 versus a gain of 12,500 in April. **The May Unemployment Rate** is expected to slip to 7.1% from 7.2% in April.

Review of past macro-economic data:

Event	Actual	Forecast	Previous
CNY MNI May Business Sentiment Indicator	**56.7**	57.1	58.5
JPY Housing Starts (YoY)	**5.80%**	4.10%	7.30%
JPY Annualized Housing Starts	**0.939M**	0.923M	0.904M
EUR German Retail Sales (MoM)	**-0.40%**	0.20%	-0.10%
EUR German Retail Sales (YoY)	**1.80%**	1.10%	-2.50%
CHF KOF Swiss Leading Indicator	**1.1**	1.07	1.04
EUR Euro-Zone Consumer Price Index Estimate (YoY)	**1.40%**	1.40%	1.20%
EUR Euro-Zone Unemployment Rate	**12.20%**	12.20%	12.10%
EUR Euro-Zone Consumer Price Index – Core (YoY)	**1.20%**	1.10%	1.00%
CAD Quarterly Gross Domestic Product Annualized	**2.50%**	2.30%	0.60%
CAD Gross Domestic Product (MoM) (MAR)	**0.20%**	0.10%	0.30%
CAD Gross Domestic Product (YoY) (MAR)	**1.70%**	1.50%	1.70%
USD Personal Income	**0.00%**	0.10%	0.20%
USD Personal Spending	**-0.20%**	0.00%	0.20%
USD Personal Consumption Expenditure Deflator (MoM)	**-0.30%**	-0.20%	-0.10%
USD Personal Consumption Expenditure Deflator (YoY)	**0.70%**	0.80%	1.00%
USD Personal Consumption Expenditure Core (MoM)	**0.00%**	0.10%	0.00%
USD Personal Consumption Expenditure Core (YoY)	**1.10%**	1.00%	1.10%
USD NAPM-Milwaukee	**40.67**	49	48.4
USD Chicago Purchasing Manager	**58.7**	50	49
USD U. of Michigan Confidence	**84.5**	83.7	83.7

Asian Economies

The final reading of the Chinese manufacturing purchasing managers' index (PMI) was revised lower to 49.2, worse than the initial 49.6 estimate. This is now its worst level in eight months. April's reading was 50.4. The final PMI suggests a marginal weakening of manufacturing activities towards the end of May, thanks to deteriorating domestic demand conditions. Nevertheless, the government's official figures released this weekend showed the PMI rising from 50.6 to 50.8 in May. However, the government data is usually better than the HSBC report primarily because it focuses on large, state-owned firms while the private survey targets smaller, private companies in the sector.

Australian manufacturing activity contracted for a 23rd consecutive month in May.

Euro Economies

The Eurozone manufacturing sector purchasing managers' index for the month of May has come in at 48.3 (Consensus: 47.8), a 15 month high, versus last month's reading of 47.8.

Spain's manufacturing sector purchasing managers' index for the month of May has come in at 48.1 versus last month's reading of 44.7.

European consumer price inflation stood at 1.4% in May, significantly below the European Central Bank's target of just under 2%.

US Market Commentary & Weekly Charts

The VIX Index jumped 2.31 (16.51%) last week.

The Index remains above its 20 and 50 day moving averages and moved above its 200 day moving average.

The S&P 500 Index fell 18.86 points (1.14%) last week.

Trend remains up. Resistance has formed at its May 22nd high at 1,687.18. The Index fell below its 20 day moving average on Friday.

Short-term momentum indicators are trending down.

Percent of S&P 500 stocks trading above their 50 day moving average plunged last week to 67.80% from 80.00%.

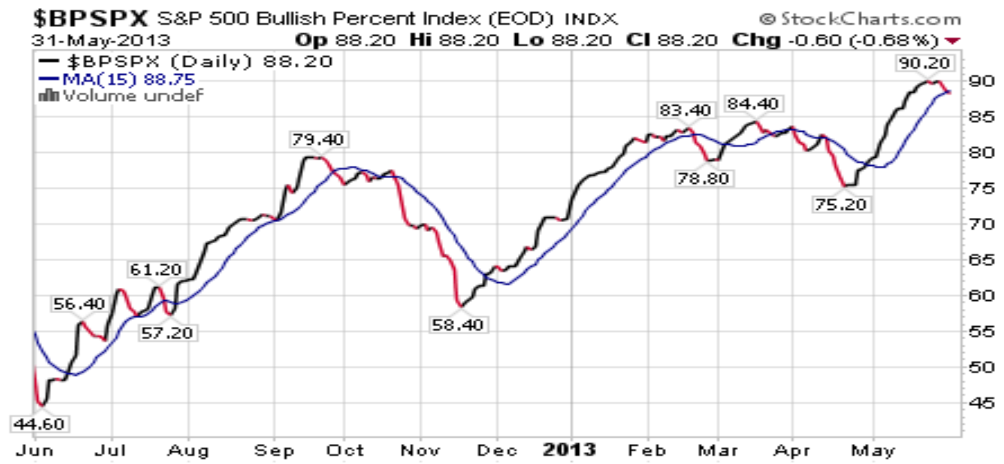
The index continues to trend lower from an intermediate overbought level.

Percent of S&P 500 stocks trading above their 200 day moving average fell last week to 89.60% from 92.80%.

The index has rolled over from an intermediate overbought level.

Bullish Percent Index for S&P 500 stocks slipped last week to 88.20% from 89.80% and moved below its 15 day moving average.

The Index has rolled over from an intermediate overbought level.



Trend remains up. Resistance has formed at its May 22nd high at 15,542.40. The Average fell below its 20 day moving average on Friday.

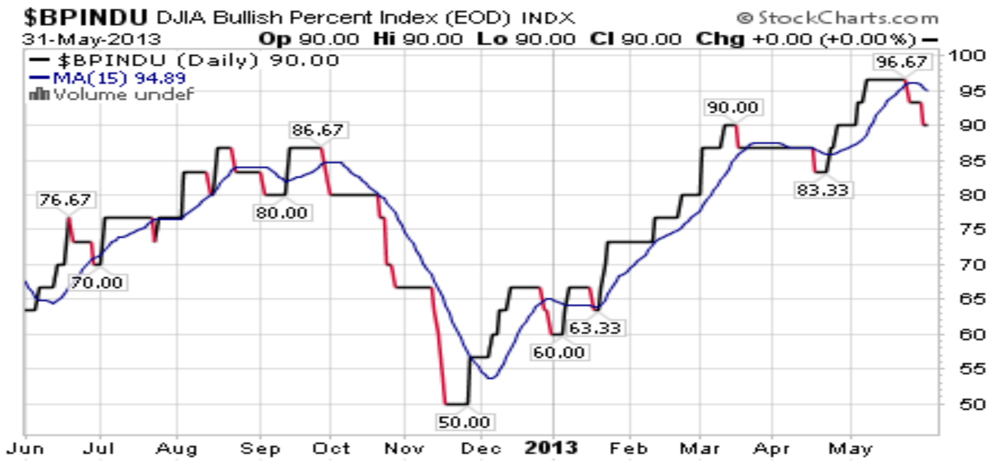
Strength relative to the S&P 500 Index remains positive.

Short-term momentum indicators are trending down.

The Dow Jones Industrial Average lost 187.53 points (1.23%) last week.

The Index has rolled over from an intermediate overbought level.

Bullish Percent Index for Dow Jones Industrial Average stocks fell last week to 90.00% from 93.33%and remained below its 15 day moving average.



The Dow Jones Transportation Average fell 105.52 points (1.65%) last week.

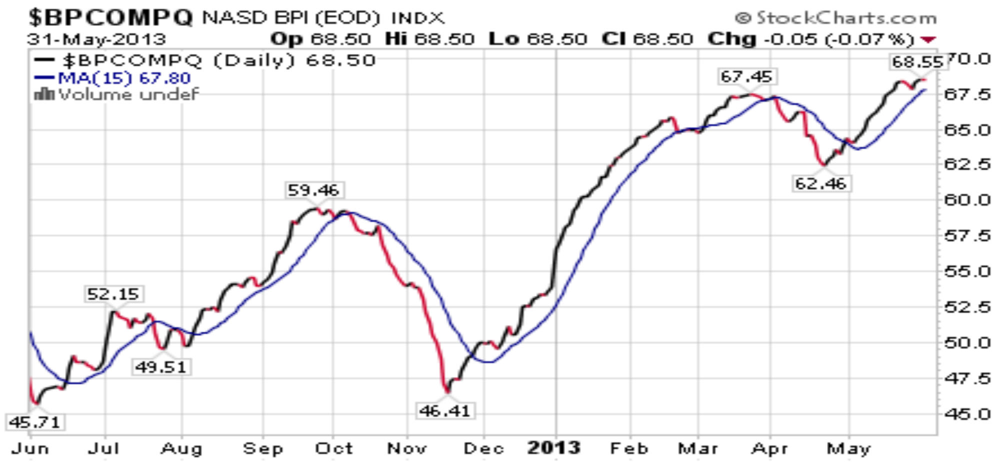
Trend remains up. Resistance has formed at its May 22nd high at 6,568.41. The Index fell below its 20 day moving average.

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

Short-term momentum indicators are trending down.

The Index remains intermediate overbought.

Bullish Percent Index for NASDAQ Composite Index increased last week to 68.50% from 67.84% and remained above its 15 day moving average.



The NASDAQ Composite Index slipped 3.23 points (0.09%) last week.

Trend remains up. Resistance has formed at its May 22nd high at 3,532.04. 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 down.

The Russell 2000 Index was unchanged last week.

Trend remains up. Resistance has formed at its May 22nd high at 1,008.23. 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 down.

The Philadelphia Oil Services Index slipped 5.67 points (2.19%) last week.

Trend remains neutral. Resistance is at 268.15. The Index fell below its 20 day moving average.

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

Short-term momentum indicators are trending down.

The AMEX Gold Bug Index gained 19.17 points (7.51%) last week.

Trend remains down. Support has formed at 244.62. The Index moved above its 20 day moving average.

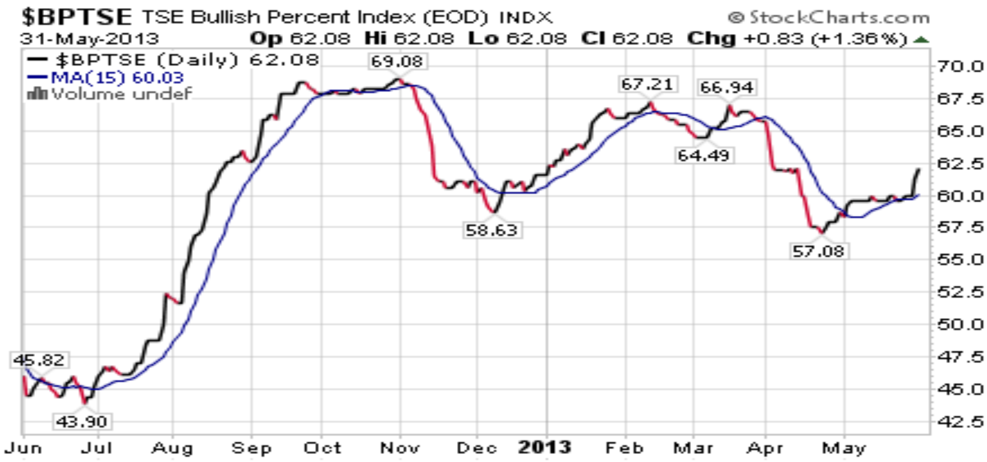
Strength relative to Gold and the S&P 500 Index turned positive.

Short-term momentum indicators are trending up.

Canadian Markets Commentary & weekly charts

The Index remains intermediate overbought.

Bullish Percent Index for TSX Composite stocks increased last week to 62.08% from 59.58% and moved back above its 15 day moving average.



The TSX Composite Index slipped 16.80 points (0.13%) last week.

Trend remains up. Resistance has formed at 12,889.26 and support is forming at 12,596.87. The Index remains above its 20, 50 and 200 day moving averages.

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

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

The index remains intermediate overbought.

Percent of TSX stocks trading above their 50 day moving average slipped last week to 52.50% from 55.42%.

The index remains intermediate overbought.

Percent of TSX stocks trading above their 200 day moving average fell last week to 51.25% from 54.58%.

Asian Markets Commentary & weekly charts

The Nikkei Average fell another 837.91 points (5.73%) last week.

Trend remains up. Resistance has formed at its May 23rd high at 15,942.60. The Index fell below its 20 day moving average.

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

Short-term momentum indicators are trending down.

The Shanghai Composite Index added 12.06 points (0.53%) last week.

Trend remains up. The Index remains above its 20, 50 and 200 day moving averages.

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

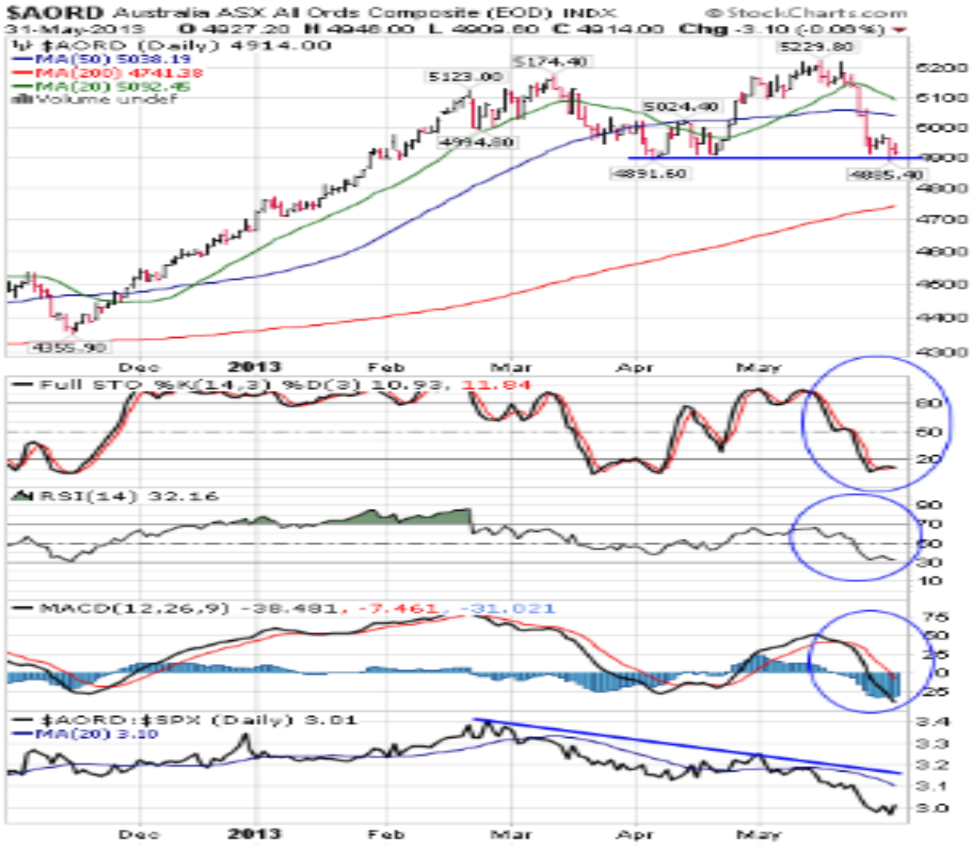
Short-term momentum indicators are trending up.

The Australia All Ords Composite Index fell 22.00 points (0.45%) last week.

Trend changed from up to neutral on a move below 4,891.60. The Index effectively completed a double top pattern. 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.

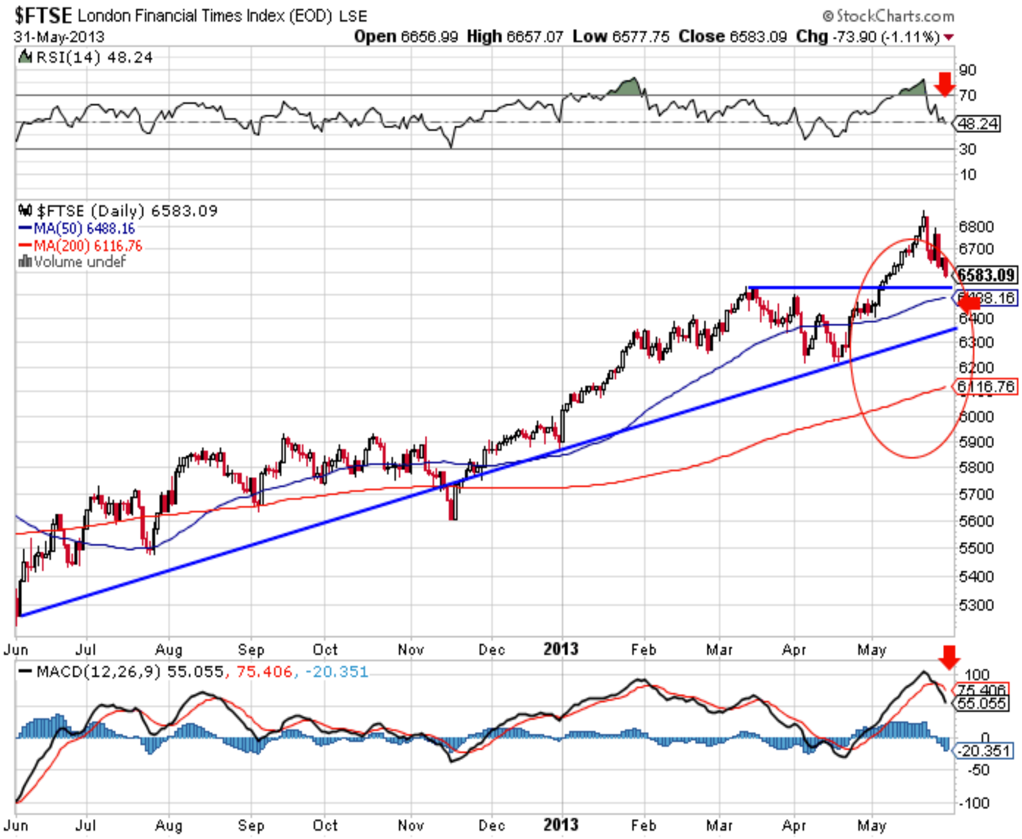


European Markets Commentary & weekly charts

Trend remains neutral. Units fell below their 20-day moving average.

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

Short-term momentum indicators are trending down.



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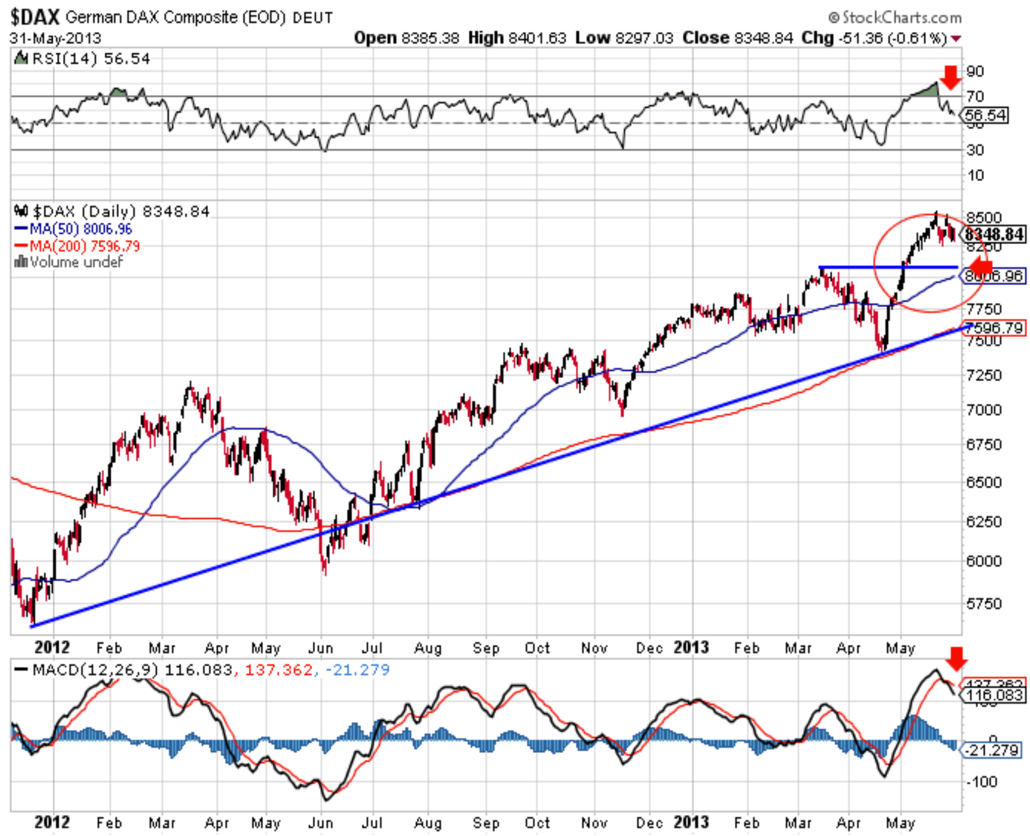
Strength relative to the S&P 500 Index remains neutral.

Short-term momentum indicators are trending down.



Trend remains neutral. Units fell below their 20-day moving average.

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

Short-term momentum indicators are trending down.

Trend remains neutral. Units fell below their 20-day moving average.

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

Short-term momentum indicators are trending down.

Europe 350 iShares lost $0.61 (1.45%) last week.

Trend remains neutral. Units fell below their 20-day moving average.

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

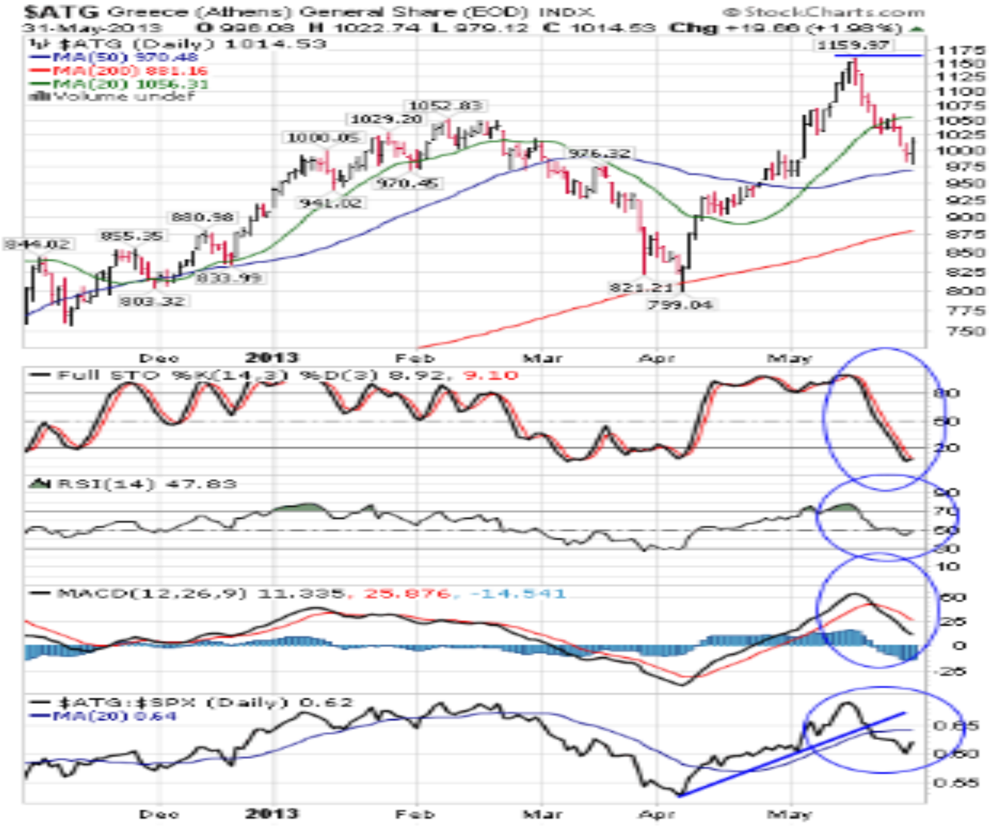
Short-term momentum indicators are trending down.

The Athens Index fell 20.59 points (1.99%) last week.

Trend remains up. Resistance is at 1,159.97. The Index remains below its 20 day moving average.

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

Short-term momentum indicators continue to trend down.



Fixed Income Markets Commentary & weekly charts

EURO Bonds

German 10y	1.57	+0.06	4.14%
Italy 10yr	4.15	+0.03	0.74%
Spain 10yr	4.50	+0.08	1.73%
UK 10yr	2.06	+0.06	2.77%

US Bonds

Trend changed from neutral to positive. Yield remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought, but have yet to show signs of peaking.

The yield on 10 year Treasuries increased 15.3 basis points (7.61%) last week.

Downtrend was confirmed on Friday on a move below US $114.13.

The long term Treasury ETF fell another $2.35 (2.01%) last week.

Currencies Commentary & weekly charts

The Euro added 0.63 (0.49%) last week.

The Euro moved above its 20 and 50 day moving averages.

Short-term momentum indicators are trending up.

The US$ slipped 0.20 (0.24%) last week.

Trend remains up. The Dollar fell below its 20 day moving average.

Short-term momentum indicators are trending down.

The Japanese Yen added 0.65 (0.66%) last week.

Trend remains down. The Yen moved above its 20 day moving average.

Short-term momentum indicators are trending up.

The C$ fell another 0.43 cents U.S. (0.44%) last week.

Trend remains negative. The C$ remains below its 20, 50 and 200 day moving averages.

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

Commodities Commentary & weekly charts

The CRB Index fell another 3.04 points (1.07%) last week.

Trend remains down. The Index remains below its 20, 50 and 200 day moving averages.

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

Copper slipped $0.03 per lb. (0.99%) last week.

Trend remains up. Copper fell below its 20 and 50 day moving averages.

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

Short-term momentum indicators are neutral.

Lumber added $10.32 (3.44%) last week.

Trend remains negative. Lumber remains below its 20, 50 and 200 day moving averages.

Strength relative to the S&P 500 Index remains negative, but showing signs of change.

The Grain ETN added $0.83 (1.62%) last week.

Trend remains up. Units remain above their 20 and 50 day moving average.

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

The Agriculture ETF slipped $0.53 (0.99%) last week.

Trend remains neutral. 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.

Gold & Precious Metals Commentary & weekly charts

Gold added $1.70 per ounce (0.01%) last week.

Trend remains down. Gold remains below its 20, 50 and 200 day moving averages.

Strength relative to the S&P 500 Index remains negative, but showing early signs of change.

Short term momentum indicators are trending up

Silver fell $0.27 per ounce (1.20%) last week.

Trend remains down. Silver remains below its 20 day moving average.

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

Short-term momentum indicators are trending up.

Platinum added 11.70 per ounce (0.79%) last week.

Trend remains down. Platinum remains below its 20 day moving average.

Strength relative to Gold remains positive but strength relative to the S&P 500 Index remains negative.

Palladium added $26.35 per ounce (3.63%) last week.

Trend remains up. Palladium remains above its 20, 50 and 200 day moving averages.

Strength relative to Gold and S&P 500 is positive

Oil, Gas & Energy Commentary & weekly charts

Gasoline fell $0.07 (2.47%) last week.

Trend remains neutral. Gasoline fell below its 20 day moving average.

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

Crude Oil dropped $2.37 per barrel (2.52%) last week.

Trend remains neutral. Crude remains below its 20-day moving average.

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

Short-term momentum indicators are trending down.

Natural Gas plunged $0.27 (6.31%) last week.

Trend remains neutral. Nat gas 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.

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