



Creative Global Investments

Morning Market Commentary

Wednesday, June 5th, 2013

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

After the N-225 has hit our price targets, other global equity markets on target for correction

Japanese markets were volatile overnight and were trading firmly lower into the close as investors were underwhelmed by Prime Minister Shinzo Abe's barrage of new plans to boost economic growth. The N-225 staged a swift reversal within minutes before ending the session 518.89 points, or 3.8%, lower at 13,014.87. The decline was the fifth time in the last two weeks when the Nikkei fell more than 3% in a single day. Asian markets sentiment was also dampened by a worse-than-expected slowdown in Australian economic growth in the first quarter.

A flurry of economic data and renewed concerns about the Federal Reserve's 'exit strategy' from stimulus ensured that markets opened firmly in the red on Wednesday morning. The FTSE 100 hit intraday low of 6,507 early on before rebounding slightly within the opening hour - this was the index's lowest level since May 2nd when it closed at 6,461.

Equities in the US traded lower yesterday, bringing an end to 20 consecutive Tuesday's of positive results for the Dow Jones Industrial Average. The recent weakness in the S&P 500 has triggered momentum "Sell" signals with respect to RSI, MACD, and Stochastics.



IMPORTANT DISCLAIMER: As a company purely focused on research, CGI LLC has no business relationships with the company covered in this report, be it investment banking, consulting or any other type of relationship. In addition, CGI LLC does not seek and does not intend to seek in the future any such businesses, maintains complete independence and has no conflicts of interest related to the companies in its research universe. Neither the analysts responsible for this report nor any related household members are officers, directors, or advisory board members of any covered company. No one at a covered company is on the Board of Directors of CGI LLC or any of its affiliates. In addition, CGI LLC and its employees, including the analyst who wrote this report, hold no equity, debt or other linked derivative investments, the value of which is related in any way, directly or indirectly, to the operating and stock price performance of the company covered in this report. No such investment positions are held in any of the competitors, suppliers or customers of the companies in our coverage universe. This report is provided for information purposes only. It should not be used or considered as an offer of securities and it does not represent a solicitation to either buy or sell any securities or derivatives thereof.

The remainder of the week will only fuel further speculation as to what the Fed might do as employment reports for the month of May are released; ADP will release their report this morning at 8:15 followed by the BLS report on Friday. Disappointing results may actually garner a positive reaction, as the perception would become that the present easy monetary policy will remain intact. Vice versa if the results are strong.

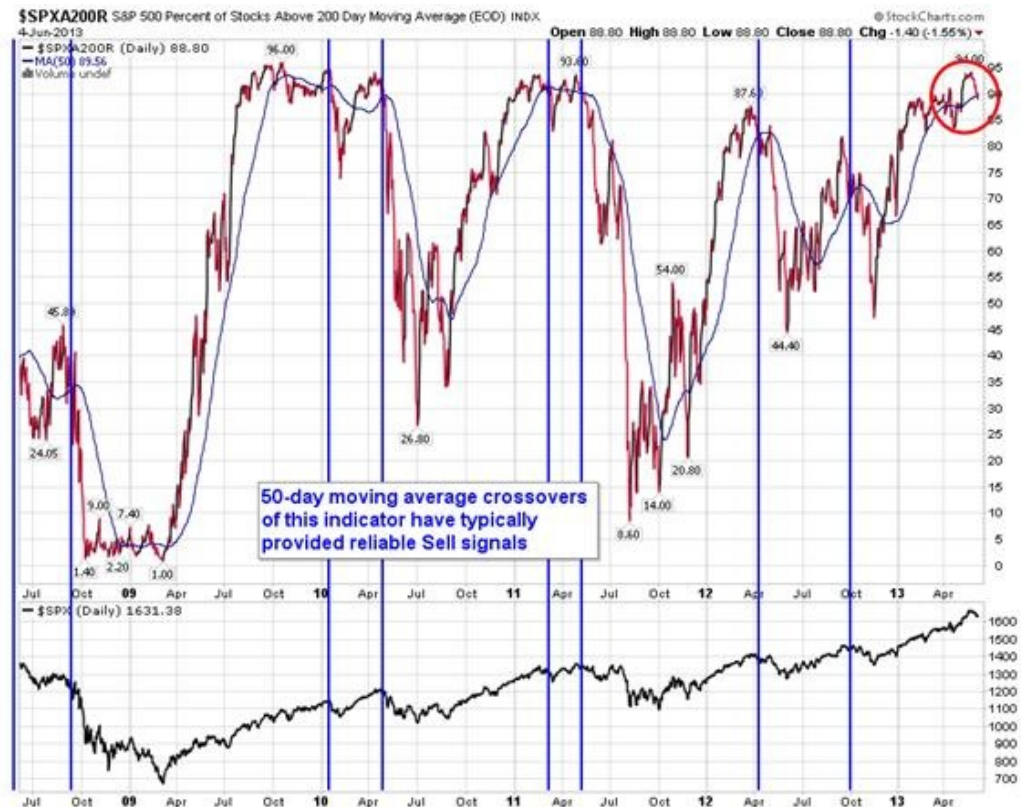
Talk of tapering has had a significant effect on yields over the past month. The 10-year note has jumped from around 1.6% to as high as 2.2%, testing the upper limit of a rising trend line that stretches back to last summer. The 200-day moving average of the yield has now curled higher for the first time since early 2011, implying positive momentum over a long-term scale.

This trend is contradictory to seasonal averages. Typically yields trend lower throughout the summer months as equity market volatility forces investors into safe-haven assets. Bonds and interest sensitive plays that typically flourish in the summer may experience some volatility themselves.



The percent of stocks within the large-cap index trading above 200-day moving averages is also offering a signal that suggests caution is warranted.

The percent recently topped 94, a level in which significant market peaks have been known to form. The percent is now attempting to push below its 50-day moving average line, a level that has typically provided reliable sell signals for equity market positions. The break below the 50-day moving average line is so far just marginal and more evidence is required to confirm the signal, but downside risks are escalating.



We are expecting increasing additional seasonal weakness between now and the end of October. During the past 62 periods June 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.

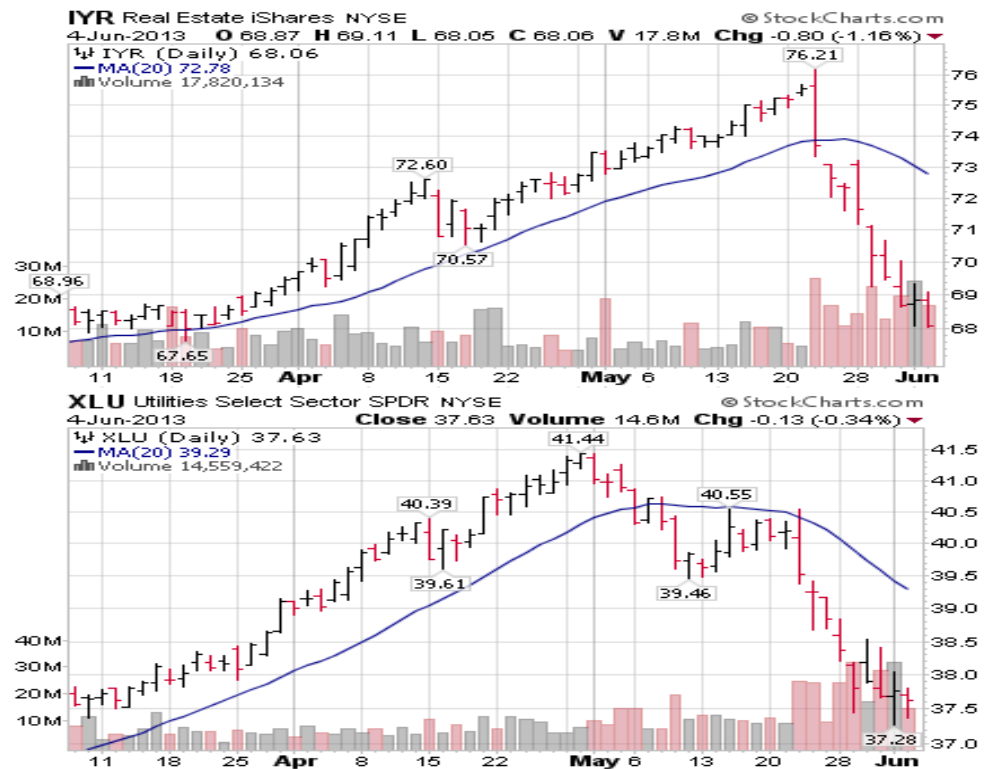
The worst performing US sectors in the month of June in their order of significance were Materials, Financials, Consumer Discretionary, Industrials and Energy.

Lots of economic sensitive sectors and their related ETFs have broken below short term trading ranges, established short term downtrends and moved below their 20-day moving average (frequently on increasing volume). Typical of equity markets that have entered into a corrective phase during the May/October period!





Interest sensitive equity ETFs remain under pressure. Some have declined by more than 10% since May 22nd



Base Metals staged a strong breakout above a reverse head and shoulders pattern yesterday, thanks mainly to strength in copper.



Seasonal influences on copper turn positive at this time of the year.



The following is a reprint from Monday, June 3rd:

All about the Nikkei

As per late March 2013 in our Q2 Global Strategy Outlook, we were expecting for the N-225 to enter a pronounced period of consolidation. Since the N-225 peak on May 22nd of 15,627, the N-225 (\$NIKK) fell so far by 16.7%. The N-225 has fallen through the first support level of 14,200 and has also fallen through the 50-day mva level of 13,689. We continue to see risks for the N-225 to fall to our target support level (November trend-line support) of 12,500.

Fundamentally and long-term focused however, we continue to advise our clients to add towards Japanese equities, particularly into the current correction. Investors should focus on both domestic asset reflation stock plays in Japan, and on Japanese companies with strong exporting profiles, as the Yen weakness will continue to improve their overall competitiveness and earnings capabilities in the coming years.



Global Macro Commentary & Events

Upcoming Events:

- India PMI Services will be released at 1:00am EST.
- German PMI Services for May will be released at 3:55am EST. The market expects 49.8 versus 49.6 previous.
- Euro-Zone PMI Services for May will be released at 4:00am EST. The market expects 47.5 versus 47.0 previous.
- Great Britain PMI Services for May will be released at 4:30am EST. The market expects 53.0 versus 52.9 previous.
- Euro-Zone GDP for the First Quarter will be released at 5:00am EST. The market expects a year-over-year decline of 1.0% versus a decline of 0.6% previous.
- Euro-Zone Retail Sales for April will be released at 5:00am EST. The market expects a year-over-year decline of 0.6% versus a decline of 2.4% previous.
- Canada Building Permits for April will be released at 8:30am EST. The market expects a month-over-month decline of 2.3% versus an increase of 8.6% previous.
- Australia Trade Balance for April will be released at 9:30am EST. The market expects 180M versus 307M previous.
- ADP Employment Report for May will be released at 8:15am. The market expects 171,000 versus 119,000 previous.
- Productivity for the First Quarter will be released at 8:30am. The market expects a quarter-over-quarter increase of 0.7%, consistent with the previous report. Unit Labor Costs are expected to increase by 0.5%.
- Factory Orders for April will be released at 10:00am. The market expects a month-over-month increase of 1.4% versus a decline of 4.0% previous.
- ISM Services for May will be released at 10:00am. The market expects 53.8 versus 53.1 previous.
- Weekly Crude Inventories will be released at 10:30am.
- The Fed's Beige Book for June will be released at 2:00pm.

Past Data:

Event	Actual	Forecast	Previous
AUD Current Account Balance (Australian \$)	-8.5B	-9.0B	-14.8B
AUD Reserve Bank of Australia Rate Decision	2.75%	2.75%	2.75%
GBP Purchasing Manager Index Construction	50.8	49.8	49.4
EUR Euro-Zone Producer Price Index (MoM)	-0.60%	-0.20%	-0.20%
EUR Euro-Zone Producer Price Index (YoY)	-0.20%	0.20%	0.60%
CAD International Merchandise Trade (Can\$)	-0.57B	-0.50B	0.02B
USD Trade Balance	-\$40.3B	-\$41.0B	-\$38.8B
USD ISM New York	54.4	55	58.3
USD IBD/TIPP Economic Optimism	49	50	45.1
AUD AiG Performance of Service Index	40.6		44.1
AUD Gross Domestic Product (QoQ)	0.60%	0.70%	0.60%
AUD Gross Domestic Product (YoY)	2.50%	2.70%	3.20%
CNY HSBC Services PMI	51.2		51.1

Commodities

Grain prices continue to surge on concerns that weather conditions are hampering the planting season.

Wet and cold weather persisted throughout the US and European Corn Belt last week, although some farmers have been able to plant due to improving, regional, conditions.

The weather forecast moving forward is improving slightly, however, we do see increasing risk in both the US and Europe for a very weak crop season for Corn, Wheat and other grains.

Our short-term price target for Corn is US\$ 750.



Grain prices continue to stream higher. Soybeans were the highlight yesterday.



Gold, Silver, Precious Metals

Gold and gold stocks were notable movers the past days on the upside. Gold is moving through a typical base building pattern for this time of year.

Performance relative to the S&P 500 Index is showing early signs of change from its current negative stance



Oil, Nat Gas & Energy

Higher Oil and Gas prices ahead

The annual summer driving season for Europe and the US has started. Historically, it is cheaper to fill the tank today than come Labor Day. Crude oil prices, which have remained relatively flat in recent months, are apt to rise for several reasons.

Gasoline prices, which have declined by about 10% since their February highs, are likely to head higher along with crude.

We are expecting for pricing pressure on Oil and Gas to increase both from the US and overseas perspective in the coming weeks.

Additionally, there are geopolitical issues at work.

US consumer confidence climbed to a five-year high, aided by recovery in the housing sector. Encouragingly, consumers' expectations for the next six months soared as well, besting analysts' forecasts by a wide margin. That kind of enthusiasm can quickly translate in greater spending across the board, especially if the job market continues to improve.

China's leadership has signaled that it is targeting 7.5% annual growth going forward. Europe's industrial production is still struggling, but the latest numbers have improved over previous readings. And although the region is still mired in recession, increasingly we see indications that the austerity policies that so hobbled many of the continent's economies are giving way to more growth-oriented measures. **We see pessimism towards Europe's prospects being so great that from a contrary perspective, European economic recovery could well prove to be the positive surprise story in the 2H of the year.** The recent weakness in commodity prices has gone hand-in-hand with the slump in Europe. Even just a modest turnaround there would reverse that trend. In such a case, instead of a further decline in Europe's oil consumption, the region's use of black gold could actually rise, leading to a corresponding increase in energy prices.

On the supply side, OPEC expects demand for its oil to average nearly 30 million barrels a day in the second half, up from little more than 29 million barrels per day at present. What limited spare capacity the group does possess mostly rests with Saudi Arabia, which would be happy to see higher prices to cover the Kingdom's massive social programs. Supply issues, meanwhile, in Nigeria and elsewhere, could leave the cartel struggling to meet the increased demand. **Outside of OPEC, the biggest increases are expected from the US oil-production, which has already reached a 21-year high.** This has led to misguided hopes that we are en route to energy independence. Even near-term, the increase in output in North Dakota's Bakken, the principal source of production growth, currently looks like it is slowing. In other words, an increase in US oil pumping will do little, if anything, to hold prices down in the face of stronger demand.

The risk premium on oil is rising as tensions run high in the volatile Middle East. In a bid to counter Russia supplying the Assad regime with weapons, the EU is moving to arm Syrian rebels. Hezbollah fighters from Lebanon have also stepped into the conflict to support Bashar al-Assad, threatening to draw a response from Israel. Iran, meanwhile, remains intractable in its nuclear ambitions and its determination to prop up Assad. So, even absent stronger global economic growth, we could be faced with higher oil prices later this year.



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

Sabine CJ Blümel, Head of Global Automotive Research

sblumel@cg-inv.com

office: +44 (7785) 301588

London, UK

Trish Twining, Managing Director of Sales

ttwining@cg-inv.com

office: 7817710117

Boston, MA, USA

Gary Schieneman, Managing Director,

Global Accounting and Finance

gschieneman@cg-inv.com

office: 917-868-6842

New York, NY, USA

Steve Gluckstein, Global Strategist

sgluckstein@cg-inv.com

office: 212 939 7256

mobile: 732 768 8843

New York, NY, USA

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

Allison M Cimon, Director of Sales & Technology

amcimon@cg-inv.com

office: 646 228 4321

Boston, MA, USA

Jennifer Crisman, COO

jcrisman@cg-inv.com

office: +(352) 26 25 86 40

Luxembourg/Europe

IMPORTANT DISCLAIMER: As a company purely focused on research, CGI LLC has no business relationships with the company covered in this report, be it investment banking, consulting or any other type of relationship. In addition, CGI LLC does not seek and does not intend to seek in the future any such businesses, maintains complete independence and has no conflicts of interest related to the companies in its research universe. Neither the analysts responsible for this report nor any related household members are officers, directors, or advisory board members of any covered company. No one at a covered company is on the Board of Directors of CGI LLC or any of its affiliates. In addition, CGI LLC and its employees, including the analyst who wrote this report, hold no equity, debt or other linked derivative investments, the value of which is related in any way, directly or indirectly, to the operating and stock price performance of the company covered in this report. No such investment positions are held in any of the competitors, suppliers or customers of the companies in our coverage universe. This report is provided for information purposes only. It should not be used or considered as an offer of securities and it does not represent a solicitation to either buy or sell any securities or derivatives thereof.