



# Creative Global Investments

## Morning Market Commentary & Weekly Charts

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Objectivity

Integrity

Creativity

### Global Equities Volatility starts to rise

One bright spark this morning came from Japan, where economic growth in the first quarter was revised up to an annual rate of 4.1%, ahead of the initial 3.5% estimate. A monetary policy announcement is due out from the Bank of Japan tomorrow.

In US equity markets the VIX spiked last week, but closed lower on Friday. For the week, the Index dropped 1.16 (7.12%) last week.



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**Corporate earnings news this week might not become an influencing factor on equity markets**

**Economic news this week might confirm that US economic growth continues to limp along.**

**Extreme intra-day fluctuations in currencies last week triggered extreme intra-day fluctuations in US Treasury and global equity markets.** Look for more of the same this week.

**Despite gains by US equity markets on Friday, short and intermediate technical signs show that global equity markets reached an intermediate peak on May 22<sup>nd</sup>.** From peak to trough from May 22<sup>nd</sup> to June 6<sup>th</sup>, the Nikkei 225 dropped 17%, the S&P 500 Index dropped 5.3%, the Dow Jones Industrial Average fell 4.5% and the Dow Jones Transportation Average plunged 6.9% (The TSX Composite Index was down 4.5% during that period). Significant technical signs of a short or intermediate bottom have yet to appear.

**Beyond the first couple of trading days, seasonal performance by North American and European equity indices in the month of June is negative.** June is the second weakest month of the year for the Dow Jones Industrial Average, the Eurostoxx 600 and TSX Composite Index and third weakest month of the year for the S&P 500 Index.

**The media “buzz word” is “tapering”.** When will the Federal Reserve move to slow its US\$ 85 billion per month Treasury and Mortgage Backed securities purchases? When it happens, equity markets are vulnerable. Media discussion prior to the event will not help.

## **Weekly Investment Conclusion**

**The intermediate corrective phase in North American equity markets remains intact. Short-term strength provides an opportunity to reduce equity exposure, particularly in sectors that have a history of moving lower during a summer corrective phase. These sectors included industrials, consumer discretionary, materials and financials.**

**The sectors, which we have identified so far, that are showing positive momentum for seasonal trades this summer are fertilizers and gold. They already are showing signs of outperformance relative to the S&P 500 Index and the TSX Composite Index.**

## Global Macro Commentary & Events

### Upcoming Macro Events:

- **Euro-Zone Investor Confidence for June** will be released at 4:30am EST. The market expects -11.3 versus -15.6 previous.
- **April Wholesale Inventories** to be released at 10:00 AM EDT on Tuesday are expected to increase 0.2% versus a gain of 0.4% in March
- **Weekly Initial Jobless Claims** to be released at 8:30 AM EDT on Thursday are expected to slip to 345,000 from 346,000 last week.
- **May Retail Sales** to be released at 8:30 AM EDT on Thursday are expected to increase 0.3% versus a gain of 0.1% in April. Excluding auto sales, May Retail Sales are expected to increase 0.3% versus a decline of 0.2% in April.
- **April Business Inventories** to be released at 10:00 AM EDT on Thursday are expected to increase 0.2% versus no change in April.
- **May Producer Prices** to be released at 8:30 AM EDT on Friday are expected to increase 0.1% versus a decline of 0.7% in April. Excluding food and energy, **May PPI ex food and energy** is expected to increase 0.1% versus a gain of 0.1% in April
- **May Industrial Production** to be released at 9:15 AM EDT on Friday is expected to increase 0.1% versus a decline of 0.5% in April. **May Capacity Utilization** is expected to remain unchanged at 77.8%.
- **June Michigan Sentiment** to be released at 9:55 AM EDT on Friday is expected to slip to 83.0 from 84.5 in May.
- **Canadian May Housing Starts** to be released at 8:15 AM EDT on Monday are expected to increase to 178,000 from 174,900 in April.

### Review of past macro-economic data:

Event	Actual	Forecast	Previous
JPY Leading Index	<b>99.3</b>	98.8	98
EUR German Trade Balance (Euros)	<b>18.1B</b>	17.0B	18.8B
EUR German Current Account (Euros)	<b>17.6B</b>	13.0B	20.4B
EUR German Industrial Production s.a. (MoM)	<b>1.80%</b>	0.00%	1.20%
EUR German Industrial Production n.s.a. and w.d.a. (YoY)	<b>1.00%</b>	-0.70%	-2.40%
USD Unemployment Rate	<b>7.60%</b>	7.50%	7.50%
USD Change in Private Payrolls	<b>178K</b>	175K	157K
USD Change in Manufacturing Payrolls	<b>-8K</b>	4K	-9K
USD Change in Household Employment	<b>319</b>		293
USD Underemployment Rate (U6)	<b>13.80%</b>		13.90%
USD Average Hourly Earning All Employees (YoY)	<b>2.00%</b>	2.10%	1.90%
USD Two-Month Payroll Net Revision	<b>-12K</b>		
CAD Participation Rate	<b>66.7</b>	66.5	66.5
USD Change in Non-farm Payrolls	<b>175K</b>	163K	149K
USD Average Hourly Earning All Employees (MoM)	<b>0.00%</b>	0.20%	0.20%
USD Average Weekly Hours All Employees	<b>34.5</b>	34.5	34.4
CAD Unemployment Rate	<b>7.10%</b>	7.20%	7.20%
CAD Net Change in Employment	<b>95.0K</b>	15.0K	12.5K
CAD Full Time Employment Change	<b>76.7</b>		36
CAD Part Time Employment Change	<b>18.2</b>		-23.6
CAD Labor Productivity (QoQ)	<b>0.20%</b>	0.20%	0.10%
USD Consumer Credit	<b>\$11.058B</b>	\$12.900B	\$8.369B
CNY Trade Balance (USD)	<b>\$20.43B</b>	\$20.00B	\$18.16B
CNY Exports (YoY)	<b>1.00%</b>	7.40%	14.70%
CNY Imports (YoY)	<b>-0.30%</b>	6.60%	16.80%

### Asian Economies

**Consumer price inflation** in China slowed to an annual rate of 2.1% in May, from 2.4% the month before. Given that the consensus forecast was for a pick-up to 2.5%, the slowdown points to continued weak demand, analysts say.

These concerns were compounded by **bank lending** figures which showed that banks gave out just 667.4bn Yuan in new loans last month, down from 792.9bn Yuan in April and well below the 815bn Yuan expected. Year-on-year money supply growth eased from 16.1% to 15.8% in May, worse than the 15.9% expected.

Meanwhile, **industrial production** in China rose at an annual rate of 9.2% in May, slightly below the 9.3% increase the month before. Analysts were expected an improvement of 9.4%. Such figures are a sharp reminder that China is still struggling to recover with the global economic downturn and there is still a way to go before investors' confidence in the economic giant returns.

**Japan's economic growth in the first quarter was revised up to an annual rate of 4.1%, ahead of the initial 3.5% estimate.** A monetary policy announcement is due out from the Bank of Japan tomorrow.

## Euro Economies

**Italian industrial production fell by 0.3% month-on-month in April, versus consensus forecasts for a flat reading.**

**French industrial production rose by 2.2% month-on-month in April (Consensus: 0.3%).**

**French business sentiment stayed at the 94-point level in May (Consensus: 95.0).**

Simultaneously, French President Francois Hollande has declared an end to the Eurozone debt crisis, which has gripped the region for the past four years. "What you need to understand here in Japan is that the crisis in Europe is over". Much of Europe is suffering from high unemployment and recession. He has pledged to boost jobs and growth at home, but domestic demand has been sapped by the Eurozone crisis. The French jobless rate this month climbed to the highest level in 15 years.

**Swiss retail sales grew by 3.3% year-on-year in April.**

## US Economies

Friday's widely anticipated Labor Department report showed that the US economy created a slightly better than forecast 175,000 jobs in May. The unemployment rate nudged up to 7.6% last month from 7.5% in April. The report boosted hopes that the US economy is making a steady recovery and also rekindled expectations the Federal Reserve may start to scale back its asset purchases later in the year.

According to a survey carried out by Bloomberg economists have actually trimmed their forecasts for the magnitude by which the Federal Reserve will taper its asset purchase program at the October 29-30th meeting. They now foresee that it will do so until it reaches a monthly pace of US\$ 65bn, versus the fall to US\$ 50bn, which they were anticipating at the start of May.

**US consumer credit rose by US\$ 11.05bn in April, versus a consensus estimate for a gain of US\$ 12.9bn.**

## US Market Commentary & Weekly Charts

The S&P 500 Index gained 12.64 points (0.78%) last week.

**Trend remains up.**  
 Resistance has formed at its May 22nd high at 1,687.18. The Index remains below its 20 day moving average and bounced from near its 50 day moving average.

**Short-term momentum indicators continue to trend down despite gains recorded on Friday.**



Percent of S&P 500 stocks trading above their 50 day moving average was unchanged last week at 67.80%.

**The index remains in a downtrend from an intermediate overbought level.**



Percent of S&P 500 stocks trading above their 200 day moving average increased last week to 90.60% from 89.60%.

The index has rolled over from an intermediate overbought level.



Bullish Percent Index for S&P 500 stocks fell last week to 82.00% from 88.20% and remained below its 15 day moving average.

The Index is trending down from an intermediate overbought level.



The Dow Jones Industrial Average gained 132.55 points (0.88%) last week.

Trend remains up. The Average returned to above its 20 day moving average on Friday and bounced from near its 50 day moving average.

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

Short-term momentum indicators continue to trend down.



Bullish Percent Index for Dow Jones Industrial Average fell to 86.67% from 90.00% and remained below its 15 day moving average.

The Index has rolled over from an intermediate overbought level.



The Dow Jones Transportation Average added 53.61 points (0.85%) last week.

Trend remains up. The Average remains below its 20 day moving average.

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

Short term momentum indicators continue to trend



Bullish Percent Index for NASDAQ Composite Index slipped last week to 66.05% from 68.50% and moved below its 15 day moving average.

The Index is showing early signs of rolling over from an intermediate overbought level.



The NASDAQ Composite Index added 13.31 points (0.39%) last week.

**Trend changed from up to down on a move below 3,422.51. The Index remains above its 20 day moving average.**

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

**Short-term momentum indicators are trending down.**



The Russell 2000 Index added 3.48 points (0.35%) last week.

**Trend changed from up to down on a move below 970.63. The Index remains above its 20, 50 and 200 day moving averages.**

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

**Short-term momentum indicators are trending down.**



The S&P Energy Index added 5.36 points (0.91%) last week.

**Trend remains up.** The Index remains below its 20 day moving average.

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

**Short-term momentum indicators are trending down.**



The Philadelphia Oil Services Index added 4.15 points (1.64%) last week.

**Trend remains neutral.** The Index remains below its 20 day moving average.

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

**Short-term momentum indicators are trending down.**



The AMEX Gold Bug Index fell 5.10 points (0.38%) last week.

**Trend remains down.**  
The Index remains above its 20 day moving average.

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

Short-term momentum indicators are trending up.



## Canadian Markets Commentary & weekly charts

Bullish Percent Index for TSX Composite stocks increased last week to 62.76% from 62.08% and remained above its 15 day moving average.



The TSX Composite Index dropped 277.12 points (2.19%) last week.

**Trend changed from up to down on a move below 12,439.13. The Index fell below its 20, 50 and 200 day moving averages.**

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

**Short-term momentum indicators continue to trend down.**



Percent of TSX stocks trading above their 50 day moving average fell last week to 41.42% from 52.50%.



Percent of TSX stocks trading above their 200 day moving average fell to 46.86% from 51.25%.



## Asian Markets Commentary & weekly charts

The Nikkei Average fell another 897.01 points (6.51%) last week.

Trend changed from up to neutral on a move below 13,004.46. The Index remains below its 20-day moving average and fell below its 50 day moving average.

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



The Shanghai Composite Index fell 89.69 points (3.90%) last week.

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

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

Short-term momentum indicators are trending down.



**The Australia All Ords Composite Index fell 184.70 points (3.76%) last week.**

**Trend remains neutral.**  
**The Index remains below its 20 and 50 day moving averages and dropped below its 200 day moving average on Friday.**

**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 FTSE 100 closed 182 points last week.

**Trend remains up.**

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

**Short-term momentum indicators are trending down.**

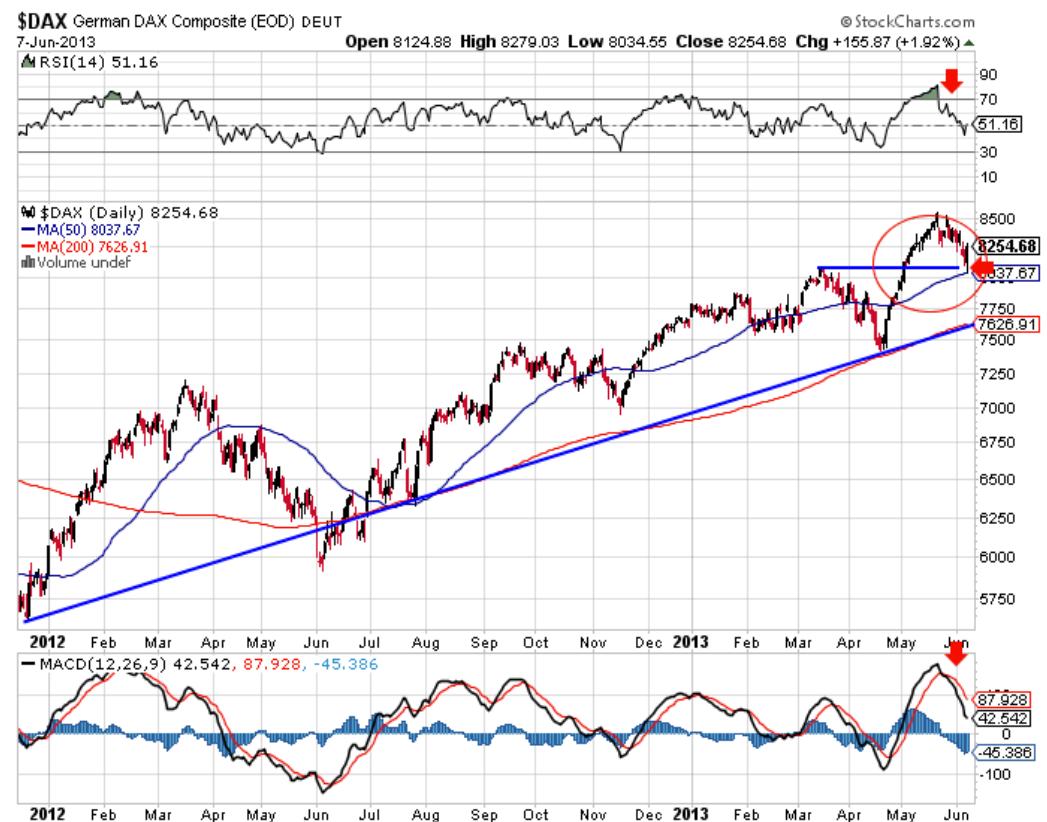


The DAX-30 closed down 12 points last week.

**Trend remains up. The Index fell below its 20 and 50 day moving averages.**

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

**Short-term momentum indicators are trending down.**



The CAC-40 closed down 62 points last week.

**Trend remains up.** The Index fell below its 20 and 50 day moving averages.

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

**Short-term momentum indicators are trending down.**



Europe 350 iShares added \$0.34 (0.82%) last week.

**Trend remains neutral.** Units remain 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 28.48 points (2.81%) last week.

**Trend remains up. 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	1.54	-0.01	0.56%
Italy 10yr	4.16	+0.01	0.23%
Spain 10yr	4.51	-0.05	1.02%
UK 10yr	2.08	+0.01	0.51%

### US Bonds

The yield on 10 year Treasuries slipped 0.3 basis points (0.14%) last week despite higher than average volatility during the week.

The yield remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators remain overbought.



The long term Treasury ETF fell \$1.25 (1.13%) last week.

Trend remains down. Units remain below their 20,50 and 200 day moving averages.



## Currencies Commentary & weekly charts

The Euro added 2.24 (1.72%) last week.

Trend changed to up on a move above 132.43. The Euro moved above its 20, 50 and 200 day moving averages. We can see potential for the price level to move lower towards the 38.2 Fibonacci retracement (May 2011 - July 2012) prior to a move higher.

Taking a look at the weekly chart, the target for the pair is for a move higher towards EUR/US\$ 1.383, which represents the 61.8 Fibonacci retracement.

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



The US\$ plunged 1.61 (1.93%) despite a recovery on Friday.

Trend changed from up to neutral on a move below 81.37. The US\$ remains below its 20 day moving average and fell below its 50 day moving average.

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



Trend changed from down to neutral on a move above 103.78. The Yen remains above its 20 day moving average and moved above its 50 day moving average. The stochastic and CCI indicators point towards a move back to the upside and this could bring about a return to the US\$/YEN 100 level in the coming days. The weekly chart provides clear evidence that the pair is well respecting the technicals, with the weekly candle closing on the 23.6 Fibonacci retracement.

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

The Japanese Yen gained 2.98 (2.99%) last week.



The C\$ gained US1.69 cents (1.75%) last week.

Trend remains down. The C\$ moved above its 20 and 50 day moving averages.

Short-term momentum indicators are trending up.



## Commodities Commentary & weekly charts

The CRB Index added 5.82 points (2.06%) last week in response to weakness in the US\$.

**Trend remains down.**  
The Index moved above its 20 and 50 day moving averages.

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



Copper was unchanged last week.

**Trend remains up.**  
Copper remains 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 \$2.47 (0.80%) last week.

Trend remains down. Lumber moved above its 20 day moving average.

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



The Grain ETN added \$0.12 (0.23%) last week.

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

Strength relative to the S&P 500 remains positive.



The Agriculture ETF added \$0.31 (0.58%) last week.

Trend changed from neutral to negative on a move below \$52.75. 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 slipped \$5.30 per ounce (0.38%) 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 lost \$0.49 per ounce (2.20%) last week.**

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

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

**Short-term momentum indicators are trending up.**



Platinum added \$39.30 per ounce (2.69%) last week.

Trend changed from down to up on a move above \$1525.80.

Platinum moved above its 20 and 50 day moving averages.

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



Palladium improved \$8.40 per ounce (1.12%) last week.

Trend remains up. Palladium remains above its 20 day moving average.

Strength relative to Gold and S&P 500 is positive



## Oil, Gas & Energy Commentary & weekly charts

Gasoline added \$0.11 per gallon (3.99%) last week.

**Trend remains neutral.**  
Gasoline moved above its 20, 50 and 200 day moving averages.

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



Crude Oil gained \$4.25 per barrel (4.63%) last week.

**Trend remains neutral.**  
Crude moved above its 20, 50 and 200 day moving averages.

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

**Short-term momentum indicators are trending up.**



**Natural Gas fell \$0.18 per MBtu (4.49%) last week.**

**Trend changed from neutral to negative on a move below \$3.883. Gas remains 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 oversold but have yet to show signs of bottoming.**



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