



Creative Global Investments

Morning Market Commentary

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Objectivity

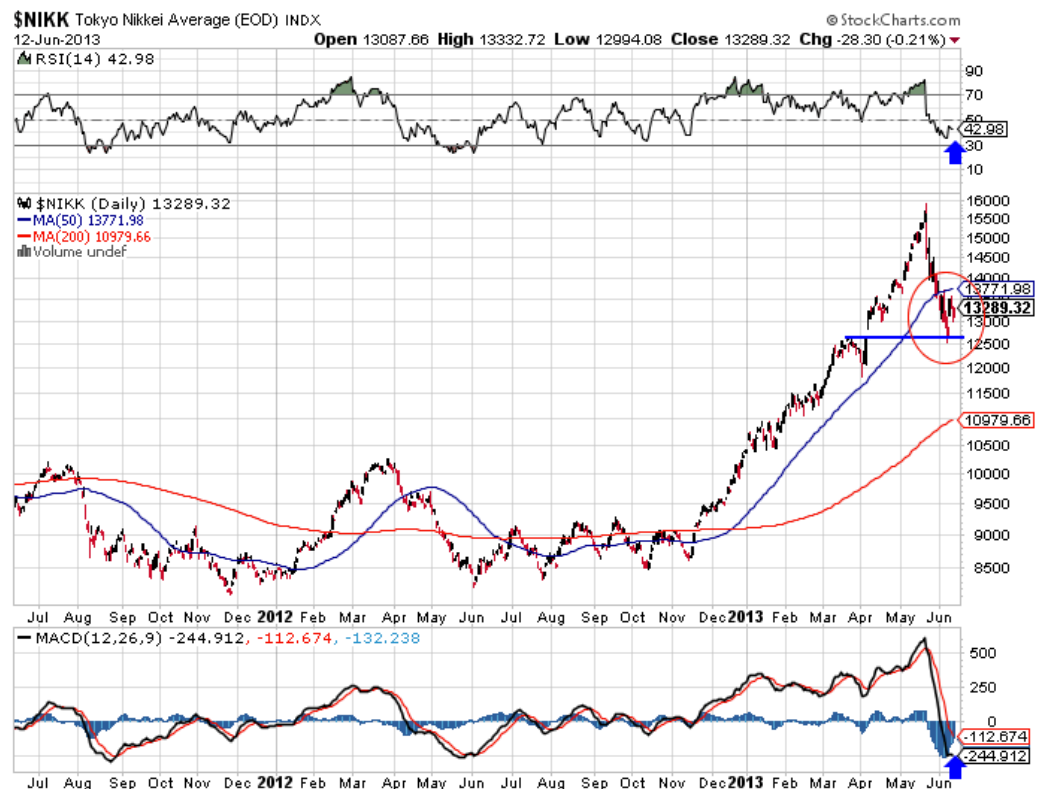
Integrity

Creativity

Global Equity Markets spell: Corrrrrrection

Equity markets continued to succumb to selling pressures this morning, following the declines of Wednesday, once again fueled by speculation pertaining to the pending conclusion of the Fed's monetary stimulus. Dampening sentiment further was the World Bank, which yesterday cut its forecast for global economic growth to 2.2% in 2013, down from its initial 2.4% estimate in January. Meanwhile, the bank said it now expects China to grow by just 7.7% this year, down from its previous 8.4% prediction.

A strengthening Yen saw Japan's Nikkei index plummet over 6.0% today, while China's Shanghai Composite and Hong Kong's Hang Seng lost nearly 3.0% of their value. The Nikkei 225 index fell 6.5% today. **The drop put the N-225 in bear territory, which is precisely where we were forecasting the N-225 to fall to in our Q2 Global Strategy Outlook, which we published in late March 2013. The N-225 has fallen 22% since hitting a five-and-a-half-year high in May. The Japanese Yen also rose to 94.06 against the US\$, which hit our price target for Q2, and the Yen hit its highest level since 4 April.**

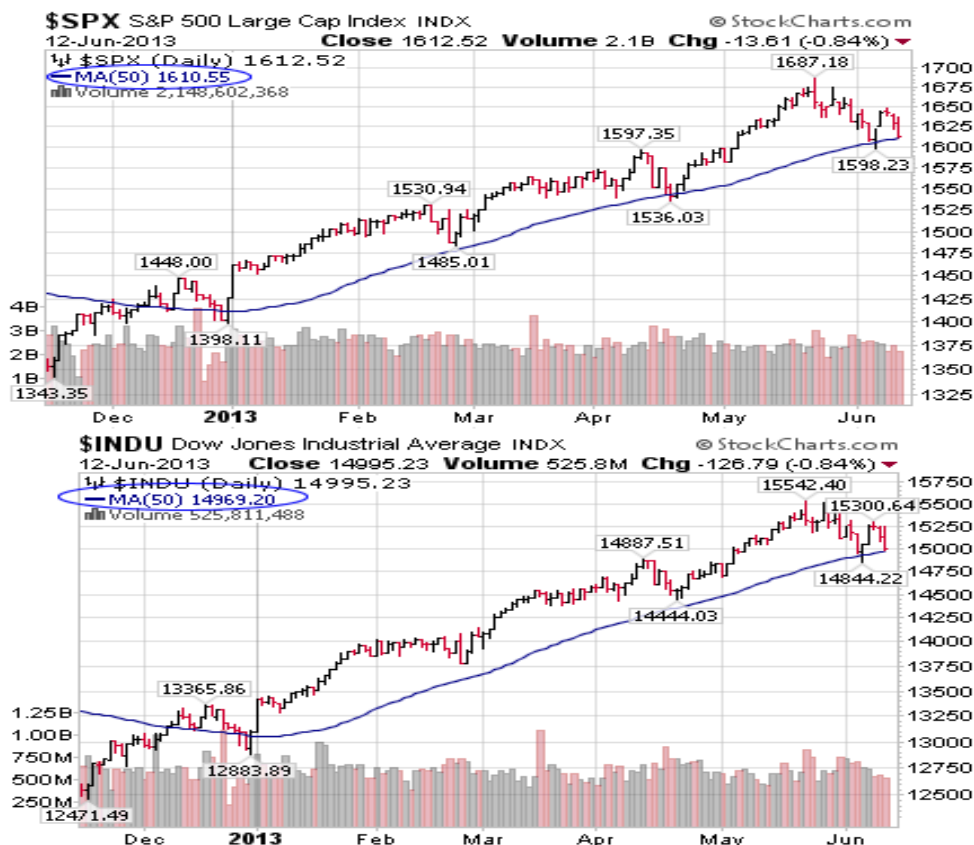


We believe that the correction for Japanese Yen and inherently for the N-225 has been completed, and are advising our clients to buy Japanese stocks at current levels, and to short the Yen against the US\$ and against the EUR at current levels. We maintain our year-end 2013 price targets for the US\$/Yen at 112 and for the N-225 at 17,200.

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In Europe, equity markets sunk sharply from the off on Thursday morning as the FTSE 100's losing streak was extended into its fourth day, with RBS in focus after shocking the City with the surprise resignation of Chief Executive Officer (CEO) Stephen Hester.

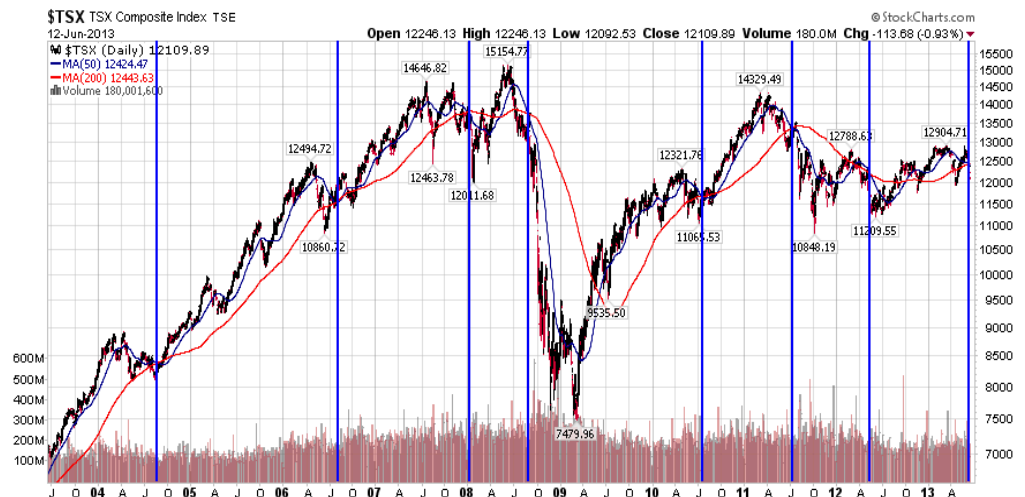
Yesterday, both the S&P 500 Index and Dow Jones Industrial Average traded back to their 50-day moving averages, a significant level of support that was tested just five sessions ago. A close below these levels likely will trigger significant technical selling.



The VIX Index continues to spike, as the chart following shows.



Given the declines in equity markets over recent weeks, the Canadian market has charted a notable technical event. The TSE Composite is facing a "death-cross", whereby the 50-day moving average has crossed below the 200-day. There have been a total of 7 other bearish crossovers that have occurred over the past 10 years, none of which have provided particularly effective "sell" signals. Other than the recessionary declines of 2008/2009, and perhaps the shocking plunge of the summer of 2011, each bearish crossover over the past 10 years has been recorded just prior to or at an intermediate market low.



Even Canada's bank stocks are under pressure. The BMO equally weighted bank ETF broke support at \$17.08, completed a double top pattern, established an intermediate downtrend and closed at a 6 month low.



Overall, 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
- Energy

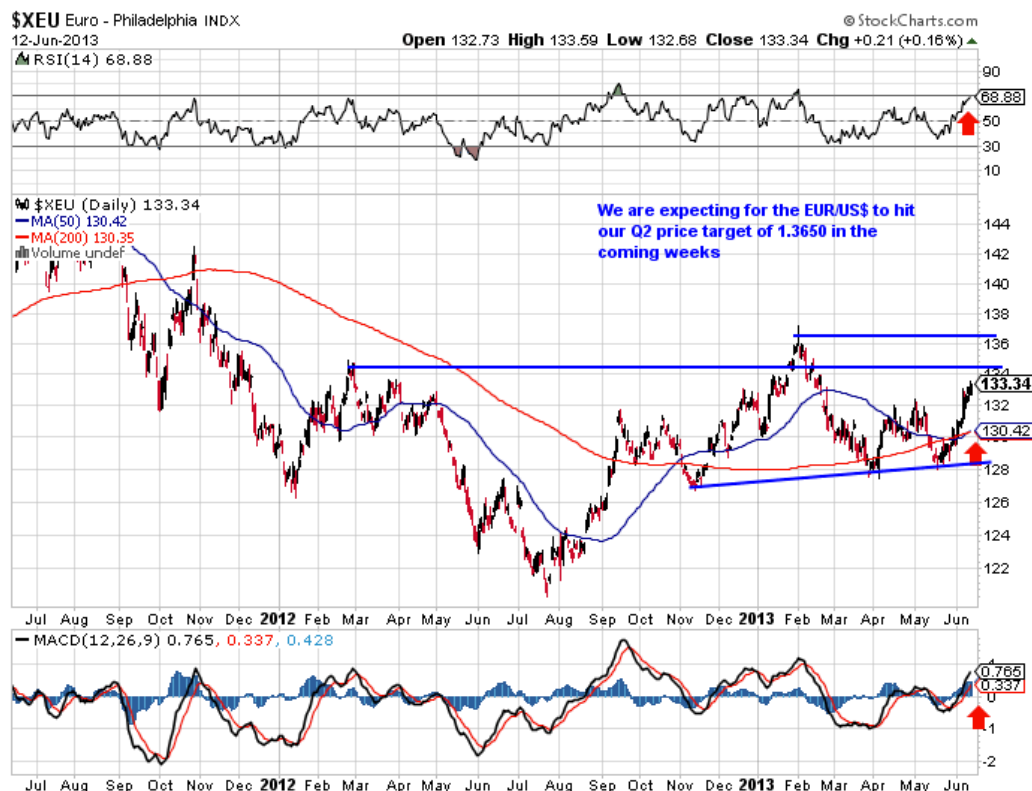
Lots of economic sensitive sectors and their related ETFs have broken below short term trading ranges, established short term downtrends and moved below their 20-day moving average (frequently on increasing volume). This is very typical of equity markets that have entered into a corrective phase during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

Currencies

Some reiterations:

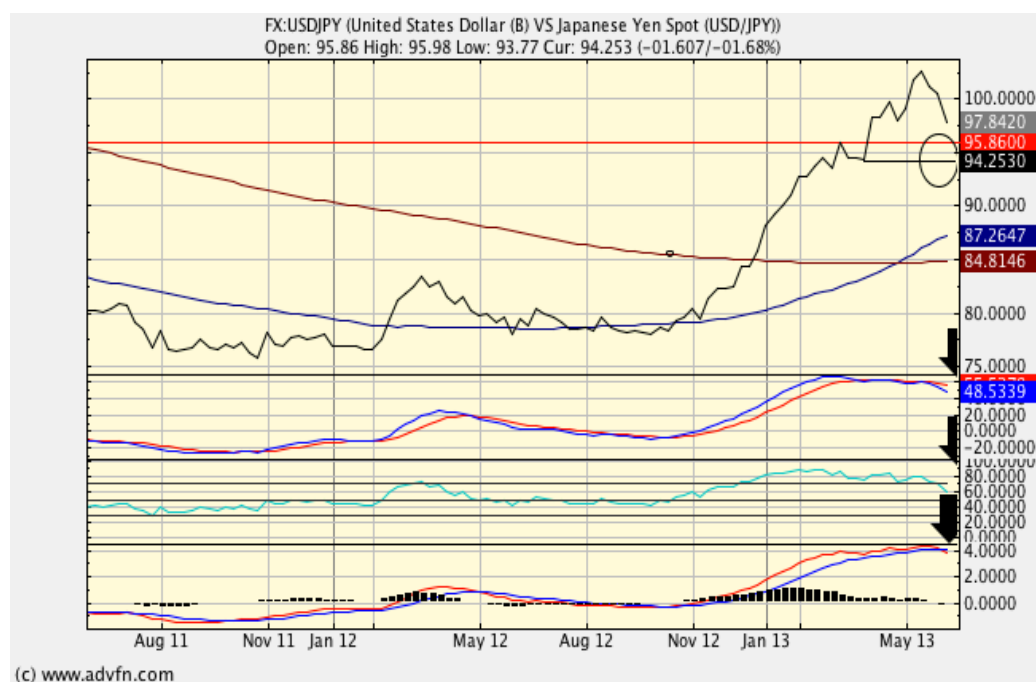
The US\$ had been tremendously overbought, both versus the Yen, but also against the Euro, as we had highlighted in our Q2 Global Strategy Outlook, and reiterated this fact “ad nauseum” since March 2013.

So, it is of no surprise to us that the US\$ has entered the recent correction versus both the Yen, but as of later now the Euro too, on the contrary, we are expecting for the EUR/US\$ to continue to its EUR/US\$ 1,3650 resistance, and break above it, as the US\$ has entered its weak seasonality period, between April and October.



However, we are expecting for the inverse situation for the US\$/Yen, where our anticipated 20% correction has materialized in the past 4 weeks.

For the US\$/Yen, however, from now on we would be “shorting the Yen versus the US\$, with our year end 2013 US\$/Yen price target of 112.



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