Creative Global Investments

Morning Market Commentary & Weekly Charts

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Objectivity

Integrity

Creativity

How about that US$?

For the past weeks, silence has returned to the press and major financial TV networks, when it comes to commentators and their forecasts (barely opinions) about the US$, and it's continuous path to strength, and how the now "strong" US$ will be a positive for global capital inflows into the US and particularly beneficial for US equities outperformance. It seems to us, that the currency experts, global strategists and macro experts are doing what they are doing best over the summer, go to the beach and stick their heads in the sand, and hide and hope that their predictions are being forgotten by institutional investors by the time they return from their summer retreats, as the majority of currency experts, helas, for the "so-manyeth-year", have it wrong one more time again. Hence, why there has been silence about currency comments as of the latest 4 – 6 weeks. In the meantime, the US$ index has corrected by the tune of almost 6% over the past 5 weeks, and as we had been advising investors since Q2, we are anticipating for the US$ to weaken even further from current levels.

We have been expecting for the technical picture for the US$ Index break down. The latest 5-week decline has violated the flattening 180-day moving average, which in the past has led on balance to more significant declines. Moreover, the 40-day stochastic has turned lower in negative divergence with prices. Hence why we expect a continuation of the current weakness, with major support at 79 being tested in the short-term, however, longer-term, we can see a re-testing of the lows at 73 to materialize soon and likely faster than what is expected by the market.

The economic focus this week will be firstly on the G8 meeting early this week, which we deem as uneventful and unlikely to have a significant impact on equity markets, and secondly on the FOMC meeting and subsequent announcement on Wednesday. The Federal Reserve will try to allay “tapering” fears. Other economic data is expected to show a stall in economic growth in the May/early June.

Earnings news is expected to have limited impact on equity markets. Focus will be on FedEx on Wednesday, a benchmark for world economic growth. Major companies have just entered into their “quiet period” prior to release of second quarter results. Corporate news becomes less frequent unless second quarter results are a clear miss (one way or the other). Earnings confession season has just started.

Extreme fluctuations in currencies continue and are a major source for higher than average inter-day volatility in equity markets.

Seasonal performance by North American equity indices during the second half of June is negative. June is the second weakest month of the year for the Dow Jones Industrial Average and TSX Composite Index and third weakest month of the year for the S&P 500 Index.

Short and medium term technical indicators for broadly based equity indices and economic sensitive sectors continue to trend down. Key levels to watch are the 50-day moving averages by broadly based US equity indices. So far, their 50-day moving averages have proven to be confirmed support. A break below these levels on a close will trigger significant technical selling. The 50-day moving average for the S&P 500 Index is 1,614. The 50-day moving average for the Dow Industrials is 14,991.

International events are starting to have an impact on selected markets, most notably the energy market. The breakout by crude oil on Friday triggered partially by growing tensions in the Middle East is positive for the energy sector, but negative for other economic sensitive sectors.

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.

Or research shows the following sectors being attractive for seasonal trades this summer and showing signs of outperformance relative to the S&P 500 Index and the TSX Composite Index.

- **Fertilizers**
- **Energy**
- **Gold**

Global Macro Commentary & Events

Upcoming Macro Events:

- **The June Empire Manufacturing Index** to be released at 8:30 AM EDT on Monday is expected to improve to 0.0 from -1.4 in May.
- **May Consumer Prices** to be released at 8:30 AM EDT on Tuesday is expected to increase 0.2% versus a decline of 0.4% in April. **Excluding food and energy,** May CPI is expected to increase 0.2% versus a gain of 0.1% in April.
- **May Housing Starts** to be released at 8:30 AM EDT on Tuesday are expected to increase to 950,000 from 853,000 in April.
- **The FOMC decision on interest rates** to be released at 2:00 PM EDT on Wednesday is expected to show no change in the Fed Fund rate.
- **Weekly Initial Jobless Claims** to be released at 8:30 AM EDT on Thursday are expected to increase to 340,000 from 334,000 last week.
- **May Existing Home Sales** to be released at 10:00 AM EDT on Thursday are expected to increase to 5.00 million from 4.97 million in April
- **The June Philadelphia Fed Manufacturing Index** to be released at 10:00 AM EDT on Thursday is expected to improve to -1.0 from -5.2 in May
- **May Leading Economic Indicators** to be released at 10:00 AM EDT on Thursday are expected to increase 0.2% versus a gain of 0.6% in April.
- **May Canadian Consumer Prices** to be released at 8:30 AM EDT on Friday are expected to increase 0.4% versus a 0.2% decline in April.
- **April Canadian Retail Sales** to be released at 8:30 AM EDT on Friday are expected to increase 0.2% versus no change in March.

Review of past macro-economic data:

US Market Commentary & Weekly Charts

The VIX Index spiked 2.01 (13.28%) last week. It remains above its 20, 50 and 200 day moving averages.

The S&P 500 Index fell 16.65 points (1.01%) last week.

Trend remains up. Resistance is at its May 22nd high at 1,687.18. Support is at 1,598.23. The Index remains below its 20 day moving average, but bounced once again from near its 50 day moving average.

Short-term momentum indicators have declined to neutral levels.

Percent of S&P 500 stocks trading above their 50 day moving average fell last week to 59.60% from 67.80%.

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

Percent of S&P 500 stock trading above their 200 day moving average slipped last week to 88.20% from 90.60%.

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

Bullish Percent Index for S&P 500 stocks slipped last week to 81.20% from 82.00% and remained below its 15 day moving average.

The Index continues to trend down from an intermediate overbought level.

The Dow Jones Industrial Average fell 177.94 points (1.17%) last week.

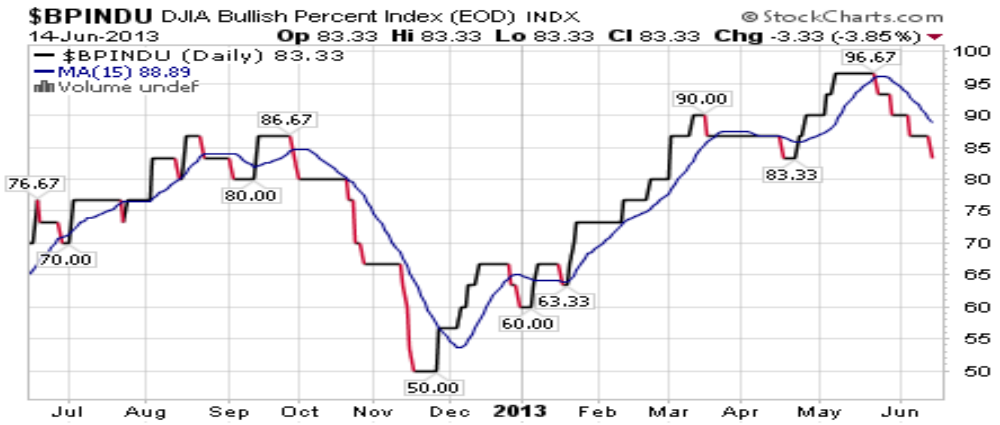
Trend remains up. Resistance is at its May 22nd high at 15,532.40The Average remains below its 20 day moving average and bounced from near its 50 day moving average.

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

Short-term momentum indicators have declined to neutral levels.

Bullish Percent Index for Dow Jones Industrial Average stocks fell last week to 83.33% from 86.67%and remained below its 15 day moving average.

The Index is intermediate overbought and trending down.

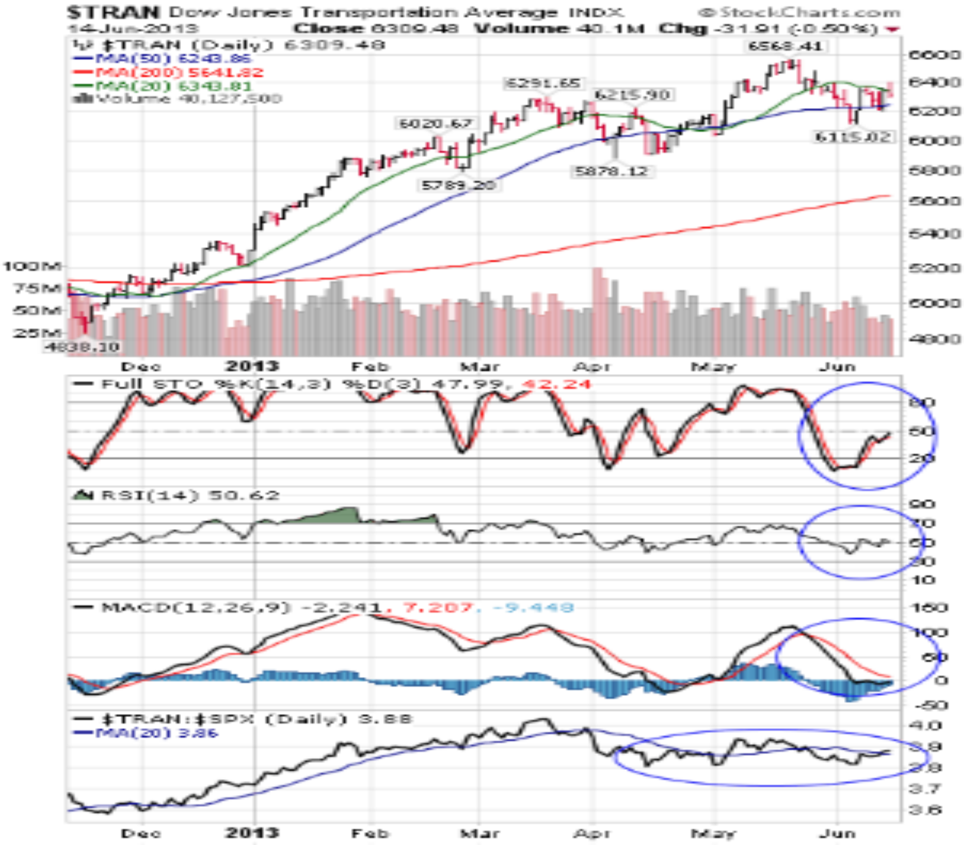


The Dow Jones Transportation Average dropped 34.31 points (0.54%) last week.

Trend remains up. Resistance is at 6,568.41 and support is at 6,115.02. The Average remains below its 20 day moving average.

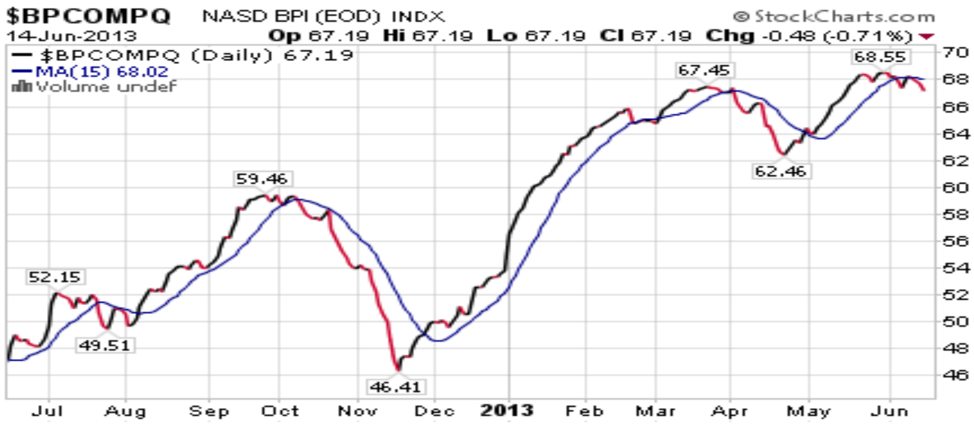
Strength relative to the S&P 500 Index changed from negative to neutral.

Short-term momentum indicators are neutral.



Bullish Percent Index for the NASDAQ Composite Index slipped last week to 67.19% from 68.05% and remained below its 15 day moving average.

The Index has rolled over from an intermediate overbought level.



The NASDAQ Composite Index dropped 45.66 points (1.32%) last week.

Trend remains down. The Index remains below its 20 day moving average.

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

Short-term momentum indicators have declined to neutral levels.

The Russell 2000 Index slipped 6.24 points (0.63%) last week.

Trend remains down. Support is at 963.88. The Index remains below its 20 day moving average.

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

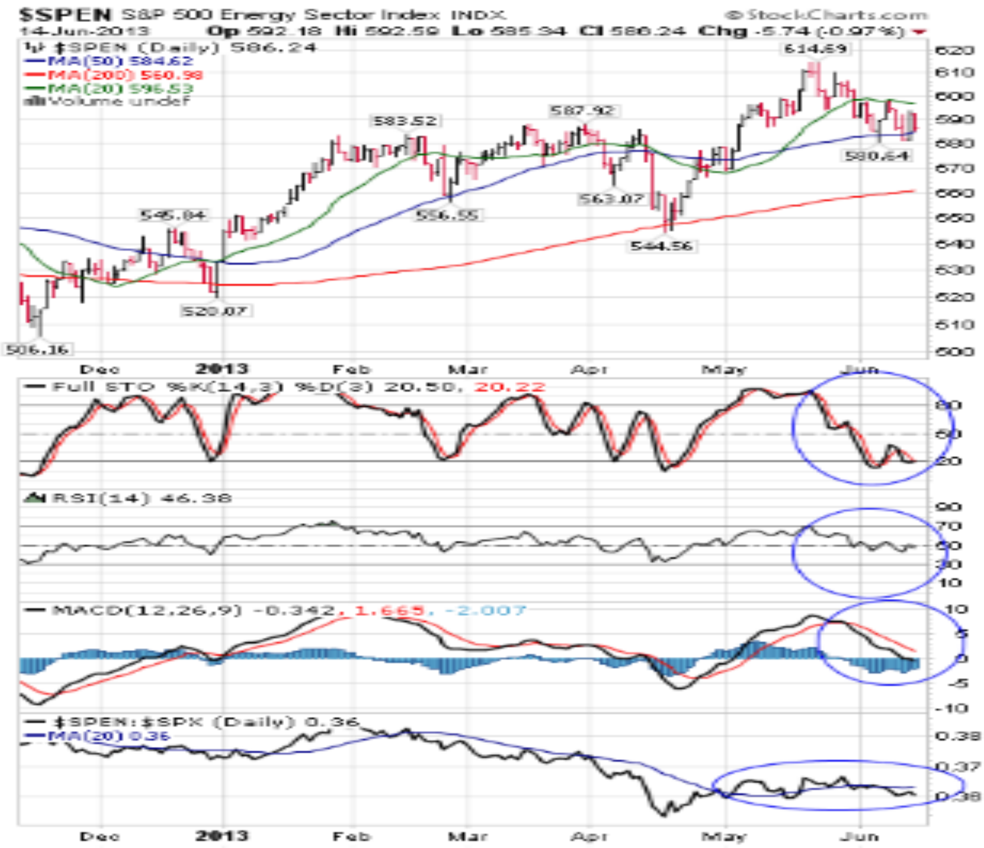
Short-term momentum indicators have declined ton neutral levels.

The S&P Energy Index fell 9.98 points (1.67%) last week.

Trend remains up. Support is at 580.64. The Index remains below its 20 day moving average.

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

Short-term momentum indicators have declined to neutral levels.



The Philadelphia Oil Services Index fell 4.69 points (1.82%) last week.

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

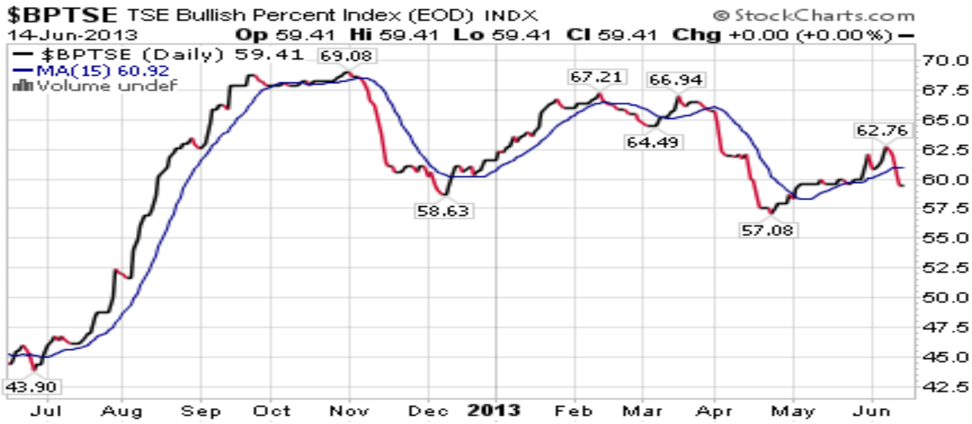
Strength relative to the S&P 500 Index changed back to negative from neutral.

Short-term momentum indicators continue to trend down.

Canadian Markets Commentary & weekly charts

Bullish Percent Index for TSX Composite stocks fell last week to 59.41% from 62.76% and dropped below its 15 day moving average.

The Index has resumed an intermediate downtrend.



The TSX Composite Index fell 185.94 points (1.50%) last week.

Trend remains down. The Index remains below its 20 day moving average and completed a "Death Cross" when its 50-day moving average fell below its 200 day moving average.

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.

Percent of TSX stocks trading above their 50 day moving average fell last week to 31.80% after briefly reaching a low of 24.69%.

Historic data shows that the TSX Composite Index frequently bottoms on a recovery by the 50-day mva from below the 25% level.

Percent of TSX stocks trading above their 200 day moving average fell last week to 42.68% from 46.86%.

The index continues in an intermediate downtrend.

Asian Markets Commentary & weekly charts

The Nikkei Average dropped another 191.01 points (1.48%) last week.

Trend remains neutral. The Average 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.

The Shanghai Composite Index dropped 48.86 points (2.21%) last week.

Trend changed from neutral to negative on a move below support at 2,161.14. The Index remains below its 20-day and 50 day moving averages and fell below its 200 day moving average.

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

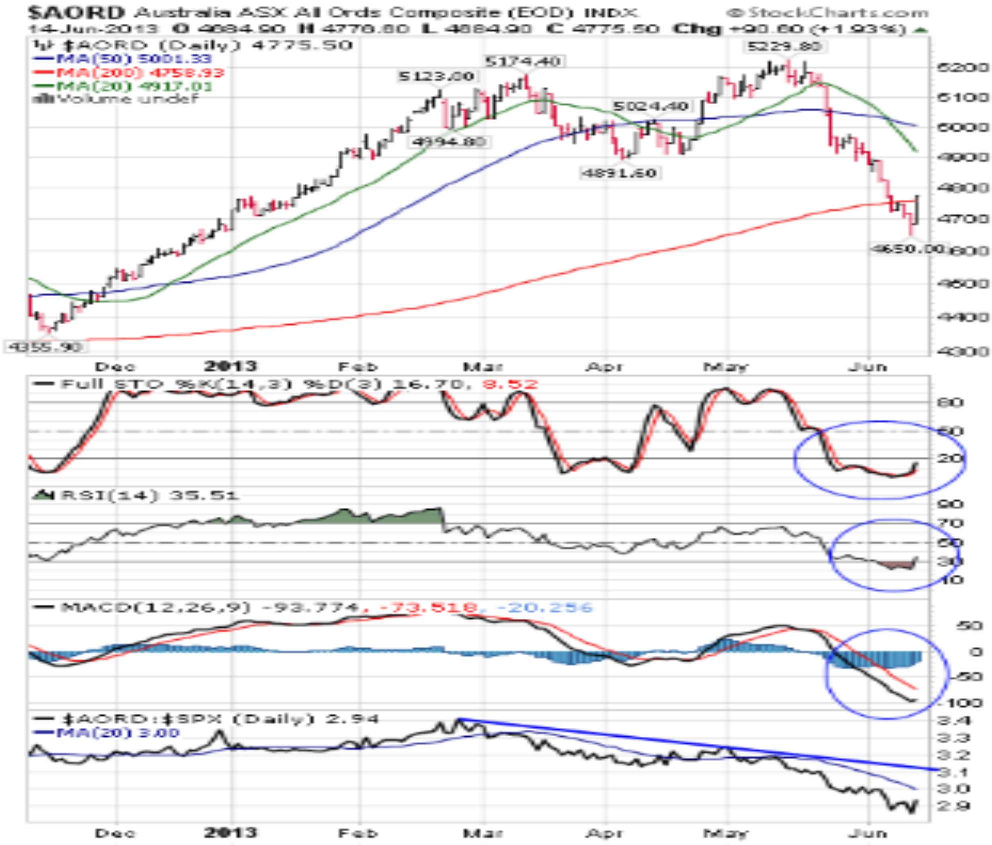
Short-term momentum indicators are trending down.

The Australia All Ordinaries Composite Index added 46.20 points (0.98%) last week.

Trend remains neutral. 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 and showing early signs of bottoming.



European Markets Commentary & weekly charts

The Athens Index plunged another 66.94 points (6.79%) last week.

Trend is down. 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 overbought, but have yet to signs of bottoming.

Europe 350 iShares slipped $0.34 (0.81%) last week.

Trend remains neutral Support is at $41.12. Units remain below their 20-day moving average.

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

Short-term momentum indicators are trending down.

Fixed Income Markets Commentary & weekly charts

EURO Bonds

German 10y	1.52	+0.00	0.19%
Italy 10yr	4.25	-0.04	0.91%
Spain 10yr	4.57	+0.01	0.23%
UK 10yr	2.07	+0.01	

US Bonds

The yield on 10 year Treasuries slipped 3.5 basis points (1.62%) last week.

The yield remains above its 230, 50 and 200 day moving averages.

Short-term momentum indicators are overbought and showing early signs of rolling over.

The long term Treasury ETF added $0.66 (0.58%) last week.

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

Currencies Commentary & weekly charts

The Euro added another 1.24 (0.94%) last week.

The Euro remains above its 20, 50 and 200 day moving average.

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

The US$ fell another 1.05 (1.29%) last week.

Trend remains neutral. The US$ remains below its 20 and 50 day moving average and fell below its 200 day moving average.

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

The Japanese Yen gained another 3.85 (3.75%) last week.

Trend remains neutral. The Yen remains above its 20 and 50 day moving averages.

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

The C$ added US 0.21 cents (0.21%) last week.

The C$ remains above its 20 and 50 day moving averages.

Short-term momentum indicators are trending up.

Commodities Commentary & weekly charts

The CRB Index slipped 1.49 points (0.52%) last week.

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

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

Copper fell another $0.08 per lb. (2.45%) last week.

Trend changed from up to neutral. Copper 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 trending down

Lumber dropped $26.02 (8.32%) last week.

Trend remains down. Lumber returned to below its 20 day moving average.

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

The Grain ETN fell $1.31 (2.51%) last week.

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

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

The Agriculture ETF lost $0.67 (1.25%) last week.

Trend remains negative. 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 gained $5.10 per ounce (0.37%) 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 signs of change.

Short term momentum indicators are neutral

Silver gained $0.23 (1.06%) last week.

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

Strength relative to gold remains negative, but has improved from negative to positive relative to the S&P 500 Index.

Short-term momentum indicators are oversold and trying to bottom.

Platinum fell $56.90 (3.79%) last week.

Trend remains up. Platinum moved below its 20 and 50 day moving averages.

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

Palladium dropped $30.00 per ounce (3.94%) last week.

Trend changed from up to neutral. Palladium fell below its 20 day moving average.

Strength relative to gold dropped to neutral

Oil, Gas & Energy Commentary & weekly charts

Gasoline gained $0.02 per gallon (0.70%) last week.

Trend remains neutral. Resistance at $2.93 is being tested. Gasoline remains above its 20, 50 and 200 day moving averages.

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

Crude Oil gained another $1.68 (1.75%) last week.

Trend changed from neutral to positive on Friday when crude moved above resistance at $97.35 and $97.80.

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

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

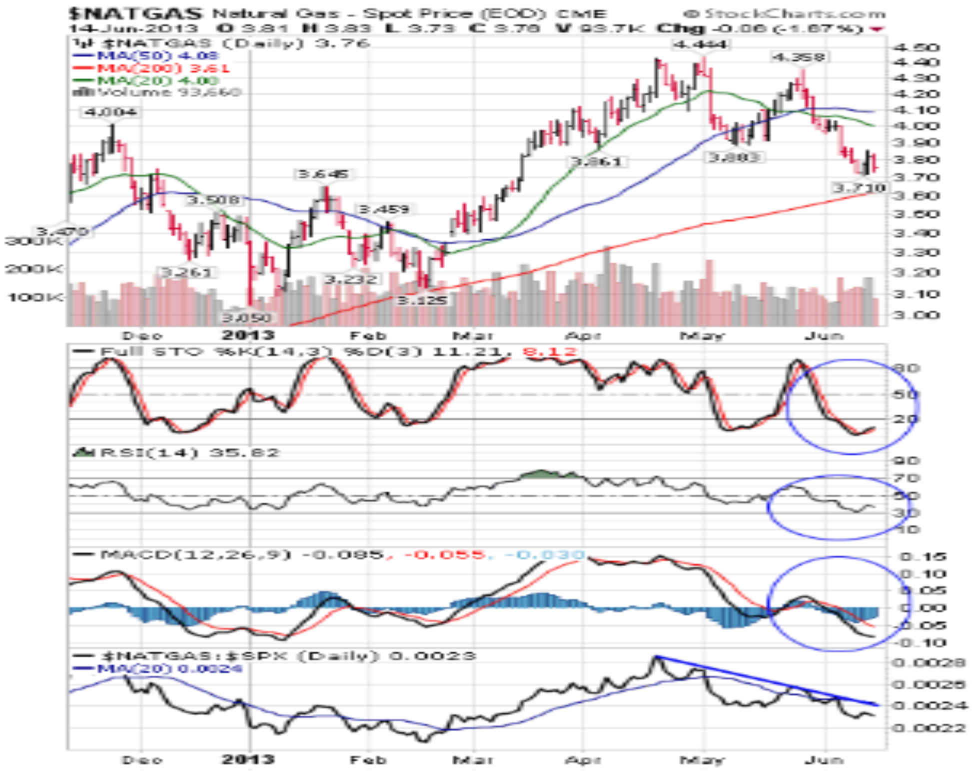
Short-term momentum indicators are trending up.

Natural Gas dropped another $0.07 (1.83%) last week.

Trend remains negative. Natural Gas 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.



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