Creative Global Investments

Morning Market Commentary

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Objectivity

Integrity

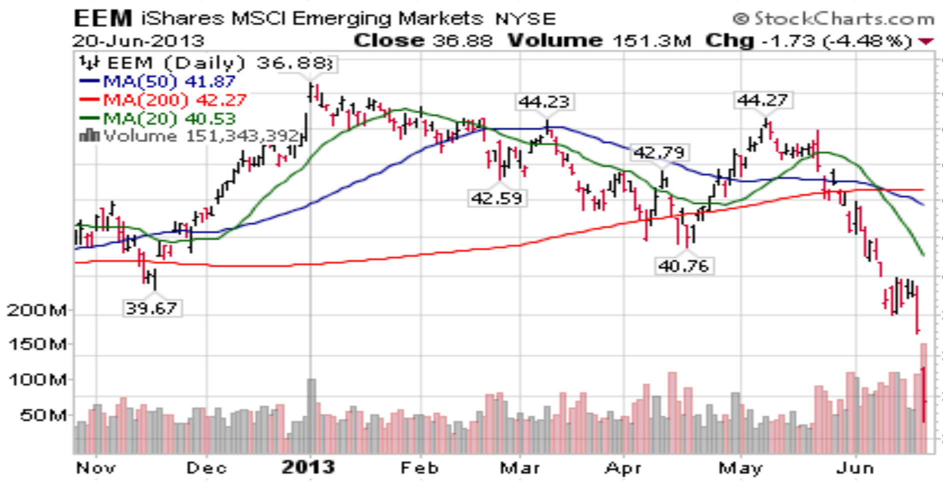
Creativity

Global equities summer blues?

Markets opened in positive territory on Friday as the FTSE 100attempted to rebound after a dramatic three per cent drop the day before following the Federal Reserve's announcement to scale back stimulus later this year.

London's benchmark index tumbled an eye-watering 189 points on Thursday, falling 2.98% to 6,160 as markets reacted to comments from Fed Chairman Ben Bernanke, who said that quantitative easing could come to a complete halt in 2014 if the economic recovery gains momentum. Disappointing factory-activity data from China also hammered sentiment yesterday, sending the UK index to lows not seen since mid-January.

Equity markets outside of North America recorded significant technical deterioration.



Global Macro-Economic Commentary

Asian Economies

China's benchmark money-market rates tumbled Friday after the People's Bank of China made funds available to lenders to ease a credit squeeze. The one-day repurchase rate fell 3.84 percentage points to 7.90%, while the seven-day rate dropped 3.51 percentage points to 8.11%, the report said, citing data from the National Interbank Funding Center.

Euro Economies

Britain's budget deficit narrowed in May as government spending fell and the Treasury got a GBP 3.2 billion (US$ 5 billion) boost from a tax cooperation deal with Switzerland. Net borrowing excluding temporary support for banks was 12.7 billion pounds compared with GBP 15.6 billion a year earlier, the Office for National Statistics said in London today. The figures exclude the receipt of GBP 3.9 billion of coupon cash from the Bank of England's gilt holdings.

The deficit in the fiscal year that ended March increased narrowly to GBP 118.8 billion from a downwardly revised GBP 118.5 billion pounds a year earlier. The Office for Budget Responsibility forecasts the shortfall will be GBP 119.8 billion this year, or 7.5 percent of gross domestic product. In the first two months, it was GBP 21.4 billion compared with GBP 24.3 billion a year earlier.

US Economies

The Philadelphia Fed manufacturing index rose much more than forecast in June to 12.5 after a reading of -5.2 in May. The consensus had penciled in a slight improvement to -2.0. Existing home sales also came well ahead of estimates, rising by 4.2% in May, compared to the prediction of a 0.6% gain.

Jobless claims however rose more than expected last week. Initial claims for unemployment benefits jumped 18,000 to a seasonally adjusted 354,000, higher than the 340,000 predicted by economists. Meanwhile, the Conference Board's index of leading indicators rose 0.1 per cent in May, slightly below but close to the 0.2 per cent rise expected.

US Equity Markets

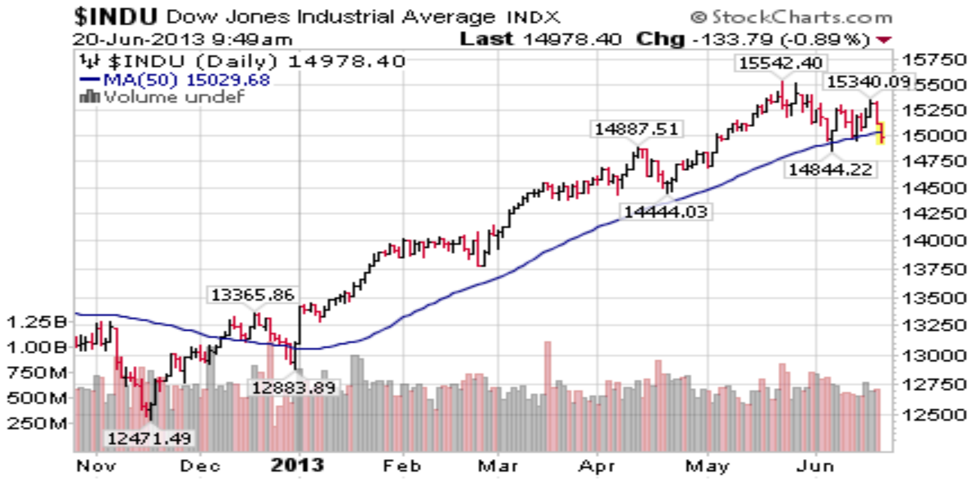
The VIX Index spiked implying an increase in investor fears.

US markets on Thursday registered their worst one-day drop so far this year, falling heavily for the second consecutive day after the announcement by the Federal Reserve that it will begin to taper quantitative easing (QE) this year if the recovery is steady enough.

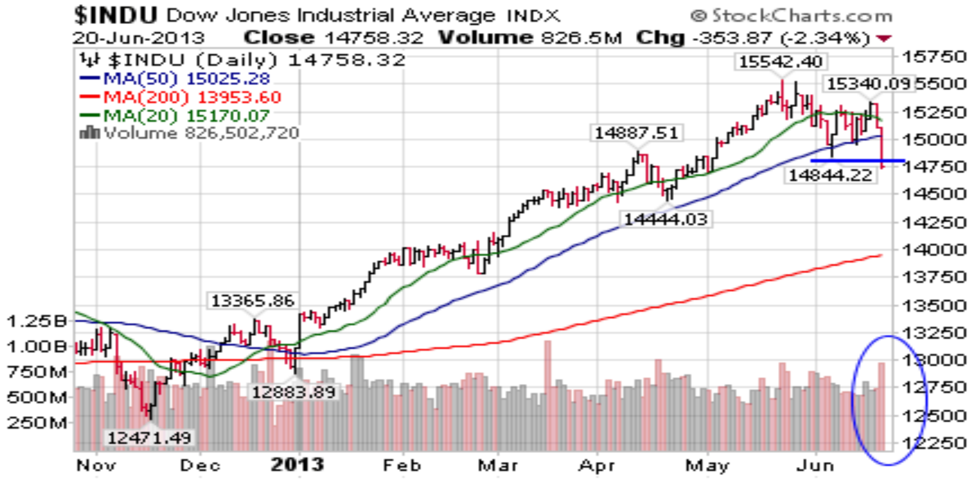
The Dow Jones Industrial Average finished a whopping 353.87 points lower at 14,758.32. This 2.3% drop was the biggest fall in percentage terms since the day after the US presidential election on November 7th 2012.

The Dow Jones Industrial Average entered an intermediate corrective phase at a high of 15,542.40.

The break has triggered additional technical selling this morning.



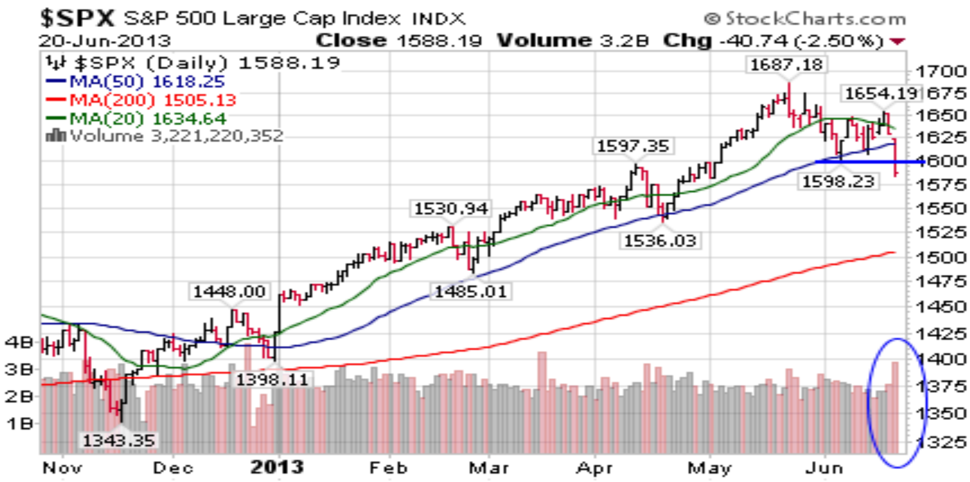
First downside technical targets on a break below price support are 14,175 for the Dow Jones Industrial Average



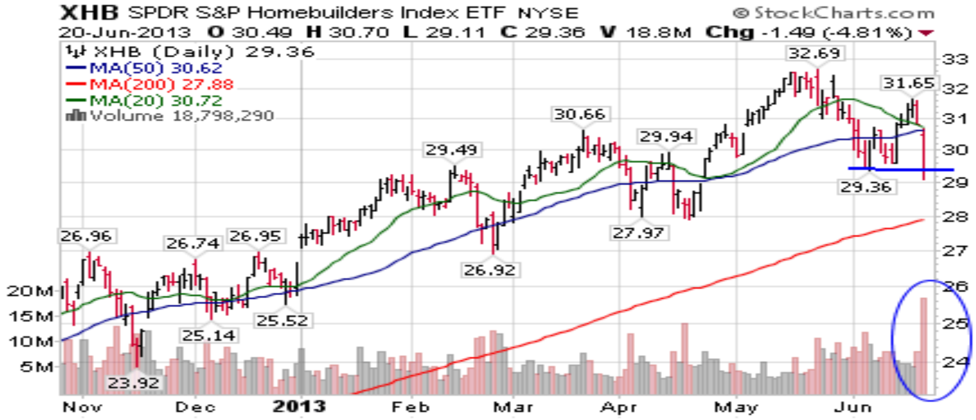
An important technical breakdown happened this morning when the S&P 500 Index dropped below its 50 day moving average at 1619 and the Dow Jones Industrial Average fell below its 50 day moving average at 15,029. During the past six months, their 50-day moving averages proved to be support. The break below their 50-day moving averages confirms that the S&P 500 Index entered an intermediate corrective phase on May 22nd at a high of 1,687.18.

Look for additional technical selling if the S&P 500 Index breaks price support at 1,598.23.

First downside technical targets on a break below price support are 1,514 for the S&P 500 Index.



Economic sensitive sub-sectors in the US also recorded significant technical deterioration.


XHB SPDR S&P Homebuilders Index ETF NYSE
© StockCharts.com
20-Jun-2013 O 30.49 H 30.70 L 29.11 C 29.36 V 18.8M Chg -1.49 (-4.81%)
XHB (Daily) 29.36
MA(50) 30.62
MA(200) 27.88
MA(20) 30.72
Volume 18,798,290
32.69
31.65
30.66
29.94
29.49
29.36
27.97
26.96
26.74
26.95
26.92
25.52
25.14
23.92
Nov
Dec
2013
Feb
Mar
Apr
May
Jun


CARZ FirstTr NASD Gl Auto Nasdaq GM
© StockCharts.com
20-Jun-2013 Close 33.05 Volume 56.3K Chg -1.31 (-3.81%)
CARZ (Daily) 33.05
MA(50) 33.50
MA(200) 29.29
MA(20) 34.88
Volume 56,281
37.22
34.29
31.62
31.60
29.58
29.11
25.57
24.24
Nov
Dec
2013
Feb
Mar
Apr
May
Jun


IBB Biotech iShares Nasdaq GM
© StockCharts.com
20-Jun-2013 Close 167.92 Volume 1.4M Chg -5.10 (-2.95%)
IBB (Daily) 167.92
MA(50) 175.69
MA(200) 151.78
MA(20) 177.02
Volume 1,403,010
186.98
174.99
169.21
141.77
134.21
125.54
Nov
Dec
2013
Feb
Mar
Apr
May
Jun


MOO Market Vectors Agribusiness NYSE
© StockCharts.com
20-Jun-2013 O 52.03 H 52.14 L 50.91 C 51.07 V 346.5K Chg -1.70 (-3.22%)
MOO (Daily) 51.07
MA(50) 53.59
MA(200) 52.81
MA(20) 53.25
Volume 346,540
56.55
55.25
55.29
53.57
52.88
52.75
52.07
51.43
48.49
Nov
Dec
2013
Feb
Mar
Apr
May
Jun


TAN Guggenheim Solar ETF NYSE
© StockCharts.com
20-Jun-2013
Close 22.63 Volume 206.1K Chg -1.34 (-5.59%)
TAN (Daily) 22.63
MA(50) 21.97
MA(200) 17.49
MA(20) 24.57
Volume 206,069
27.87
25.96
21.40
19.40
18.79
18.47
17.50
17.50
15.09
15.00
11.52
22.85
23.35
28
26
24
22
20
18
16
14
12
750K
500K
250K
Nov
Dec
2013
Feb
Mar
Apr
May
Jun

Currencies

Post FOMC statements, the $USD index gained almost 2 cts, as investors were thinking that the financial assets "Bernanke-put" may end within 2013.

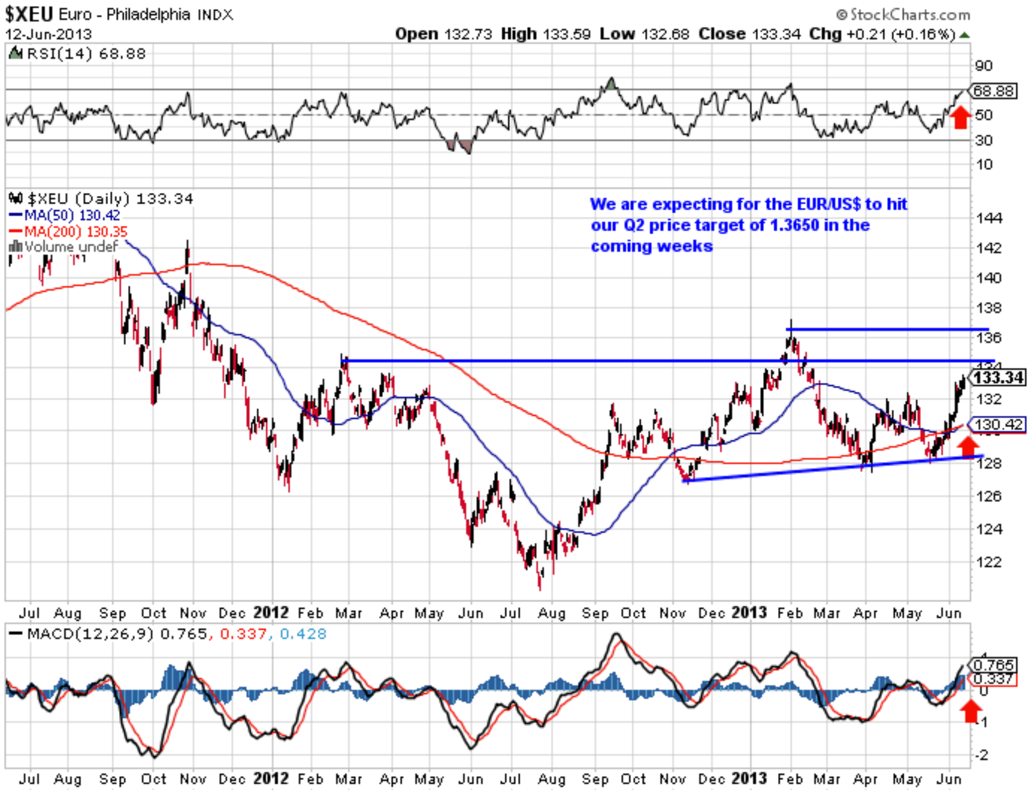
However, we do not believe that neither the US, nor other major G-20 economies have done sufficient groundwork for a much stronger growth to materialize in 2014.

We consider this short-term blip in the $USD as a major headfake, and are advising clients to "sell" the $USD at current levels around 81.

Some reiterations:

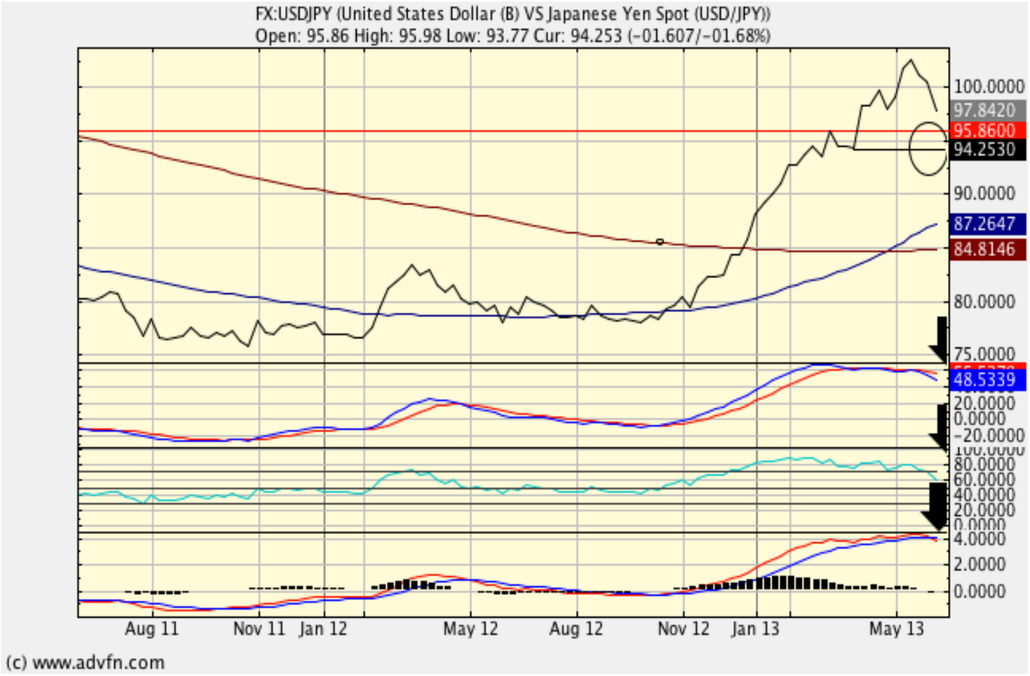
The US$ had been tremendously overbought, both versus the Yen, but also against the Euro, as we had highlighted in our Q2 Global Strategy Outlook, and reiterated this fact "ad nauseum" since March 2013.

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.



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.

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



Fixed Income

US Bonds

Yields on US Treasuries spiked and Prices on US Treasuries plunged. US Treasuries dropped during European trading hours on Thursday, sending the yield on 10-year notes +3.09% to the highest level since August 2011. The yield rose 9 basis points to 2.448%, marking the first time above the 2.4% level since October 2011.

Commodities

Commodity prices and commodity equity prices were hit hard on strength in the US$ as well as news of a slowdown in China's economic growth.

The real question for gold bugs is "will the current May low be the last bottom before a big breakout rally"? The May 2012 low in Gold marked the bottom of a move into a September high.

One positive would be that even though today broke to a three week low, the volume was not significantly higher than recent volume but it was higher than yesterday.

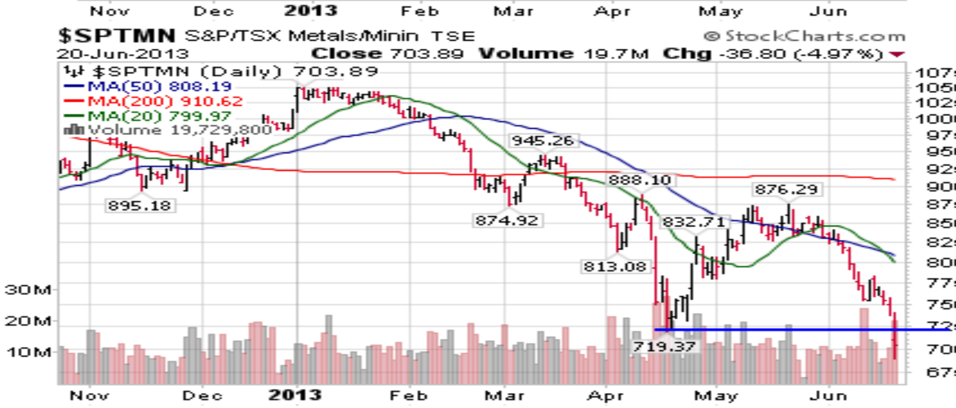
It was also well below 50 day average volume. Today's close was just inside the Bollinger Band.

Every sentiment indicator says Gold has been extremely out of favor.

We like to think all the weak hands have been shaken out at those extremes.

So for bottom seekers, we recommend to use the current volatility to look for longs.

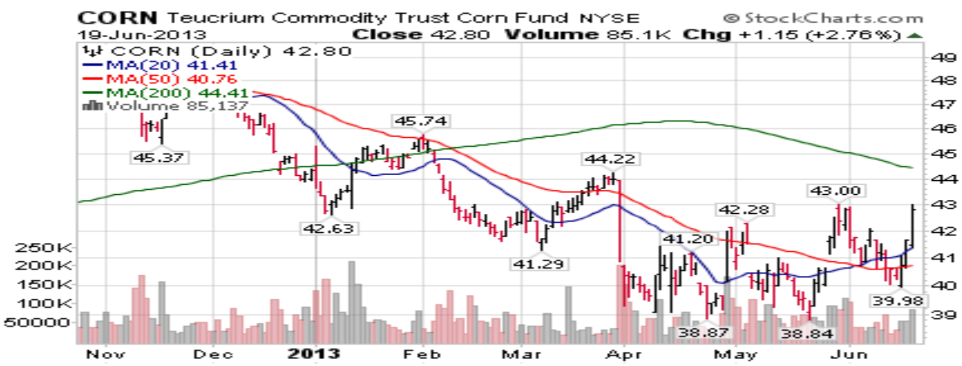
When observing the Bollinger bands, one can see they are very narrow, which usually happens before a big move.



This week could be the week where investors seeking for overlooked opportunities could move into soft commodities. Grain prices moved higher on a bullish crop report. Corn was notably stronger.

The Corn ETN (CORN) is leading a surge in soft commodities.

The chart shows the ETN breaking out in late May and then falling back in June with a wedge. The wedge low held above the prior lows and the ETN broke wedge resistance with a strong move the last few days.



Global Energy Markets

America's crude oil inventories are way above average for this time of year. Last week, traders expected stockpiles to decline by 1.5 million barrels, but the actual change was an increase of 2.52 million barrels. Gasoline inventories also saw a larger-than-expected increase.

Nevertheless, we see more risks to the upside for WTI for the coming 90 days.

In the beginning of 2013, consensus forecast for WTI for 2013 was at US$ 88/brl. Our forecast for crude oil (our WTI price target for 2013 was for US$ 108/brl).

Seasonality for drawdowns. If crude follows its seasonal pattern, we can expect crude oil stockpiles to start declining through the rest of the summer.

Higher Demand Forecasts. Last week, the Energy Information Administration raised its 2013 and 2014 global oil demand forecasts. The EIA upped its 2013 oil demand forecast by 99,000 barrels per day (bpd), to 90.03 million bpd, and its 2014 demand forecast by 82,000 bpd to 91.22 million bpd.

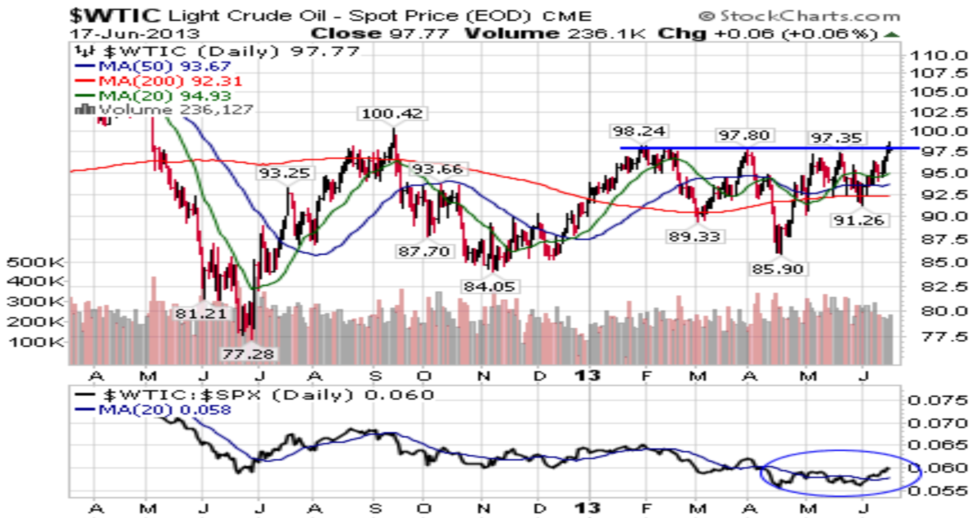
Stormy Weather both in the US & Europe. Finally, we're heading into hurricane season, and that brings with it the possibility of supply disruption in the Gulf of Mexico. The floods in Europe and particularly Germany will demand a lot of energy for cleanup efforts and repair.

The rhetoric of war is increasing. The industrial-military complex is busy at work to help insure it. The March 21st speech in Israel by Obama was eerily similar to the speech George W. Bush gave ahead of the Iraqi War back on March 20, 2003 – almost ten years to the day! It's no accident that suddenly chemical weapons are confirmed to be present in Syria. Remember, the Weapons of Mass Destruction ten years ago? Think about it. We could likely see Crude Oil prices go higher here as a result.

Crude oil prices moved above resistance at $98.24. On Friday it moved above resistance at US$ 97.80 and US$ 97.35. Strength relative to the S&P 500 Index is positive. US Crude oil closed higher on Tuesday and the high-range close sets the stage for a steady-to-higher opening when Wednesday's session begins. Stochastics and the RSI remain bullish signaling that sideways-to-higher prices are possible near-term. If it extends the aforementioned rally, February's high crossing is the next upside target.

Crude Oil was down .08 at US$ 97.88 touching US$ 98.74 intraday on Friday. The current trading range is now bounded by the US$ 98.25 high from June 14 and the US$ 85.61 low from April 18. Resistance is now at US$ 98.25 and US$ 104.00. Support is at US$ 85.61 and then US$ 83.00..

Stochastics and the RSI remain bullish signaling that sideways-to-higher prices are possible near-term. If it extends the aforementioned rally, February's high crossing is the next upside target.



Natural gas closed higher on Tuesday and the mid-range close sets the stage for a steady opening on Wednesday.

Stochastics and the RSI are turning neutral-to-bullish hinting that a low might be in or is near. Closes above the 20-day moving average crossing would confirm that a short-term low has been posted. If it extends the decline off May's high, the 75% retracement level of this year's rally crossing is the next downside target.

US & Canadian energy indices currently have a mixed technical profile, but are showing early signs of improvement.

The strength relative to the market (S&P 500 for US and TSX Composite for Canada) has started to turn positive

iShares TSX Energy units moved above their 20 and 200 day moving averages yesterday and continue to outperform the TSX Composite Index

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