Creative Global Investments

Morning Market Commentary & Weekly Charts

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Objectivity

Integrity

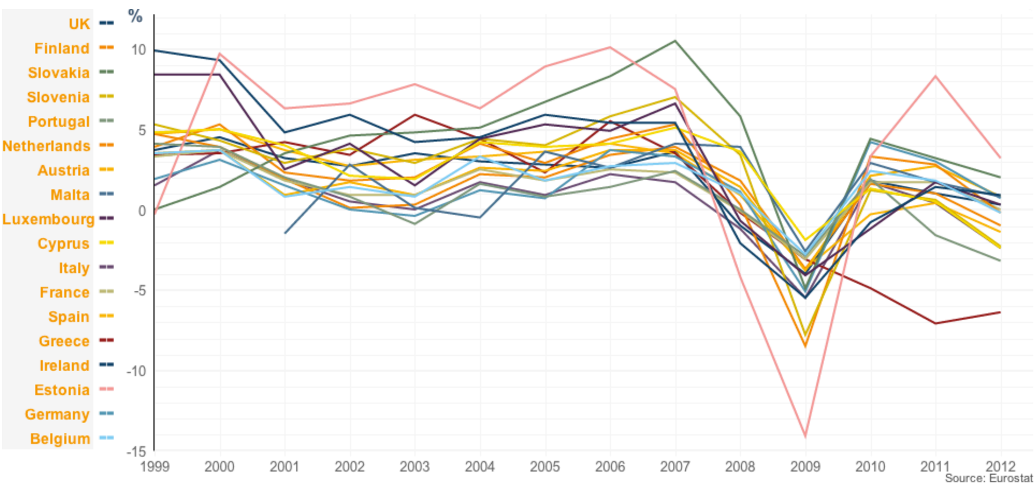
Creativity

Choppy Seas for Global Equities continue

Chinese inter-bank lending rates eased on Monday as PBOC made it clear big commercial banks should do a better job of managing their cash reserves and keep lending to smaller players. PBOC did not signal it was turning the taps back on, however, leading traders to speculate that borrowing costs would remain relatively high for medium-sized banks and potentially dent profits. Today's statement from China's central bank has temporarily scotched such expectations, hence the market reaction. **The Shanghai Composite fell -5.30% and suffered its worst one-day percentage loss in nearly four years, plunging to 1,963.24, which is the first close below the psychologically-important 2,000-point level since December. The performance is its worst since a 6.7% drop in August 2009. The Shenzhen Composite Index dived 6.1% to 881.87. The performance also led to heavy losses elsewhere in the region, with the Hang Seng Index falling -2.22% in Hong Kong to decline for a fifth straight trading day, while Australia's S&P/ASX 200 declined -1.47%. The FTSE 100 opened in positive territory on Monday morning, albeit only slightly, as markets made a tentative start to the new week following the dramatic sell-off seen over recent sessions. Since hitting a 13-year high on May 22nd, the FTSE has now dropped nearly 11%.**

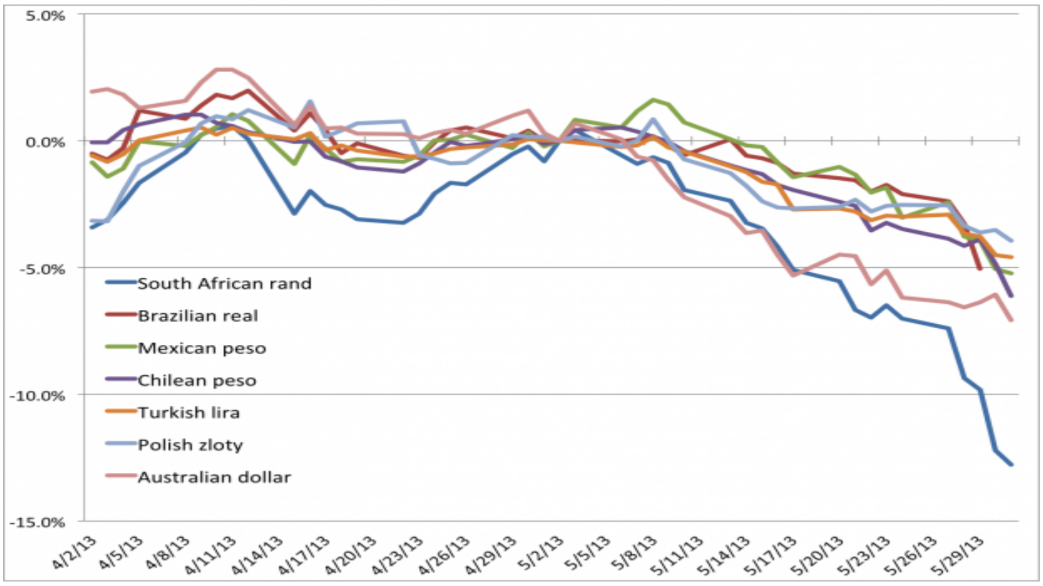
We do not see the most recent positive trend of economic data in the US to continue, as the rest of the world's economy is still slowing. Hence, why we do not believe that tapering could begin later this year and that QE would not be completely stopped by mid next year. We do not see a risk to the Fed funds to increase anytime soon, as that is conditional upon unemployment falling below 6.5% and inflation staying calm, for the foreseeable future. Less expansionary monetary policy in the US usually constitutes considerable headwind for US stocks, especially considering the recent 2 years of US equities performance.

The IMF had downgraded the GDP expectations for China, Brazil, Russia, India, and Germany in early June, adding towards a bleak and weakening Eurozone GDP, as the chart below shows



We do not see risks of a quick and concerted change in monetary policy for major Central Banks, despite the BIS today asking for such. The Bank of International Settlement says soaring bond yields across the world threaten trillions of US$ in losses for investors and a fresh financial crisis unless banks are braced for the possibility.

The global currency markets, and particularly emerging market's currencies have already reacted violently towards such possible change of monetary policies, possibly, but highly unlikely by the US FED, let's take a look at the following chart:



Additionally, this morning, the Indian rupee dipped to an all-time low against the US$ after the Federal Reserve signaled that it could start pulling back on its monetary stimulus later this year. The rupee fell as low as 59.93, down from its Wednesday close of 58.72. Four years ago, when the Fed launched QE programs were launched, it helped emerging markets, as investors were to pump cash into the economy has caused capital to flow into emerging markets. Investors have withdrawn money from emerging markets like India. The recent slide of the rupee signals India's dependence on those foreign capital inflows.

Emerging market bonds and stocks have seen similar sell-offs, with the cause simply being too high expectation of the beginnings of a global liquidity retrenchment. Contrary to before 2007, when capital flows went to emerging markets to take advantage of genuine economic growth. Money has been "pushed out" of the West by QE in the US by the FED and in Europe by the ECB's emergency stimulus in Europe, with liquidity washing through the global system.

So the expectations of changes in US monetary policy has already played havoc in emerging markets - the US and European financial markets are simply the last to respond to these expectations. Compared to the risks in emerging markets, China, Japan, the Eurozone and the US seem positively stable, yet the one cause that unites these risks (apart from the Eurozone crisis) is Fed tightening.

We are convinced that the currency ramifications of the "FED's recent tough talk" and its' consequences, a strengthening US$, against the most competitive nations' currencies as shown in the chart above, is simply something that the US economy cannot deal with. The US economy is still in weak state of GDP stabilization, and the impact of competitiveness loss to the US and its companies is just something the FED and the US politicians cannot jeopardize at the current economic moment of time.

We are advising our clients to "sell/short" the US$ index against most major currencies at current levels of (SUSD 82.59).

Economic news this week are expected to be mixed at best. Stronger than expected data reported in May will be difficult to beat when reported in June.

Earnings news are not expected to impact equity markets significantly this week. Most companies on both sides of the border have entered their "quiet period" when official corporate comments are sparse (unless the company feels compelled to report a significant anomaly in revenues and earnings in the second quarter i.e. an earning confession). Consensus second quarter earnings and revenues estimates show that, on average, earnings and revenues by major US and Canadian companies will be virtually unchanged relative to the same period of last year.

The word "tapering" will continue to impact equity and bond markets in both directions throughout the summer.

Intermediate technical indicators continue to trend lower. Short-term technical indicators are oversold, but have yet to show signs of bottoming. See next comment.

Seasonal weakness in the month of June once again has been confirmed. However, US equity markets also have a brief history of positive performance during the last two trading days in January and the first few trading days in July. Average gain by the S&P 500 Index during the past 63 periods was 0.8%. The trade was profitable 71% of the time. The trade is related to positive cash flow coming into equity markets at the beginning of the quarter plus lower than average volume by institutional investors during the holiday season. With short term technical indicators at oversold levels, possibilities of a profitable "Independence Day Holiday" trade are higher than average.

International events continue to impact on equity markets. Last week, news of a slow-down in China's economic growth as well as growing political tensions in Greece, Syria, Turkey, Iran and even Brazil had a significant impact on equity markets. Equity markets outside of North America (with the exception of the Nikkei Average) were significantly weaker than North American equity markets. Look for more of the same this week.

Weekly Investment Conclusion

An intermediate peak in equity markets around the world on May 22nd was confirmed last week by price breakdowns below key support levels for equity markets and most sectors. Intermediate downtrends have been established.

A short-term recovery from oversold levels into the first week in July will provide another opportunity to reduce equity positions.

Several sectors have a history of bottoming during the next four weeks including

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

However, none of these sectors are showing technical signs of bottoming yet.

Global Macro Commentary & Events

Upcoming Macro Events:

- **May Durable Goods Orders** to be released at 8:30 AM EDT on Tuesday are expected to increase 3.0% versus a gain of 3.3% in April**. Ex Transportation**, Orders are expected to fall 0.5% versus a gain of 1.5% in April
- **The April Case Shiller 20 City Home Price Index** to be released at 9:00 AM EDT on Tuesday is expected to slip on a year-over-year basis to 10.5% from 10.9% in March
- **June Consumer Confidence** to be released at 10:00 AM EDT on Tuesday is expected to slip to 74.9 from 76.2 in May.
- **May New Home Sales** to be released at 10:00 AM on Tuesday are expected to increase to 460, 000 from 454,000 in April
- **Third revision of first quarter annualized real GDP** to be released at 8:30 AM EDT on Wednesday is expected to remain unchanged at 2.4%.
- **Weekly Initial Jobless Claims** to be released at 8:30 AM EDT on Thursday are expected to fall to 345,000 from 354,000 last week
- **May Personal Income** to be released at 8:30 AM EDT on Thursday is expected to increase 0.2% versus no change in April. **May Personal Spending** is expected to increase 0.4% versus a gain of 0.2% in April
- **Canadian April Real GDP** to be released at 8:30 AM EDT on Friday is expected to increase 0.1% versus a gain of 0.2% in March.
- **June Chicago PMI** to be released at 9:45 AM EDT on Friday is expected to slip to 55.5 from 58.7 in May.
- **June Michigan Sentiment** to be released at 9:55 AM EDT on Friday is expected to slip to 82.6 from 82.7 in May.

Review of past macro-economic data:

Event	Actual	Forecast	Previous
NZD ANZ Consumer Confidence Index	**123.9**		123.7
NZD ANZ Consumer Confidence (MoM)	**0.20%**		3.80%
EUR Euro-Zone Current Account s.a. (euros)	**19.5B**		25.9B
EUR Euro-Zone Current Account n.s.a. (Euros)	**15.3B**		24.9B
CAD Consumer Price Index (YoY)	**0.70%**	0.90%	0.40%
CAD Bank Canada Consumer Price Index Core (MoM)	**0.20%**	0.30%	0.10%
CAD Core CPI s.a.	**0.00%**	0.10%	0.00%
CAD Consumer Price Index	**123**		122.7
CAD Retail Sales Less Autos (MoM)	**-0.30%**	0.00%	-0.30%
CAD Consumer Price Index (MoM)	**0.20%**	0.40%	-0.20%
CAD Bank Canada Consumer Price Index Core (YoY)	**1.10%**	1.20%	1.10%
CAD Consumer Price Index s.a. (MoM)	**0.10%**	0.20%	-0.40%
CAD Retail Sales (MoM)	**0.10%**	0.20%	0.00%

Asian Economies

Euro Economies

Business confidence rose in Germany in June, with the Ifo business-climate index climbing to 105.9 compared with a reading of 105.7 in May. Analysts' consensus stood at 105.9. The Ifo business-expectations index rose to 102.5 in June from 101.6 in May, while the current-conditions index slipped to 109.4 from 110.0. Although assessments of the current business situation are slightly less positive, firms are increasingly optimistic with regard to their future business outlook. The German economy holds its course.

US Economies

The number of active rigs in the US stood at 1,759, down by 12 from the previous week and down by 207 from the corresponding period one-year earlier, according to data published by the Baker Hughes Rig Count.

Meanwhile, the ECRI weekly index slid fractionally to 130.3 from 131.2 at the preceding reading and markets were still reacting to the comments made mid-week by Ben Bernanke, Chairman of the Federal Reserve.

US Market Commentary & Weekly Charts

The VIX Index spiked 1.75 (10.20%) last week.

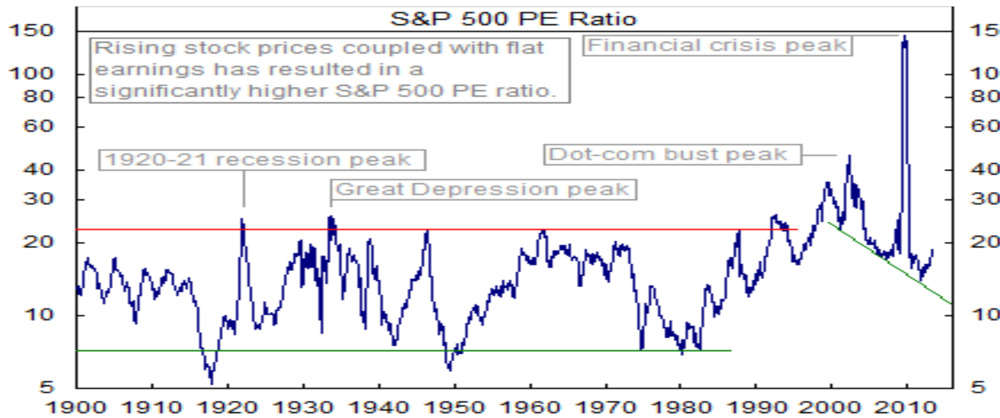
The VIX remains above its 20, 50 and 200 day moving averages.

Are equities subject to a rerating?

The price investors were willing to pay for a dollar of earnings increased during the dot-com boom (late 1990s), surged even higher during the dot-com bust (early 2000s), and spiked to extraordinary levels during the financial crisis (late 2000s).

Since the early 2000s, the PE ratio has been trending lower with the very significant but relatively brief exception that was the financial crisis.

More recently, the PE ratio has moved significantly higher and is fast approaching the low 20s -- a level around which several stock market rallies stalled (e.g. 1929, several from 1958 to 1972, and 1987).



As per prior publications, basically since we published our Q2 Global Strategy on March 31st 2013, we had been advising our clients to take profits in global equities, as we did see from our quantitative and technical research, that 2013 as of mid May, investors would be faced with a similar increase in risk aversion, and price volatility, with bias towards the downside.

Now, with the FED indicating a possible change of monetary policy not to distant, (we do not see the Fed's having the ability to withdraw within 2013, and possibly even further into 2014) as the reaction of currency markets, bond markets and global equities in the past 2 weeks has shown.

However, we do anticipate the current sell off in global equities to continue, as major technical support levels have been broken, and we can see an additional -5% to – 8 % correction in global indices to manifest itself, before that we would

advise our clients to re-enter positions, or add to existing positions.

The S&P 500 Index fell another 34.30 points (2.11%) last week.

Trend changed from up to down on a move below 1,598.23. The Index remains below its 20-day moving average and fell below its 50 day moving average.

Short-term momentum indicators are trending down.

Percent of S&P 500 stocks trading above their 50 day moving average plunged last week to 36.20% from 59.60%.

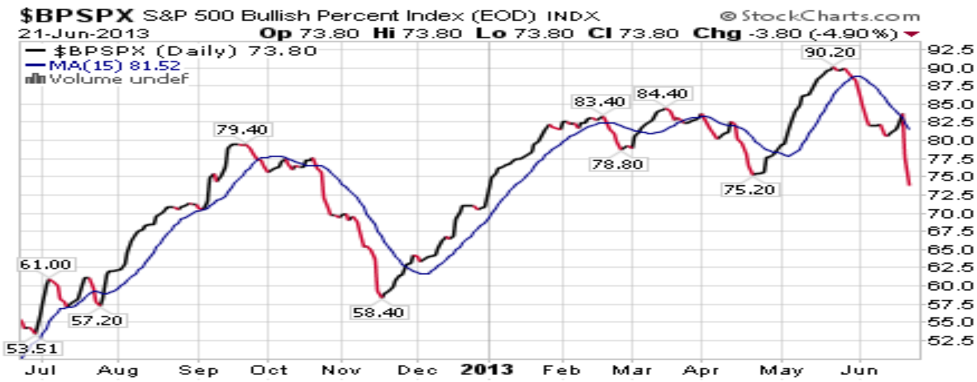
The index is intermediate oversold, but has yet to show signs of bottoming.

A recovery from below 25% will signal the next intermediate buy signal.

Percent of S&P 500 stocks trading above their 200 day moving average fell last week to 78.80% from 88.20%.

Bullish Percent Index for S&P 500 stocks plunged last week to 73.80% from 81.20% and remained below its 15 day moving average.

The Index remains intermediate overbought and trending down.



The Dow Jones Industrial Average fell another 270.78 points (1.80%) last week.

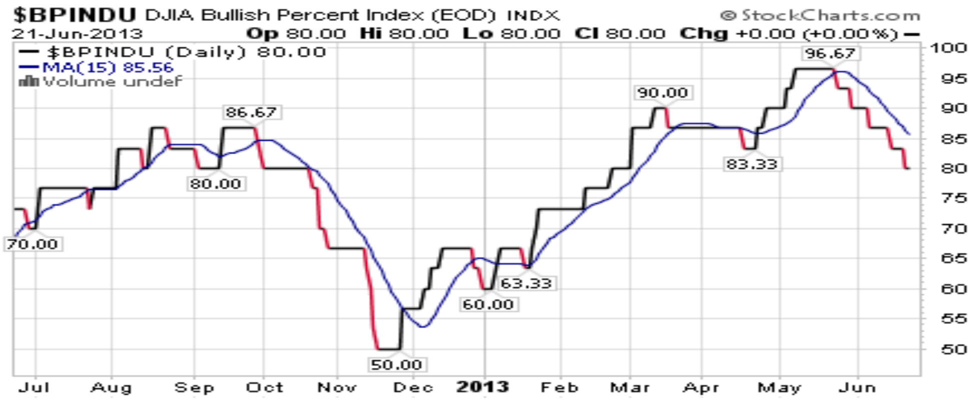
Trend changed from up to down on a move below 14,844.22. The Average remains below its 20 day moving average and dropped below its 50 day moving average.

Strength relative to the S&P 500 Index remains neutral. Technical score fell to 0.5 from 1.5 out of 3.0.

Short-term momentum indicators are oversold, but continue to trend down.

Bullish Percent Index for the Dow Jones Industrial Average stocks fell last week to 80.00% from 83.33% and remained below its 15 day moving average.

The Index remains intermediate overbought and trending down.



The Dow Jones Transportation Average dropped another 199.05 points (3.15%) last week.

Trend changed from up to down. The Average remains below its 20 day moving average and dropped below its 50 day moving average.

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

Short-term momentum indicators are trending down.

Bullish Percent Index for the NASDAQ Composite Index slipped last week to 66.00% from 67.19% and remains below its 15 day moving average.

The Index remains intermediate overbought and trending down.

The NASDAQ Composite Index fell 66.31 points (1.94%) last week.

Downtrend was confirmed on a move below 3,378.24. 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 neutral.

Short-term momentum indicators are trending down.

The Russell 2000 Index fell 17.70 points (1.80%) last week.

Downtrend was confirmed on a move below 963.88. 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 positive.

Short-term momentum indicators are trending down.

The S&P Energy Index fell 9.25 points (1.58%) last week.

Trend changed from up to down on a move below 580.64. 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 neutral.

Short-term momentum indicators are oversold.

The Philadelphia Oil Services Index lost 1.95 points (0.77%) last week.

Trend changed from neutral to negative on a move below 249.84. The Index remains below its 20-day moving average and fell below its 50 day moving average.

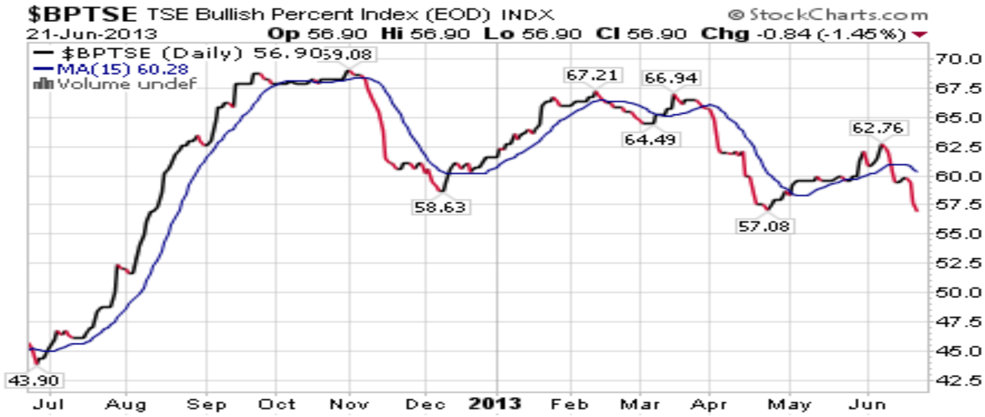
Strength relative to the S&P 500 Index improved from neutral to positive.

Short-term momentum indicators are neutral.

Canadian Markets Commentary & weekly charts

Bullish Percent Index for TSX Composite stocks dropped last week to 56.90% from 59.41% and remained below its 15 day moving average.

The Index remains in an intermediate downtrend.



The TSX Composite Index dropped another 191.70 points (1.57%) last week.

Trend remains down. A break below support at 11,916.64 will complete a head and shoulders pattern. The Index remains below its 20, 50 and 200 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.

Percent of TSX stocks trading above their 50 day moving average fell last week to 22.18% from 31.80%.

The index remains intermediate oversold, but has yet to show signs of bottoming.

A bottoming near current levels frequently occurs.

Percent of TSX stocks trading above their 200 day moving average dropped last week to 40.17% from 42.68%.

The index is oversold, but continues to trend down.

Asian Markets Commentary & weekly charts

The Nikkei Average added 543.61 points (4.28%) last week.

Trend remains neutral. The Average remains below its 20 and 50 day moving averages.

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

Short-term momentum indicators are trending up.

The Shanghai Composite Index plunged 88.94 points (4.11%) last week.

Trend remains down. The Index remains below its 20, 50 and 200 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 Australia All Ords Composite Index dropped 51.70 points (1.08%) last week.

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

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

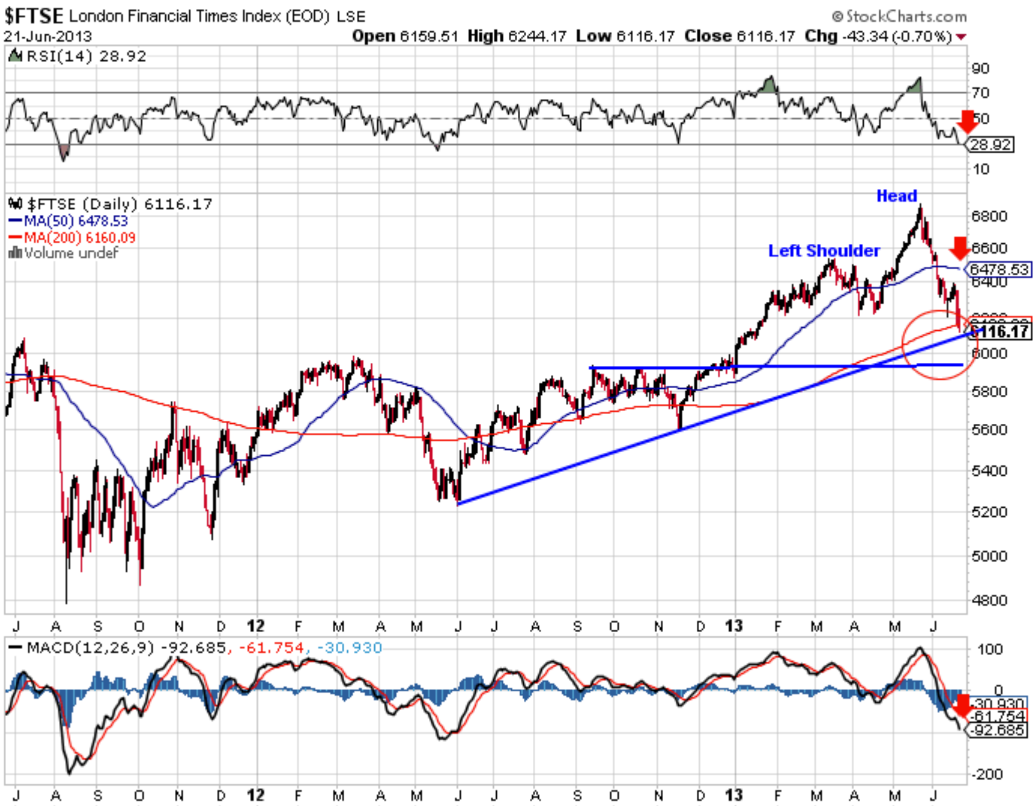
Short-term momentum indicators are recovering from oversold levels.

European Markets Commentary & weekly charts

The FTSE is at a critical level 200-daymva support, and also still just above the trend level of support since last year.

If the 200-daymva will not hold, the FTSE's next level could be down towards 5,935.

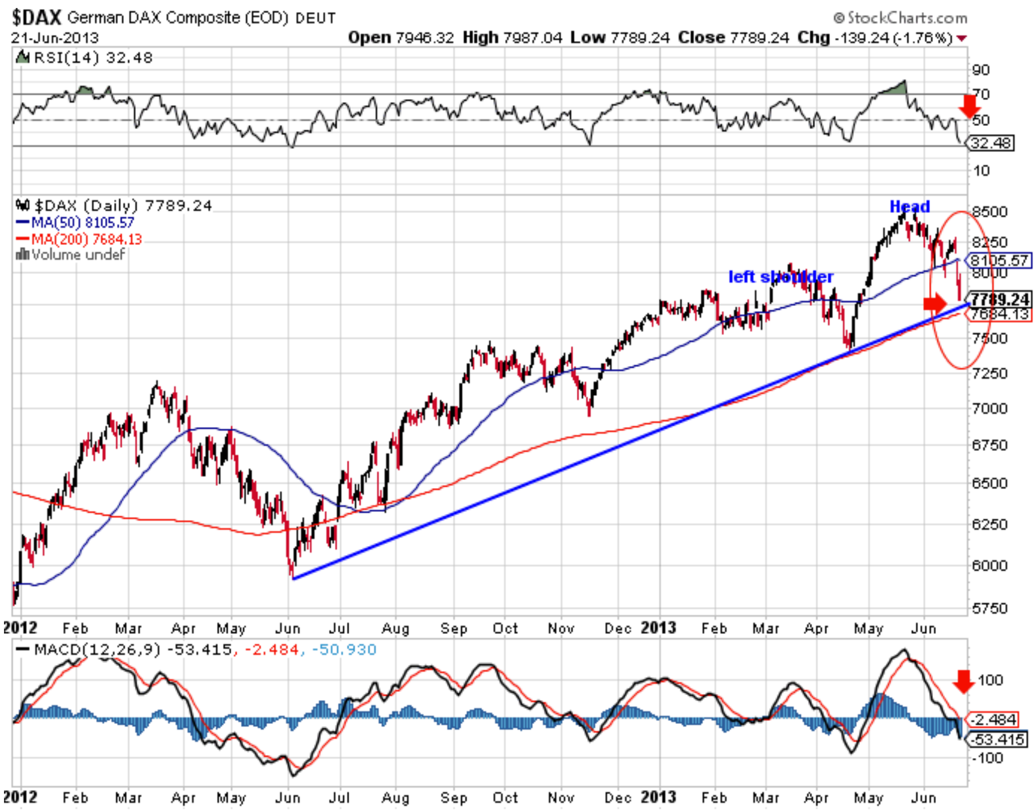
The formation of a head & shoulder pattern seems likely.



The DAX too is at a critical level 200-daymva support, and also still just above the trend level of support since last year.

If the 200-daymva will not hold, the DAX's next level could be down towards 7,450.

The formation of a head & shoulder pattern seems likely.



The CAC too is at a critical level 200-daymva support, and also still just above the trend level of support since last year.

If the 200-daymva will not hold, the DAX's next level could be down towards 3,600.

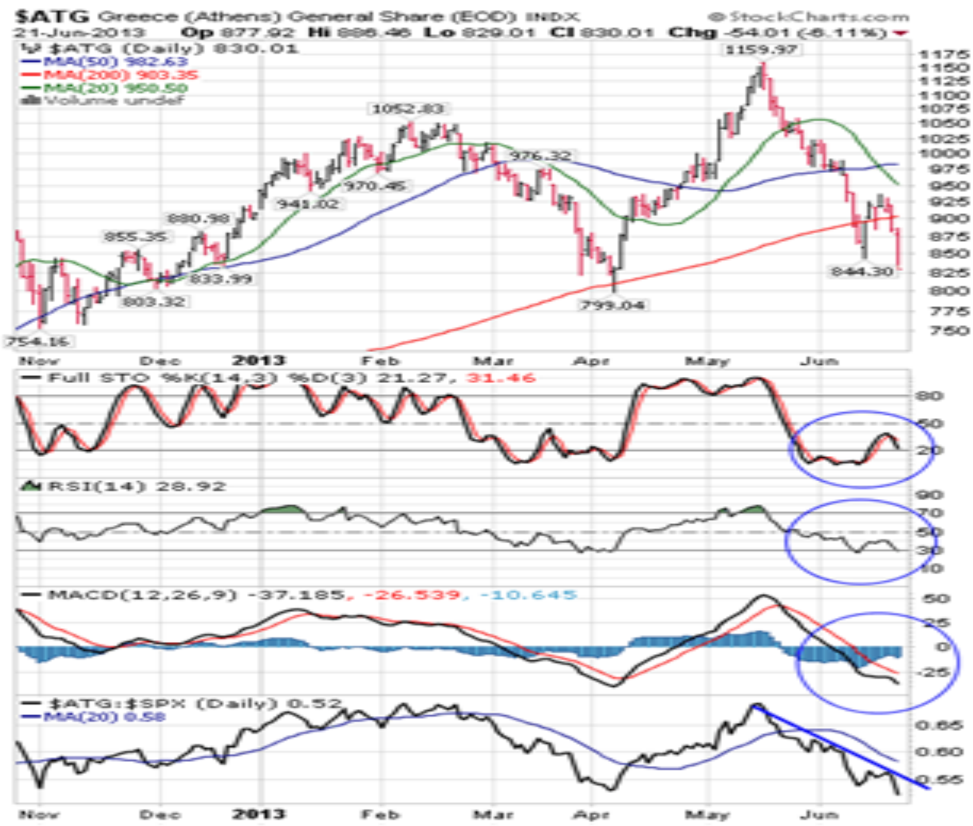
The formation of a head & shoulder pattern seems likely.

The Athens Index plunged another 89.10 points (9.69%) last week.

Trend remains down. The Index remains below its 20 and 50 day moving averages and dropped below its 200 day moving average.

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

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



Europe 350 iShares plunged $1.96 (4.72%) last week.

Trend changed from neutral to negative on a move below $41.12. Units remained below their 20-day moving average and fell below their 50 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.

Fixed Income Markets Commentary & weekly charts

EURO Bonds

German 10y	1.78	+0.05	2.98%
Italy 10yr	4.66	+0.06	1.40%
Spain 10yr	4.98	+0.11	2.22%
UK 10yr	2.46	+0.05	2.25%

US Bonds

The yield on 10 year Treasuries jumped 38.8 basis points (18.25%) last week.

Trend is up. Yield remains above its 20, 50 and 200 day moving averages.

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

The long term Treasury ETF fell $5.42 (8.77%) last week.

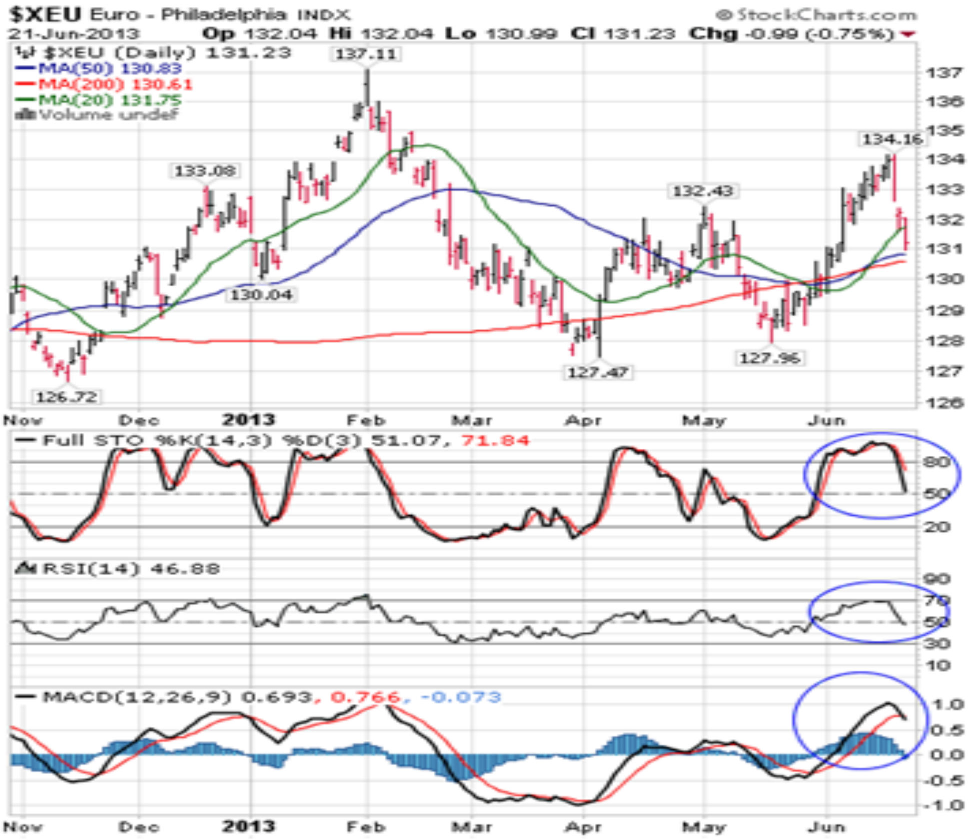
Trend remains down. Units remain below the 20, 50 and 200-day moving averages.

Currencies Commentary & weekly charts

The Euro dropped 2.23 (1.67%) last week.

The Euro dropped below its 20 day moving average.

Short-term momentum indicators are rolling over from overbought levels.



The US$ jumped 1.96 (2.43%) last week.

Trend remains neutral. The Dollar moved above its 20 and 50 day moving average.

Short-term momentum indicators are recovering from oversold levels.

The Japanese Yen dropped 4.25 (4.00%) last week.

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

Short-term momentum indicators have rolled over from overbought levels.

The C$ fell US2.67 cents (2.72%) last week.

An intermediate downtrend was confirmed on a move below 96.09.

The C$ fell below its 20 and 50 day moving averages.

Short-term momentum indicators are trending down.

Commodities Commentary & weekly charts

The CRB Index dropped 8.10 points (2.83%) last week mainly due to strength in the US$.

Downtrend was confirmed on a move below 280.17. The Index fell below its 20 and 50 day moving averages.

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

Short-term momentum indicators are trending down.

Copper fell $0.09 per ounce (2.82%) last week.

Intermediate trend changed from neutral to down on a move below $3.043. Copper remains below its 20, 50 and 200 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.

Lumber added $4.37 (1.52%) last week.

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

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

The Grain ETN gained $0.62 (1.22%) last week.

Uptrend was confirmed on a move above $52.80. Units remain below its 20-day MA.

Strength relative to the S&P 500 turned positive.

The Agriculture ETF lost $1.43 (2.71%) last week.

Downtrend was confirmed on a move below $51.43. Units remain below the 20 and 50-day moving averages and fell below its 200 day moving averages.

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

Gold & Precious Metals Commentary & weekly charts

Gold plunged $91.80 per ounce (6.61%) last week.

Intermediate downtrend was confirmed on a move below $1,321.50 per ounce. Gold remains below its 20, 50 and 200 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.

Silver plunged $1.91 per ounce (8.69%) last week.

Intermediate downtrend was confirmed on a move below $20.25. Silver remains below its 20, 50 and 200 day moving averages.

Strength relative to Gold remains negative and strength relative to the S&P 500 Index changed from positive to negative.

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

Platinum plunged $68.50 per ounce (4.74%) last week.

Trend changed from up to down on a move below $1,374.60. Platinum remains below its 20, 50 and 200 day MAs.

Strength relative to gold is neutral and relative to the S&P 500 remains negative.

Palladium plunged $53.70 per ounce (7.34%) last week.

Trend remains neutral. Palladium remains below its 20, 50 and 200 day MAs.

Strength relative to gold and SPX: negative.

Oil, Gas & Energy Commentary & weekly charts

Gasoline dropped $0.13 per gallon (4.50%) last week.

Trend remains neutral. Gasoline fell below its 20, 50 and 200 day moving averages.

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

Short-term momentum indicators are trending down.

Crude Oil lost US$ 3.77 per barrel (3.86%) last week due to strength in the US$.

Trend remains up. Crude fell below their 20 day moving average.

Strength relative to the S&P 500 Index remains positive despite crude oil weakness.

Short-term momentum indicators have rolled over from overbought levels.

Natural Gas added $0.04 per MBtu (1.06%) last week.

Trend remains down. Gas remains below its 20 and 50 day moving averages.

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

Short term momentum indicators have recovered to neutral levels

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