



# Creative Global Investments

## Morning Market Commentary & Weekly Charts

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Objectivity

Integrity

Creativity

### Facts and Reality about currencies and trade deficits and current account deficits

The US trade deficit increased in May to the highest level in six months as a weak global economy depressed US export sales while imports of autos and other nonpetroleum products hit an all-time high. The trade deficit rose to US\$ 45 billion in May, up 12.1% from April's US\$ 40.1 billion imbalance, the Commerce Department reported Wednesday. It was the largest trade gap since November.

Exports slipped 0.3% to US\$ 187.1 billion as sales of American farm products dropped to the lowest point in more than two years. US exports have not only been hurt by recessions in many European countries, but also by the recent temporary strength of the US\$ versus the Euro. For May, exports to the 27-nation European Union were up 6.4% but over the past five months exports to Europe are down 6.3% compared to the same period in 2012. Exports of US-made autos and auto parts also set a record in May of US\$ 13.1 billion but exports of farm products fell to \$9.8 billion, the lowest level since September 2010 with shipments of wheat, soybeans and corn all down.

Imports rose 1.9% to US\$ 232.1 billion with nonpetroleum imports hitting a record high. The trade deficit is running at an annual rate of US\$ 501.2 billion, 6.3% lower than last year's total of US\$ 534.7 billion. Imports of foreign-made autos and auto parts jumped 3.1% to a record of US\$ 26 billion in May while petroleum imports were up 4.4% to US\$ 30.9 billion.

A wider trade gap can restrain growth because it means US consumers and businesses are spending more on foreign goods than US companies are taking in from overseas sales. That growth has helped fuel more spending by consumers on domestic and imported goods.

The US deficit with China jumped 15.6% to US\$ 27.9 billion in May; close to the all-time monthly high set last November. So far this year, the US deficit with China, the largest with any country, is running 3% higher than last year. The United States and China will hold high-level talks in Washington next week, seeking to resolve differences in such areas as cyber-security, theft of intellectual property and China's currency policies. US manufacturers contend China is manipulating its currency to gain trade advantages.

We gauge that trade was likely neutral in the April-June quarter after subtracting slightly from growth in the January-March quarter. The US economy expanded at only a 1.8% annual rate in the first three months of the year, the Commerce Department said last week. That was much slower than its previous estimate of a 2.4% rate.

Economic growth remained tepid in the April-June quarter. We keep estimates of Q2 GDP of 1.5%, versus consensus range between a rate of 1.5% and 2%, and for 2H growth may rebound somewhat, as the impact of the spending cuts and tax increases begins to wear off.

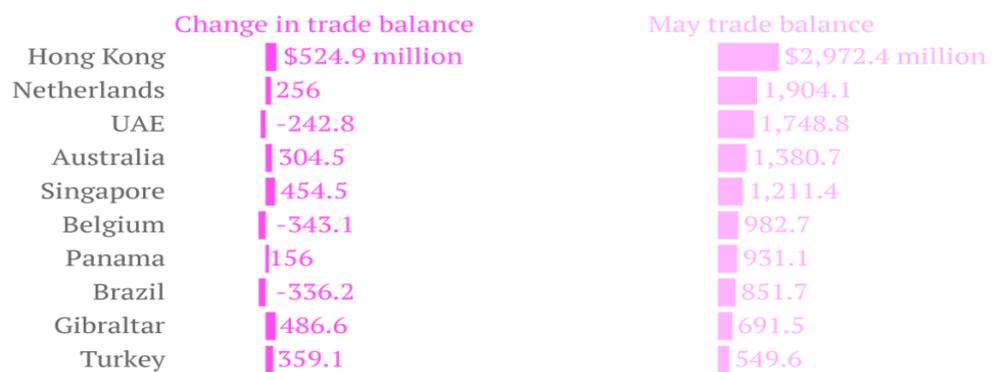
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Slower growth overseas has weighed on US manufacturing this year. But several reports show factories are starting to see some improvement. The Institute for Supply Management reported that manufacturing activity grew in June after shrinking in April. And the Commerce Department said orders to US factories rose in May, helped by the third straight month of stronger business investment.

A housing recovery and steady job growth have helped offset the weakness in manufacturing. And the Federal Reserve last month said that it expects growth to strengthen in the next year.

The US Census Bureau announced Friday that the US trade deficit increased US\$ 5 billion in May to US \$45 billion. The deficit widened on smaller exports of US consumer goods and larger imports of industrial materials, consumer goods, and automobiles.

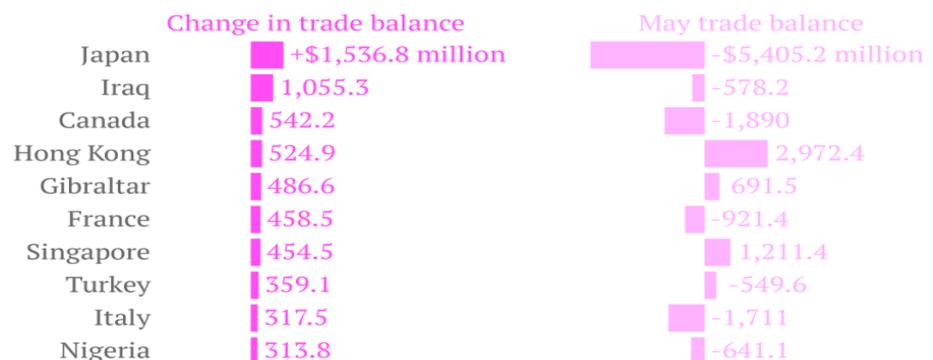
**US's largest trade surpluses**



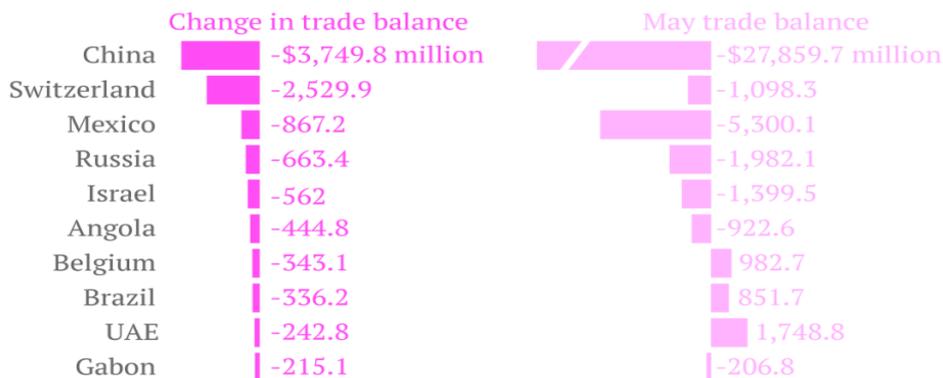
**US's largest trade deficits**



**Largest shift towards surplus**



**Largest shift towards deficit**



**Largest trade volume increase**



**Largest trade volume decrease**



## Global Macro Commentary & Events

### Upcoming Macro Events:

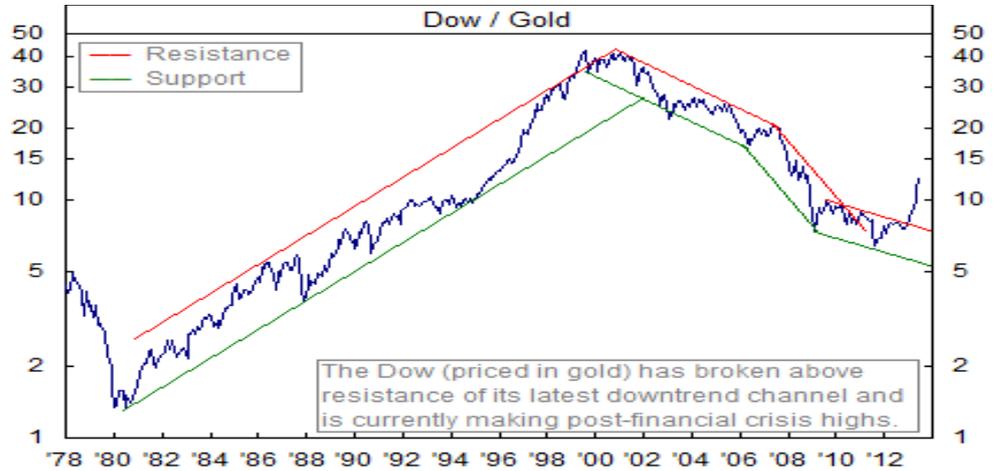
- **FOMC Meeting Minutes** to be released at 2:00 PM EDT on Wednesday
- **Bernanke is scheduled to speak** at 4:00 PM EDT on Wednesday
- **Weekly Initial Jobless Claims** to be released at 8:30 AM EDT on Thursday are expected to increase to 345,000 from 343,000 last week.
- **June Producer Prices** to be released at 8:30 AM EDT on Friday are expected to increase 0.3% versus a gain of 0.5% in May. **Excluding Food and Energy**, June PPI is expected to increase 0.1% versus a gain of 0.1% in May.
- **July Michigan Sentiment Index** to be released at 9:55 AM EDT on Friday is expected to increase to 84.8 from 84.1 in June.

### Review of past macro-economic data:

## US Market Commentary & Weekly Charts

The chart below illustrates how it currently takes approximately 12.5 ounces of gold to 'buy the Dow'; well off the 44.8 ounces it took back at its peak in 1999. Priced in gold, the Dow had been in a massive 13-year bear market. However, back in the summer of 2011, gold peaked while the Dow continued to rally. The DJIA, when priced in gold is currently well off its dot-com record highs, it has been on a tear as of late.

The current rally in the DJIA has resulted in a break above resistance of its latest downtrend channel as well as new post-financial crisis highs.



The VIX Index fell 1.97 (11.68%) last week.

The Index remains below its 20 day moving average and fell below its 50 and 200 day moving averages on Friday.



The S&P 500 Index added 25.61 points (1.59%) last week.

Trend remains down. Support is forming at 1,560.33. Resistance is at 1,654.19 and 1,687.18. The Index moved above its 20 and 50 day moving averages on Friday.

Short-term momentum indicators are trending up.



Percent of S&P 500 stocks trading above their 50 day moving average increased last week to 58.60% from 46.40%.

The index is trending up, but already has reached an intermediate overbought level.



Percent of S&P 500 stocks trading above their 200 day moving average was unchanged last week at 84.40%.

The index remains intermediate overbought.



Bullish Percent Index for S&P 500 stocks increased last week to 70.60% from 69.00% and remained below its 15 day moving average.

The Index remains intermediate overbought and trending down.



The Dow Jones Industrial Average gained 226.24 points (1.52%) last week.

Trend remains down. Support has formed at 14,551.27. Resistance is at 15,340.09.

The Average moved above its 20 and 50 day moving averages on Friday.

Strength relative to the S&P 500 Index remains neutral. Short-term momentum indicators are trending up.



Bullish Percent Index for Dow Jones Industrial Average stocks increased last week to 80.00% from 76.67% and moved above its 15 day moving average.

The Index remains intermediate overbought and is trending down.



The Dow Jones Transportation Average gained 116.10 points (1.88%) last week.

Trend remains down. Support is at 5,952.18 and resistance is at 6,397.88. The Average moved above its 230 and 50 day moving averages on Friday.



Strength relative to the S&P 500 Index remains neutral. Short-term momentum indicators are trending up.

Bullish Percent Index for NASDAQ Composite stocks increased last week to 66.00% from 64.54% and moved above its 15 day moving average.

The Index remains intermediate overbought and trending down.



The NASDAQ Composite Index gained 76.13 points (2.24%) last week.

Trend remains down. Support has formed at 3,294.95 and resistance is at 3,488.31. The Index moved above its 20 and 50 day moving averages.

Strength relative to the S&P 500 Index remains positive. Short-term momentum indicators are trending up.



The Russell 2000 Index increased 27.91 points (2.86%) last week.

Trend changed from down to neutral on Friday on a move above 1,001.49. Support is at 942.79 and resistance is at 1,008.23.

The Index moved above its 20 day moving average.

Strength relative to the S&P 500 Index remains positive. Short-term momentum indicators are trending up.



The S&P Energy Index added 11.05 points (1.91%) last week.

Trend remains down. The Index moved above its 20 day moving average on Friday.

Strength relative to the S&P 500 Index improved from negative to neutral. Short-term momentum indicators are trending up.



The Philadelphia Oil Services Index added 8.10 points (3.20%) last week.

Trend changed from down to neutral on a move above 260.62. The Index moved above its 20 and 50 day moving averages.

Strength relative to 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 56.07% from 55.65% and remained below its 15 day moving average.

The Index remains intermediate overbought and trending down.



The TSX Composite Index added 5.80 points (0.05%) 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 trending up.



Percent of TSX stocks trading above their 50 day moving average increased last week to 37.66% from 33.47%.

The index continues to recover from an intermediate oversold level.



Percent of TSX stocks trading above their 200 day moving average slipped last week to 43.51% from 44.35%.

The index is recovering from an intermediate oversold level.



### Asian Markets Commentary & weekly charts

The Nikkei Average gained 632.65 points (4.63%) last week.

Trend remains neutral. Support is at 12,415.85 and resistance is at 15,942.60. The Average remains above its 20 day moving average and moved above its 50 day moving average.

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



The Shanghai Composite Index added 27.99 points (1.41%) last week.

Trend remains down. Support has formed at 1,849.65. 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 trending up.



The Australia All Ords Composite Index gained 51.00 points (1.07%) last week.

Trend remains neutral.  
Support is at 4,610.60.  
The Index moved above its 20 and 200 day moving averages.

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



### European Markets Commentary & weekly charts

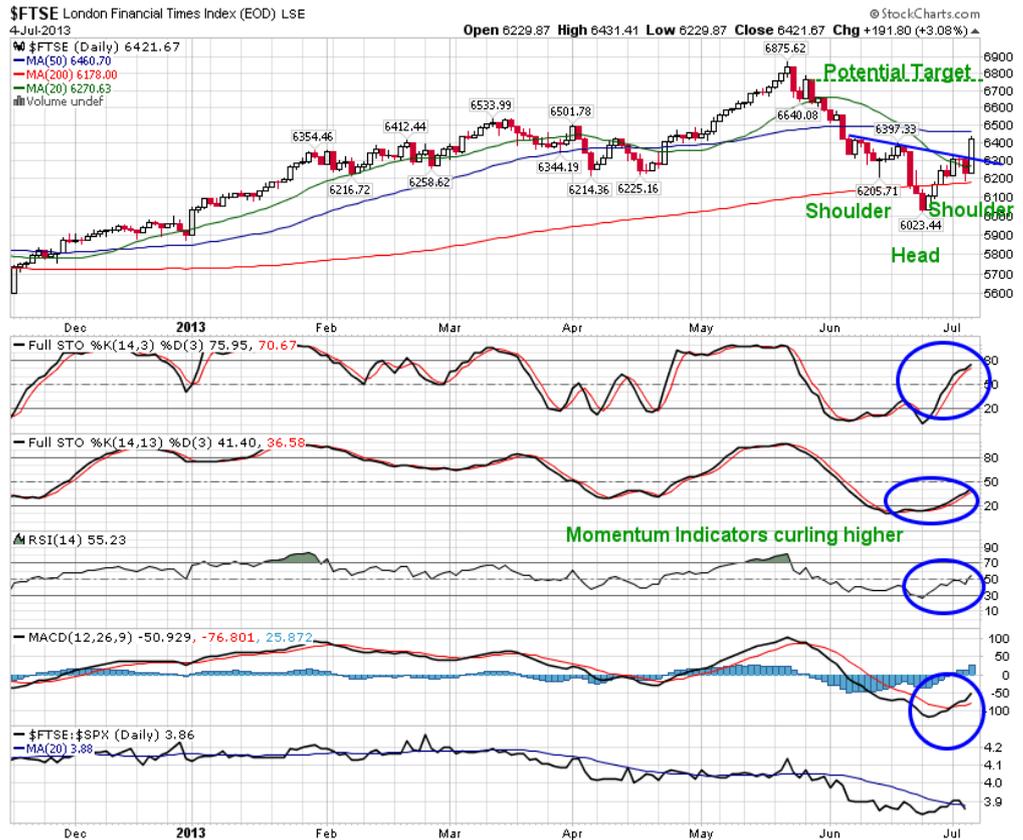
European equities are oversold, and particularly paired with the recent 6% decline of the Euro versus the US\$, we are seeing technical evidence that a bounce in the FTSE and some of the major European indices fuelled by central bank accommodation may be upon us.

A reverse head-and-shoulders pattern is also evident on the chart of the FTSE with upside implications just shy of the previous peak at 6875.

From a seasonal perspective, the FTSE tends to outperform US benchmarks, such as the S&P 500, in July and August. Average gain over the last 20 years for the London benchmark in July and August is 1.1% and 0.6%, respectively.

London's leading shares started the week stronger today, after Friday's better than expected US nonfarm payrolls number and as focus turns to European Central Bank President Mario Draghi's speech to European Parliament.

The FTSE is showing early signs of changing trend with a break above the last short-term high around 6400. Momentum indicators are showing early signs of curling higher.



Europe 350 iShares added 0.17 (0.44%) last week.



Trend remains down. Support is at \$37.77. Units remain below their 20 and 50 day moving averages.

Short-term momentum indicators are trying to recover from oversold levels.

The Athens Index fell 6.65 points (0.78%) last week.

Downtrend was confirmed on a move below 799.04. 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 and showing early signs of bottoming.



## Fixed Income Markets Commentary & weekly charts

### EURO Bonds

|            |      |       |       |
|------------|------|-------|-------|
| German 10y | 1.72 | -0.00 | 0.25% |
| Italy 10yr | 4.38 | -0.04 | 1.01% |
| Spain 10yr | 4.59 | -0.03 | 0.65% |
| UK 10yr    | 2.49 | +0.00 | 0.07% |

### US Bonds

The yield on 10 year Treasuries gained 23.7 basis points (9.56%) last week with more than all of the gain occurring on Friday.

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 price of the long term Treasury ETF dropped \$4.18 (3.78%) last week. Units remain below the 20, 50 and 200-day moving averages



### Currencies Commentary & weekly charts

The Euro dropped 1.80 (1.38%) last week.

Most of the Euro's drop occurred on Friday. The Euro remains below its 20, 50 and 200 day moving averages.

Short-term momentum indicators are oversold, but have yet to show signs of bottoming, however, we are expecting for the EUR/US\$ to grind back towards 1.3450 level over the coming 60 days.



The US\$ jumped 1.30 (1.56%) last week with most of the gain coming on Friday.

The US\$ broke to a three year high on Friday on a move above 84.60. The US\$ remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought and we see the US\$ peaking at current 85.50 level, and move back towards the 78.50 level in the coming 6 weeks.



The Japanese Yen fell 1.85 (1.84%) last week.

The Yen remains below its 20, 50 and 200 day moving averages.

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

We maintain our year-end 2013 US\$/Yen price target of 112.



The C\$ lost another US 0.55 cents (0.58%) last week.

Trend remains down. The C\$ remains below its 20, 50 and 200 day moving averages.

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



### Commodities Commentary & weekly charts

The CRB Index added 5.10 points (1.85%) 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 recovering from oversold levels.



Copper added \$0.01 per lb. (0.33%) last week.

Trend remains down. 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 recovering from oversold levels.



Lumber added \$8.27 (2.77%) last week.

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

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



The Grain ETN fell another \$1.06 (2.18%) last week.

Trend remains down. Units remain below the 20, 50 and 200 day MAs.

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



The Agriculture ETF added \$0.11 (0.21%) last week.

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

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

Short-term momentum indicators are trying to recover from oversold levels.



## Gold & Precious Metals Commentary & weekly charts

Gold fell \$19.40 per ounce (1.23%) last week.

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

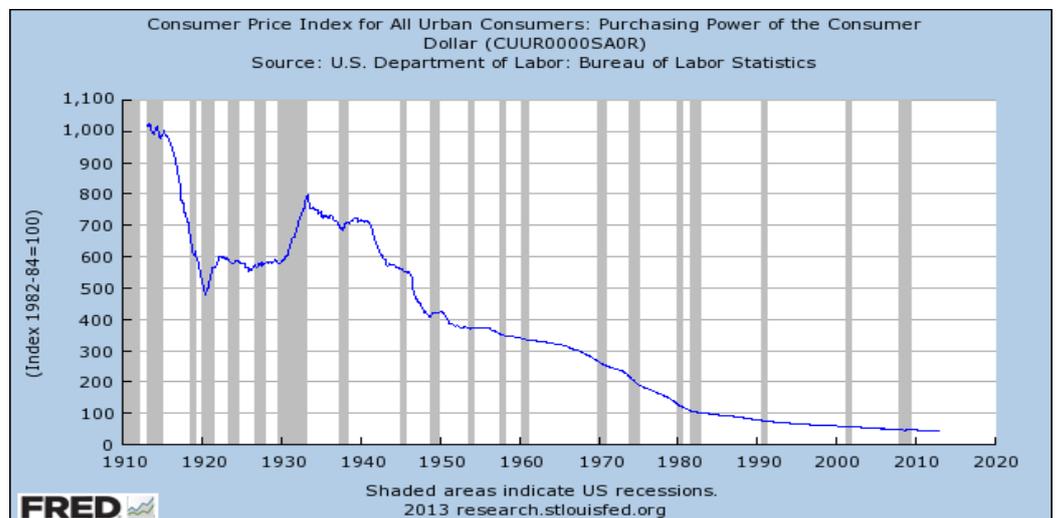
Short-term momentum indicators are trying to recover from oversold levels.

Gold prices are now close to production costs, which range between US\$ 1,000 - US\$ 1,100 an ounce for most mining companies around the world.

Investors should now buy gold at or near the price it would cost a mining company to get it out of the ground, hence why we are advising our clients to buy Gold now.



Any further falls in prices will cause miners to cease production and/or stop opening new mines. Supply will have a harder time keeping up with demand. The US\$ has been stronger over the past 3 weeks, which means for investors they can get more ounces of gold for the money. The printing of US\$ by the government has devalued the US\$ for the long term, and will continue to do so. When, as now, there is a small window of strength in the US\$, investors should take this rare opportunity to buy gold. Now is that time. Since the inception of the FED in 1913, the US\$ has lost 96 percent of its value to buy goods and services. Gold is now, as always, a core asset that is essential in a political, economic or personal crisis.



Silver lost another \$0.82 (4.19%) last week.

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

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

Short-term momentum indicators are trying to recover from oversold levels.



Platinum fell \$14.80 per ounce (1.10%) last week.

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

Strength relative to the S&P 500 remains negative, but strength relative to Gold remains positive.



Palladium added \$23.55 per ounce (3.60%) last week.

Palladium remains below its 20, 50 and 200 day moving averages.

Strength relative to Gold remains positive



### Oil, Gas & Energy Commentary & weekly charts

Gasoline gained \$0.18 per gallon (6.62%) last week.

Trend remains neutral, but turns positive on a move above \$2.92. Gasoline 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.



Crude Oil gained \$6.63 per barrel (6.86%) last week despite strength in the US\$.

Intermediate uptrend was confirmed on a move above \$100.42 to reach a 15-month high. 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 overbought, but have yet to show signs of peaking, we maintain our 2013 price target for WTI at US\$108.



Natural Gas added \$0.04 (1.12%) last week.

Trend remains down.  
Gas 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.



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