Creative Global Investments

Morning Market Commentary & Weekly Charts

Wednesday, July 31st, 2013

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Objectivity

Integrity

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Global equity market observations for August

Equity markets have just completed a traditional period of strength from the last week in June to the third week in July. Since the low on June 24th, gains have been extraordinary. **Historically, the month of August has been cruel to equity investors. August during the past 62 periods is the fourth worst performing month of the year for the S&P 500 Index, third worst for the TSX Composite Index and Dow Jones Industrial Average and second worst for the NASDAQ Composite Index. Weakest part of the month occurs in the first half. Worst performing country in the month of August, of the established international equity markets, is the German DAX, posting an average decline of -2.0% over the past 20 years; positive returns remained evident more times than not with only 8 of the past 20 periods ending with a loss.**

Best performing country is the United Kingdom with the FTSE posting an average gain of 0.8% in the month of August, positive 14 of the past 20 years.

From an average seasonal perspective, the Dow Jones Industrial Average punches out a flat return between now and mid-September:

Consumer discretionary, materials, and industrials act as a drag on the broad market between now and the Fall. Weakest sectors were Telecom, Materials and Consumer Discretionary. Average decline per period for the S&P 500 Index was 1.1%.

Sectors with traditional positive seasonality are the exceptions. Only one sector, utilities have recorded an average gain per period during the past 21 Augusts.

Best performing subsectors during the past 21 periods were Biotech and Gold bullion. Worst performing sectors were Steel, Transportation, Railroads and Chemicals. Gold, gold equities, biotech and utilities are bucking the trend by moving higher as well as outperforming equity indices However, the presidential (4-year) and 7-year seasonal cycles suggest something more detrimental starting as soon as the beginning of August.

During post-election years, averages show that the Dow tends to decline between the beginning of August and the end of October, resulting in an average loss of approximately 4, relinquishing a sizeable portion of the year to date returns. An even greater loss of approximately 6% is the norm during the seven-year cycle, although the negative trend doesn't customarily begin until September, running through to November. In each cycle model, strong gains through the first seven months of the year are typical leading into this contractionary period for equity indices, during which declines encapsulating at least half of the year-to-date returns are the average outcome. With this year's equity market performance resembling the above average performance depicted through the month of July in each of the models, concern grows that the remaining five months of the year may also prove to be similar, meaning that a sizeable pullback may be near. Markets typically end the year with below-average annual returns during post-election years, which annual returns are typically above average during this period in the seven-year cycle.

Global Macro Commentary & Events

Upcoming Macro Events:

- German Retail Sales for June will be released at 2:00am EST. The market expects a year-over-year increase of 0.5% versus an increase of 0.4% previous.
- German Unemployment Rate for July will be released at 3:50am EST. The market expects no change at 6.8%.
- Euro-Zone Flash CPI for July will be released at 5:00am EST. The market expects a year-over-year increase of 1.6%, consistent with the previous report.
- Euro-Zone Unemployment Rate for June will be released at 5:00am EST. The market expects no change at 12.2%.
- Canadian Monthly GDP for May will be released at 8:30am EST. The market expects a year-over-year increase of 1.6% versus an increase of 1.4% previous.
- China Manufacturing PMI for July will be released at 9:00pm EST. The market expects 49.8 versus 50.1 previous.
- ADP Employment Report for July will be released at 8:15am. The market expects 179,000 versus 188,000 previous.
- Priliminary Gross Domestic Product for the Second Quarter will be released at 8:30am. The market expects a quarter-over-quarter increase of 1.1% versus an increase of 1.8% previous.
- Employment Cost Index for the Second Quarter will be released at 8:30am. The market expects a quarter-over-quarter increase of 0.4% versus an increase of 0.3% previous.
- Chicago PMI for July will be released at 9:45am. The market expects 54.0 versus 51.6 previous.
- Weekly Crude Inventories will be released at 10:30am.
- FOMC Meeting Announcement will be released at 2:00pm. The market expects no change in rates at 0.25%.

Past date review

Event	Actual	Forecast	Previous
JPY Small Business Confidence	**49.4**		49.6
EUR German GfK Consumer Confidence Survey	**7**	6.9	6.8
EUR Spanish GDP (QoQ)	**-0.10%**	-0.10%	-0.50%
EUR Spanish GDP (YoY)	**-1.70%**	-1.80%	-2.00%
EUR Euro-Zone Economic Confidence	**92.5**	92.5	91.3
EUR Euro-Zone Industrial Confidence	**-10.6**	-10.2	-11.2
EUR Euro-Zone Consumer Confidence	**-17.4**	-17.4	-17.4
EUR Euro-Zone Business Climate Indicator	**-0.53**	-0.54	-0.67
EUR Euro-Zone Services Confidence	**-7.8**	-8.9	-9.6
EUR German Consumer Price Index – EU Harmonized (MoM)	**0.50%**	0.30%	0.10%
EUR German Consumer Price Index (MoM)	**0.40%**	0.30%	0.10%
EUR German Consumer Price Index (YoY)	**1.90%**	1.70%	1.80%
EUR German Consumer Price Index – EU Harmonized (YoY)	**1.90%**	1.80%	1.90%
CAD Industrial Product Price (MoM)	**0.30%**	0.20%	0.00%
CAD Raw Materials Price Index (MoM)	**0.30%**	0.50%	0.20%
USD S&P/CS 20 City s.a. (MoM)	**1.05%**	1.40%	1.73%
USD S&P/Case-Shiller Composite-20 (YoY)	**12.17%**	12.40%	12.09%
USD S&P/Case-Shiller Home Price Index	**156.14**		152.42
USD Consumer Confidence	**80.3**	81.3	82.1
GBP GfK Consumer Confidence Survey	**-16**	-19	-21
JPY Nomura/JMMA Manufacturing Purchasing Manager Index	**50.7**		52.3

Euro Economies

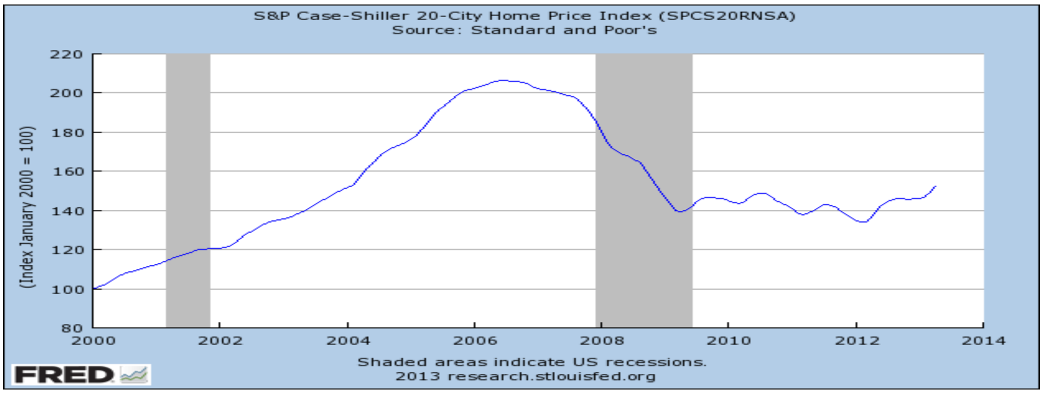
The European Union's unemployment rate fell in June for the first time in almost two-and-a-half years, a sign that a long deterioration in the bloc's jobs market may be coming to an end as the economy stabilizes. The number of jobless people in the countries that use the euro also fell, albeit modestly, for the first time in two years. Eurostat, the EU's official statistics agency, said today that 10.9% of the work force in the 27 nations that then formed the EU were unemployed in June, down from 11.0% in May. That is the first fall in the jobless rate since January 2011. The number of unemployed in the 17 euro-zone countries edged down to 19.27 million from 19.29 million, the first decline--albeit a modest one--since April 2011. The fall wasn't sufficient to move the jobless rate overall, which held firm at 12.1%--it's highest on record--for the fourth straight month. Signs that unemployment may be peaking in the EU and the 17 nations that use the euro add to recent evidence from consumer and business surveys that the region's economy has stabilized in the middle of the year, and could gather some momentum in the months to come. We still see any recovery to be weak in the near term, and beset by uncertainty due to problems in the euro zone in particular.

German retail sales unexpectedly slumped in June, official data showed Wednesday, as the extreme rainfall at the beginning of the month kept some shoppers away from the high street. Retail sales in June dropped 1.5% on the month, fully erasing gains made in April and May and marking the sharpest monthly drop since December 2012, data from the Federal Statistics Office showed. The numbers are inflation-adjusted and also consider calendar effects. German Economics Minister Philipp Roesler said that "private consumption remains a reliable pillar that will ensure a further pickup in economic growth in the course of the year.

US Economies

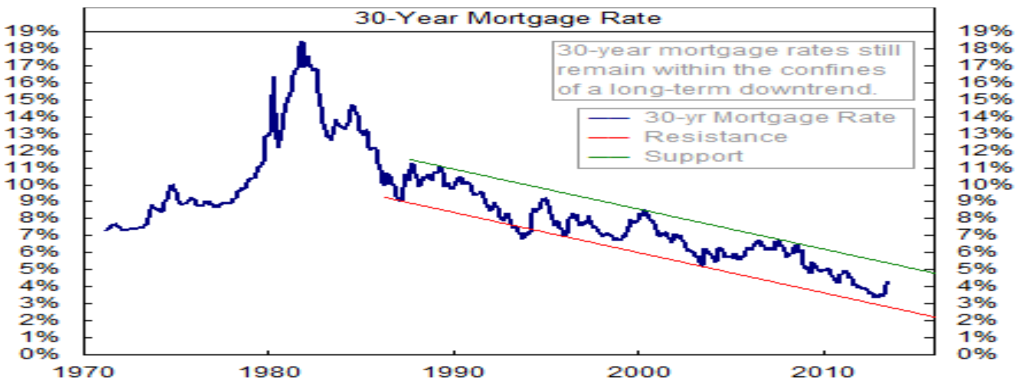
US Housing & Interest Rates & Equity markets

The US Housing market, most individual's largest asset, has been recovering. Rising house prices have historically had the greatest economic effect on an individual's feeling of wealth. The US Housing market resurgence, most importantly recognized, and deservedly supported early on in the past financial crisis by the necessary Federal Reserve actions, has been undoubtedly bullish. Record-low interest rates and tight inventories coupled with real house prices at early 2000s levels have greatly enhanced affordability. **However, we do see price gains likely to slow, possibly even reverse over the next two years as inventory returns to the market, and as we are expecting for interest rates continue to rise.**



While the 30-year mortgage rate still rests well within the confines of its 27-year downtrend channel, it's worth noting that the last two times mortgage rates reached the top end of its downtrend channel (green line), the stock market followed with a major decline (i.e. dot-com bust and financial crisis).

The 42-year trend of 30-year mortgage rates (thick blue line) has been rising significantly as of late. This is largely due to improving US economy as well as the potential of the Fed to begin tapering its quantitative easing as early as September. The 30-year mortgage rate has increased over 80 basis points during the past three months, the largest three-month increase since 2004.



US Equities Market Commentary

Stocks ended around the flat-line yesterday as investors await a number of economic data points, as well as the FOMC announcement, on Wednesday.

The technology heavy NASDAQ ended half a percent higher, fuelled by gains in Facebook and Apple, both of which appear to be rebounding from the lows of the year. Apple seasonally performs well between now and the middle of September, outperforming the S&P 500 by approximately 14%, on average.

Over the last 20 years, the NASDAQ Composite has managed to avoid the average negative monthly returns that plague equity benchmarks between now and the end of October as stocks like Apple receive a "back-to-school" bump. Average return for the tech heavy benchmark in the month of August is 0.2%, positive in 12 of the past 20 years.

Monthly Average Returns for the NASDAQ Composite:

Monthly Averages over past 20 years:

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
% Return	1.7%	-1.1%	0.9%	1.7%	0.5%	1.1%	0.2%	0.2%	0.0%	2.2%	1.3%	2.0%
Gain Frequency	65%	40%	70%	60%	60%	60%	50%	60%	65%	60%	65%	55%
Max Return	13.7%	18.0%	11.5%	15.6%	10.6%	16.1%	10.1%	11.2%	12.8%	13.3%	13.6%	20.1%
	1999	2000	2009	2001	1997	2000	1997	2000	1998	2002	2001	1999
Min Return	-10.1%	-24.6%	-14.5%	-14.5%	-11.4%	-9.6%	-8.9%	-21.5%	-17.9%	-16.9%	-24.8%	-9.9%
	2008	2001	2001	2000	2000	2002	1996	1998	2001	2008	2000	2002

With July coming to a close and August about to begin, a discussion of the returns for the major equity benchmarks seems appropriate. Looking at the S&P 500, performance for the month of August is the second worst return of the year; the average loss for the large cap index in the 8th month of the year is 0.5%.

However, losses are not as frequent as what the average decline portrays. The benchmark has declined in only 8 of the last 20 August's. Average returns are swayed by a 15.3% plunge in the benchmark in August of 1998, which stripped away the bulk of the year's stellar return.

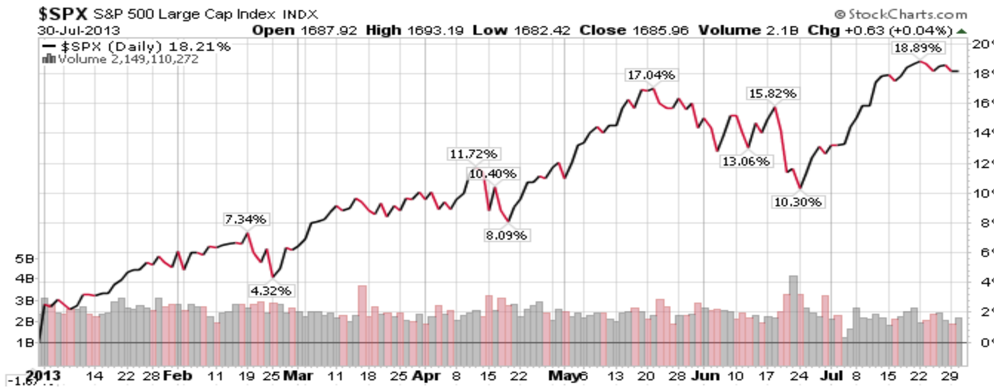
The S&P 500 was up a whopping +22% through the first seven months of 1998. A number of similarities can be drawn to the significant move recorded 15 years ago versus the results realized thus far this year.

Monthly Average Returns for the S&P 500 Index:

Monthly Averages over past 20 years:

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
% Return	0.4%	-0.6%	1.5%	2.0%	0.5%	-0.2%	0.3%	-0.5%	-0.2%	1.6%	1.4%	1.5%
Gain Frequency	65%	55%	70%	70%	60%	65%	45%	60%	55%	65%	65%	80%
Max Return	6.0%	6.9%	9.6%	9.4%	5.8%	5.4%	7.6%	5.9%	8.5%	10.6%	7.4%	6.4%
	1997	1998	2000	2009	1997	1999	1997	2000	2010	2011	2001	2010
Min Return	-8.4%	-11.1%	-6.3%	-6.2%	-8.2%	-8.8%	-7.5%	-15.3%	-11.3%	-15.7%	-8.2%	-6.1%
	2009	2009	2001	2002	2010	2008	2002	1998	2002	2008	2000	2002

Best performing sector is the month of August is Utilities, returning 1.2% over the past 20 years, while the worst performing is Consumer Discretionary, losing 0.9% on average, over the course of the month. Defensive sectors (Consumer Staples, Health Care, and Utilities), as well as Technology, tend to buck the declines that other sectors realize over the period.



Fertilizer stocks unexpectedly fell sharply on news yesterday that two major Russian potash producers have discontinued an agreement to market their product together. Investors interpreted the news that the Russian producers will sell their product separately at lower than recent prices, which in turn, will trigger lower prices for North American potash based fertilizer.

The Agriculture ETF with its fertilizer component also came under pressure. Favorable seasonal influences that normally appear in the sector at this time of year clearly have not surfaced to date.

Currencies Commentary

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

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

EUR/USD closed lower due to profit taking yesterday as it consolidated some of the rally off July's low. The mid-range close sets the stage for a steady opening when Wednesday's session begins trading. Stochastics and the RSI remain neutral-to-bullish signaling that sideways-to-higher prices are possible near-term. If it extends the rally off July's low, the 87% retracement level of the June-July decline crossing is the next upside target.

The Euro added 1.33 (1.01%) last week.

The trend remains neutral. The Dollar remains below its 20 and 50 day moving averages.

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

The US$ Index fell 0.83 (1.00%) last week.

The Yen moved above its 20 and 50 day moving averages.

Short-term momentum indicators are trending sideways.

USD/JPY closed higher yesterday. The mid-range close sets the stage for a steady opening when Wednesday's session begins trading. Stochastics and the RSI are bearish signaling that sideways-to-lower prices are possible near-term. If it extends the decline off July's high, June's low crossing the next downside target. Closes above the 20-day moving average crossing would confirm that a short-term bottom has been posted.

The Japanese Yen added 2.19 (2.20%) last week.

The C$ added US 0.90 cents (0.93%) last week.

The trend remains down. The C$ remains above its 20 day moving average and moved above its 50 day moving average.

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

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