Creative Global Investments

Morning Market Commentary & Weekly Charts

Monday, August 26th, 2013

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Objectivity

Integrity

Creativity

"Tough labor" Day ahead for investors

Economic data this week is expected to confirm that third quarter economic growth in the US is slowing. International news could impact equity markets this week. Focuses include political unrest in Syria, Egypt and Lebanon. China's official PMI to be released next Sunday is expected to show an improvement to 50.5 from 50.3 and India's second quarter GDP to be released on Friday is expected to dip below 5.0%.

Short-term momentum indicators for broadly based US equity indices and most sectors are recovering from oversold levels. Medium term technical indicators remain overbought.

Seasonal influences from now until at least the first week in October are negative. September has been the weakest month of the year for North American equity markets (TSX Composite, S&P 500 Index, Dow Jones Industrial Average, NASDAQ Composite Index) during the past 61 years.

Asset classes and sectors with positive seasonality are precious metals, Oil & Energy and tend to move higher in the months of August and September.

US interest rates continue to have an influence on equity markets. Earlier last week when the yield on 10 year Treasuries rose to 2.90%, equity markets weakened. Late last week when the yield on 10 year Treasuries moved lower, equity markets moved higher. **We see the next technical target for the yield on 10y treasuries of 3.00%.**

Other events that likely will impact equity markets into September include continued tapering rumors, the approaching US debt ceiling deadline at the end of September, hurricane season, higher energy prices, higher interest rates and declining earnings estimates (particularly in the retail merchandising sector).

Weekly Investment Conclusion

US equity markets reached an intermediate peak on August 2nd.

Short-term momentum indicators for equity markets may rebound early this week from deeply oversold levels, but seasonal trends are expected to re-assert themselves in September.

We advise our clients to maintain high cash positions for possible entry into favorable seasonal trades into increasing downside volatility between now and October.

We advise our clients to continue to hold/accumulate precious metal and precious metal equity ETFs. They continue to move contrary to equity market trends.

Global Macro Commentary & Events

Upcoming Macro Events:

- **July Durable Goods Orders** to be released at 8:30 AM EDT on Monday are expected to decline 5.0% versus a gain of 3.9% in June. **Excluding Transportation**, Orders are expected to increase 0.6% versus a decline of 0.1% in June.
- **June Case/Shiller 20 City Home Price Index** to be released at 9:00 AM EDT on Tuesday is expected to slip to year-over-year gain of 12.0% versus a gain of 12.2% in May.
- **August Consumer Confidence** to be released at 10:00 AM EDT on Tuesday is expected to slip to 77.0 from 80.3 in July.
- **Initial Weekly Jobless Claims** to be released at 8:30 AM EDT on Thursday are expected to slip to 330,000 from 336,000 last week.
- **Second estimate of second quarter GDP** to be released at 8:30 AM EDT on Thursday is expected to increase to 2.1% versus the previous estimate of 1.7%.
- **July Personal Income** to be released at 8:30 AM EDT on Friday is expected to increase 0.1% versus a gain of 0.3% in June. **July Personal Spending** is expected to increase 0.3% versus a gain of 0.5% in June.
- **The August Chicago PMI** to be released at 9:45 AM EDT on Friday is expected to increase to 53.0 from 52.3 in July.
- **The August Michigan Sentiment Index** to be released at 10:55 AM EDT on Friday is expected to remain unchanged at 80.0 from July.
- **Canada's second quarter GDP** to be released at 8:30 AM EDT on Friday is expected to grow at an annual rate of 1.6% versus growth at a 2.5% annual rate in the first quarter.

Review of past macro-economic data:

Event	Actual	Forecast	Previous
CNY Foreign Direct Investment (YoY)	**24.10%**	14.00%	20.10%
EUR German Gross Domestic Product s.a. (QoQ)	**0.70%**	0.70%	0.70%
EUR German Gross Domestic Product w.d.a. (YoY)	**0.50%**	0.50%	0.50%
EUR German Gross Domestic Product n.s.a. (YoY)	**0.90%**	0.90%	0.90%
GBP Gross Domestic Product (QoQ)	**0.70%**	0.60%	0.60%
GBP Gross Domestic Product (YoY)	**1.50%**	1.40%	1.40%
CAD Consumer Price Index (YoY)	**1.30%**	1.40%	1.20%
CAD Bank Canada Consumer Price Index Core (YoY)	**1.40%**	1.50%	1.30%
CAD CPI Core s.a. (MoM)	**0.10%**	0.10%	0.20%
CAD Consumer Price Index	**123.1**	123.2	123
CAD Consumer Price Index (MoM)	**0.10%**	0.20%	0.00%
CAD Bank Canada Consumer Price Index Core (MoM)	**0.00%**	0.10%	-0.20%
CAD CPI s.a. (MoM)	**0.20%**	0.10%	0.20%
EUR Euro-Zone Consumer Confidence	**-15.5**	-16.5	-17.4
USD New Home Sales	**394K**	487K	455K
USD New Home Sales (MoM)	**-13.40%**	-2.00%	3.60%

US Market Commentary & Weekly Charts

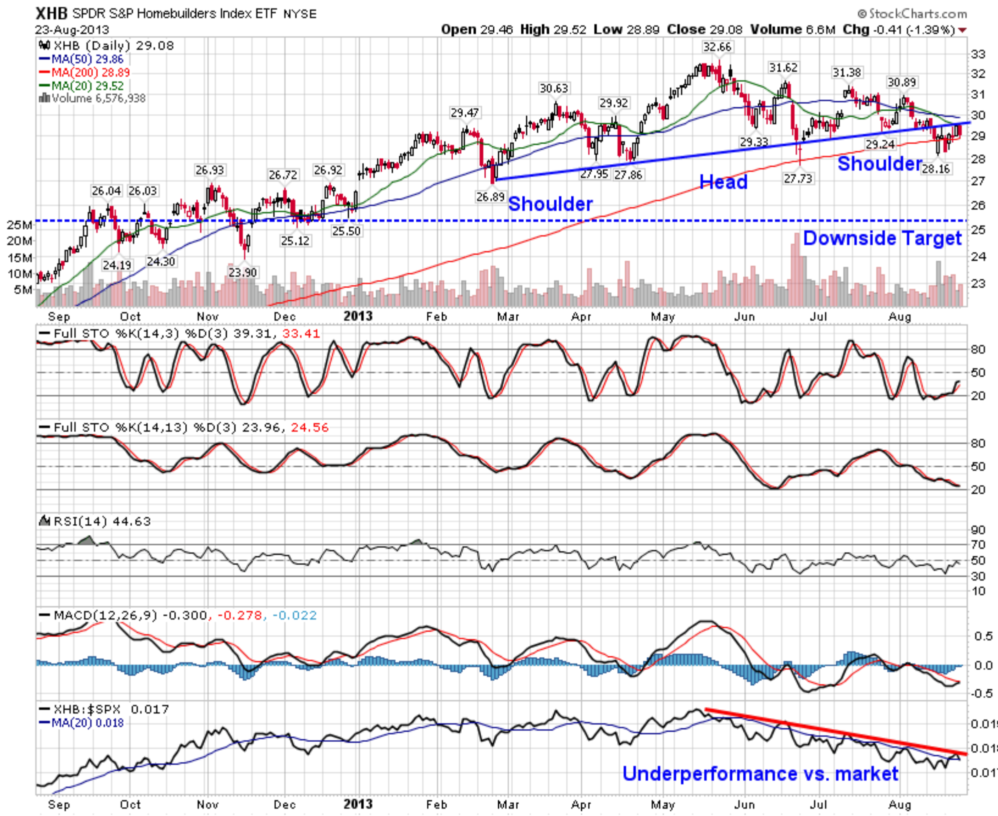
Housing stocks fell after the report, declining back to the 200-day moving average during an otherwise positive session for stocks.

The sector has been underperforming the market since mid-May, precisely when rates began their substantial climb.

A head-and-shoulders topping pattern on the chart of the Homebuilders ETF suggests downside potential of another 12% below Friday's close of $29.08 to $25.50.

The period of seasonal strength for housing stocks runs from November through to February.

The downbeat report on US housing on Friday for the month of July indicated that new home sales declined by 13.4% over the course of the month to 394,000. Analyst expectations called for a print of 487,000 relatively steady from the previous report. We continue to expect higher mortgage rates having a negative affect on mortgage purchase applications. New home sales spiked in January of this year and had remained elevated through June as homebuyers attempted to purchase before rates moved higher. The average rate on a 30-year mortgage has jumped over 120bps since May from 3.35% to 4.58% last week. Demand for mortgages is being pinched.



The VIX Index fell 0.39 (2.71%) last week.

The Index remains above its 20 day moving average.

The S&P 500, despite the end of week snapback from an oversold condition, shows the direction to continue lower. The 20-day moving average of the large cap index has been curling lower for the past few weeks and momentum indicators on an intermediate scale point to fading buying pressures. Markets are entering the weakest period of the year as volatility picks up into the end of summer. Volatility doesn't begin to peak until after Labor Day as fund managers return from vacations and rebalance portfolios ahead of the fourth quarter. Tax loss selling and caution ahead of the third quarter earnings season also pose an influence. **Factors that will likely influence volatility over the next many weeks include Fed "taper" talk, the debt ceiling debate, and the expiration of the 2013 fiscal year US federal budget. Clarity on all three issues should be provided by the end of October, at which time equity markets will enter the period of seasonal strength.**
The S&P 500 Index added 7.67 points (0.46%) last week.

Trend remains neutral. The Index remains below its 20 day moving average, but moved above its 50 day moving average on Friday.

Short-term momentum indicators are oversold and showing signs of bottoming.

Percent of S&P 500 stocks trading above their 50 day moving average increased last week to 58.20% from 52.40%.

The index has returned to an intermediate overbought level.

Percent of S&P 500 stocks trading above their 200 day moving average increased last week to 82.00% from 81.80%.

The index remains intermediate overbought.

Bullish Percent Index for S&P 500 stocks slipped last week to 79.20% from 81.00% and remained below its 15 day moving average.

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

The Dow Jones Industrial Average slipped 70.96 points (0.47%) last week.

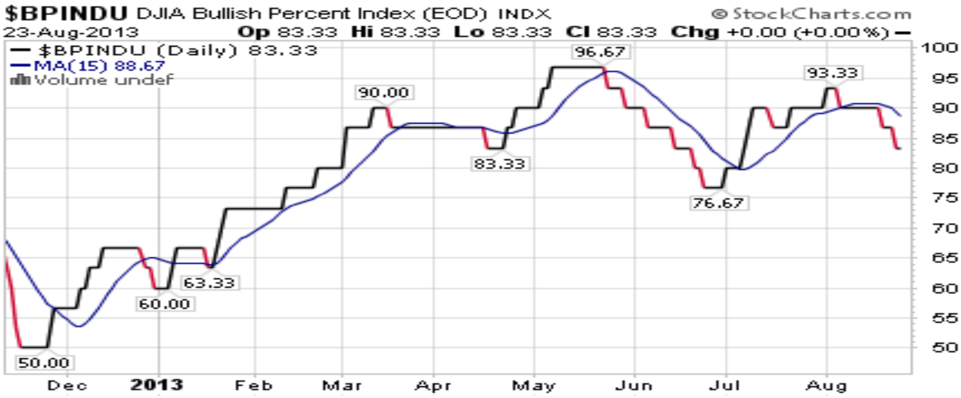
Trend remains neutral. The Average remains below its 20, 50 and 200 day moving averages.

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

Short-term momentum indicators are oversold and showing early signs of bottoming.

Bullish Percent Index for Dow Jones Industrial Average fell last week to 83.33% from 90.00% and remained below its 15 day moving average.

The Index remains intermediate overbought and trending down.



The Dow Jones Transportation Average gained 105.58 points (1.66%) last week.

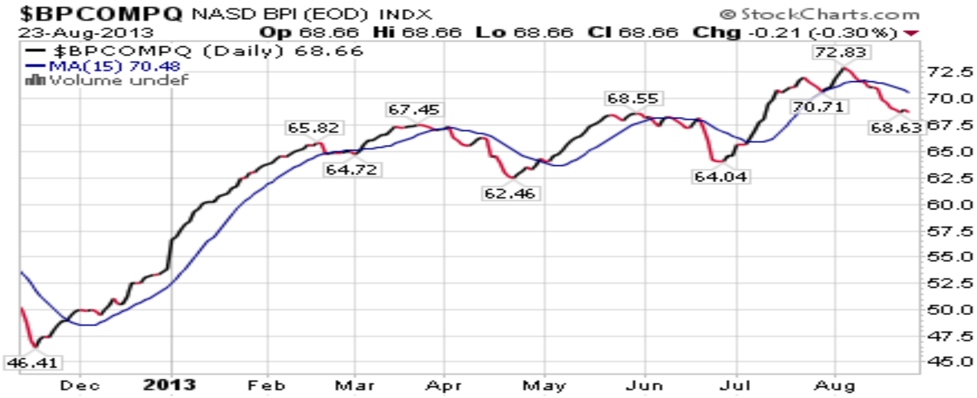
Trend remains neutral. The Average moved above its 20 day moving average on Friday.

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

Short-term momentum indicators are neutral.

Bullish Percent Index for NASDAQ Composite Index slipped last week to 68.66% from 69.56% and remained below its 15 day moving average.

The Index remains intermediate overbought and is trending down.



The NASDAQ Composite Index added 55.01 points (1.53%) last week.

Trend remains up. The Index recovered to above its 20 day moving average.

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

Short-term momentum indicators are neutral.

The Russell 2000 Index added 13.94 points (1.36%) last week.

Trend remains neutral. 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 are neutral.

The S&P Energy Index added 2.63 points (0.44%) last week.

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

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

Short-term momentum indicators are recovering from oversold levels.

The Philadelphia Oil Services Index added 1.68 points (0.65%) last week.

Trend remains down. 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 are bottoming.

Canadian Markets Commentary & weekly charts

Bullish Percent Index for TSX Composite Index slipped last week to 68.49% from 69.75% but remained above its 15 day moving average.

The Index remains intermediate overbought.

The TSX Composite Index added 25.38 points (0.20%) last week.

Trend remains up. The Index 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 slightly overbought.

Percent of TSX Composite stocks trading above their 50 day moving average slipped last week to 59.24% from 61.34%.

The index remains intermediate overbought.

Percent of TSX Composite stocks trading above their 200 day moving average increased last week to 51.68% from 49.16%.

The index continues to trend up.

Asian Markets Commentary & weekly charts

The Nikkei Average added 10.44 points (0.08%) 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 neutral.

Short-term momentum indicators are neutral.

The Shanghai Composite Index slipped 10.99 points (0.53%) last week.

Trend remains up. The Index remains above its 20 day moving average.

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

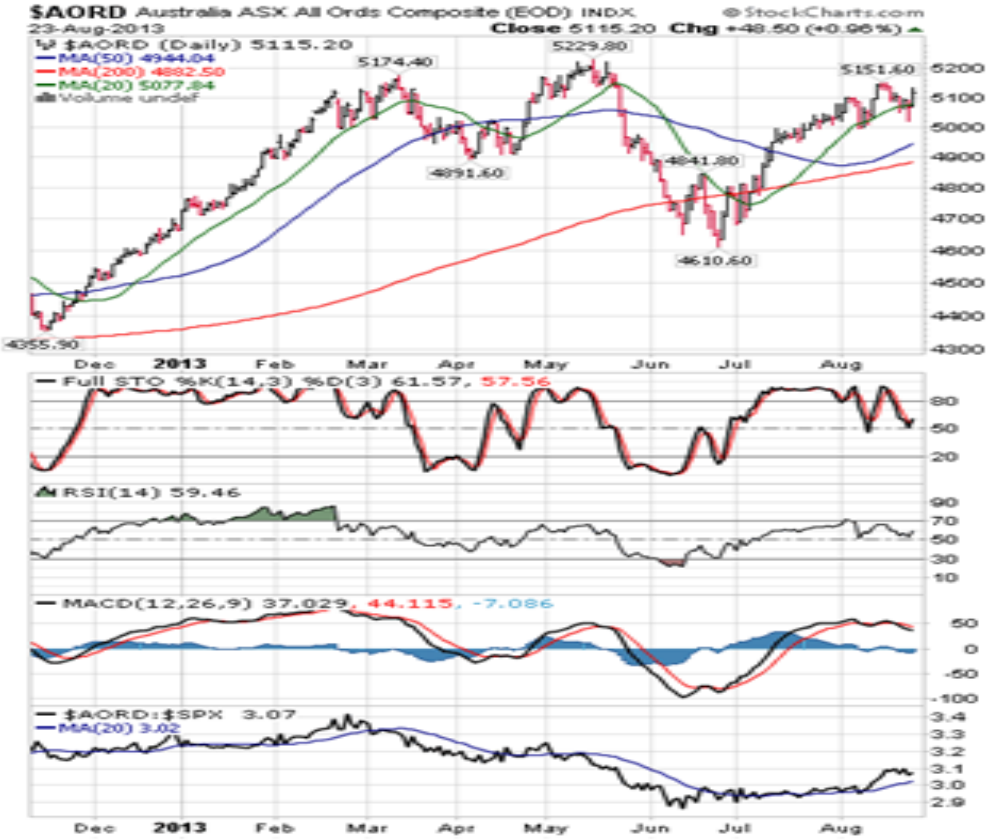
Short-term momentum indicators are neutral.

The Australia All Ordinaries Index added 15.00 points (0.30%) last week.

Trend remains neutral. The Index remains above its 20, 50 and 200 day moving averages.

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

Short-term momentum indicators are neutral.



European Markets Commentary & weekly charts

Trend remains neutral. The Index moved above the 20 day moving average on Friday.

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

Short-term momentum indicators are trending down.

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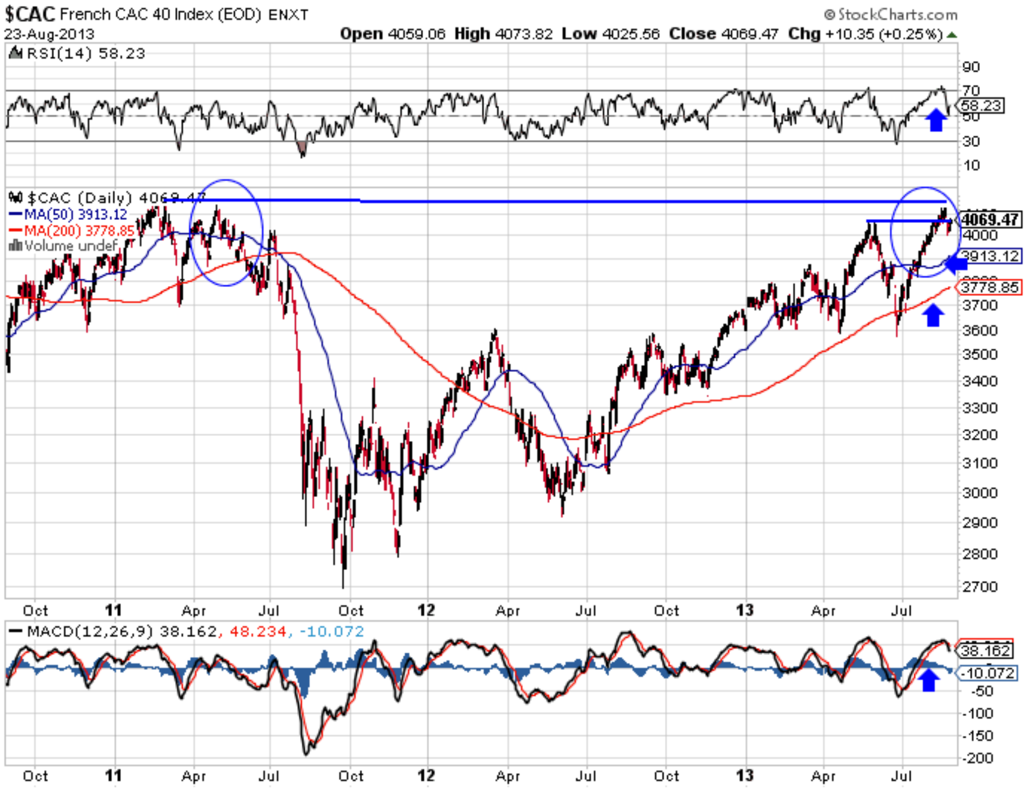


The Athens Index fell 30.71 points (3.22%) last week.

Trend remains neutral. The Index moved above the 20 day moving average on Friday.

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

Short-term momentum indicators are trending down.

Europe 350 iShares added $0.08 (0.19%) last week.

Trend remains up. Units remain above their 20-day moving average.

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

Short-term momentum indicators are trending down.

Fixed Income Markets Commentary & weekly charts

EURO Bonds

German 10y	1.94	-0.01	0.37%
Italy 10yr	4.39	+0.06	1.39%
Spain 10yr	4.47	+0.02	0.53%
UK 10yr	2.71	-0.00	0.13%

US Bonds

The yield on 10 year Treasuries slipped 1.1 basis points (0.39%) last week.

More than the entire decline occurred on Friday. Trend remains up. Yield remains up. Yield remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought and showing signs of peaking.

The long term Treasury ETF gained $0.92 (0.89%) last week.

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

Currencies Commentary & weekly charts

The Euro added 0.49 (0.37%) last week.

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

Short-term momentum indicators are slightly overbought.

The US$ added 0.06 (0.07%) last week.

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

Short-term momentum indicators are recovering from oversold levels, however, with the US budget ceiling talks ahead, we are expecting for the US$ to weaken further, and possibly retest the US$ 78.92 low of the year.

The Japanese Yen fell 1.21 (1.18%) last week.

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

Short-term momentum indicators are trending down.

The C$ fell US1.47 cents (1.52%) last week.

Intermediate trend is down. The C$ remains below its 20 day moving average.

Short-term momentum indicators are trending down.

Commodities Commentary & weekly charts

The CRB Index fell 1.70 points (0.58%) last week.

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

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

Copper slipped $0.01 per lb. (0.30%) last week.

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

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

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

Lumber slipped $5.82 (1.81%) last week.

Trend remains up. Lumber fell below its 20 day moving average on Friday.

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

The Grain ETN added $1.06 (2.31%) last week.

Trend remains down. Units moved above their 20-day MA.

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

The Agriculture ETF slipped $0.24 (0.48%) last week.

Trend remains down. Units remain below their 20-day moving average.

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

Short-term momentum indicators are oversold.

Gold & Precious Metals Commentary & weekly charts

On Sept. 9, Congress will return from a five-week break. At that point, there will be just three weeks to negotiate a new debt ceiling deal before government funding runs out. Negotiations will be ugly and highly publicized. On one hand, President Barack Obama and the Democrats say Congress must raise the legal debt limit with no conditions attached. Republicans want to delay "Obamacare" in exchange for an increased debt limit, believing by delaying the law is their best shot at trying to overthrow it altogether. The recent drop in the US budget deficit will also complicate negotiations. Since 2009, the federal budget deficit has narrowed from more than 10% of GDP to 5.7% of GDP. This is the smallest gap in four years. And the Congressional Budget Office forecasts the deficit will drop to 4% of GDP by the end of this fiscal year. Part of this deficit reduction comes from this year's compromise package of tax hikes and spending cuts known as sequestration. Tax revenues have also increased because of the improved economy. Both parties are using this declining deficit as a negotiation point. Democrats say they won't agree to any spending cuts because annual deficits have already been sliced in half. Since the sequester spending cuts are already having a negative impact on the economy, they say there's no room to negotiate more spending cuts. On the other hand, Republicans are using the improving deficit to make the argument that there's no need for more tax increases.

What's really surprising to us is that, in the midst of all these negotiations, both parties mostly ignore a far more important issue: the reform of entitlement programs, such as Social Security and Medicare. It's those programs that will bankrupt our nation, if nothing is done to fix them. This is bad for US financial markets, however good for gold and it's allies. And hence why we think that this will make September a very highly volatile month for the financial markets, especially for precious metals.

We believe that the upcoming debt ceiling event could be a major catalyst for a major rally in Gold, and precious metals.

We are advising our clients to jump back into the Gold & Precious metals trade.

We believe the coming debt ceiling discussions could push gold and silver significantly higher.

Gold also seems to have a strong correlation with the debt ceiling over the long-term. The chart below shows Gold tends to have huge rallies every time Congress decides to raise our debt limit. Additionally, debt ceiling debates have become much more frequent in recent years. There's one simple reason for that: the US debt keeps growing. Since 1960, Congress has acted 78 separate times to permanently raise, temporarily extend, or revise the definition of the debt limit."4 Raising the debt ceiling has become a national tradition. We think that, despite all the drama surrounding the coming debt ceiling debate, Congress will end up increasing the limit once again.

Gold gained $25.30 per ounce (1.85%) last week.

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

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

Short-term momentum indicators are overbought.

Silver gained $0.73 per ounce (3.13%) last week.

Trend remains up. Silver remains above its 20 and 50 day moving average.

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

Short-term momentum indicators are overbought.

Platinum added $13.00 per ounce (0.85%) last week.

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

Strength relative to Gold and S&P 500 is positive.

Palladium slipped $11.90 per ounce (1.56%) last week.

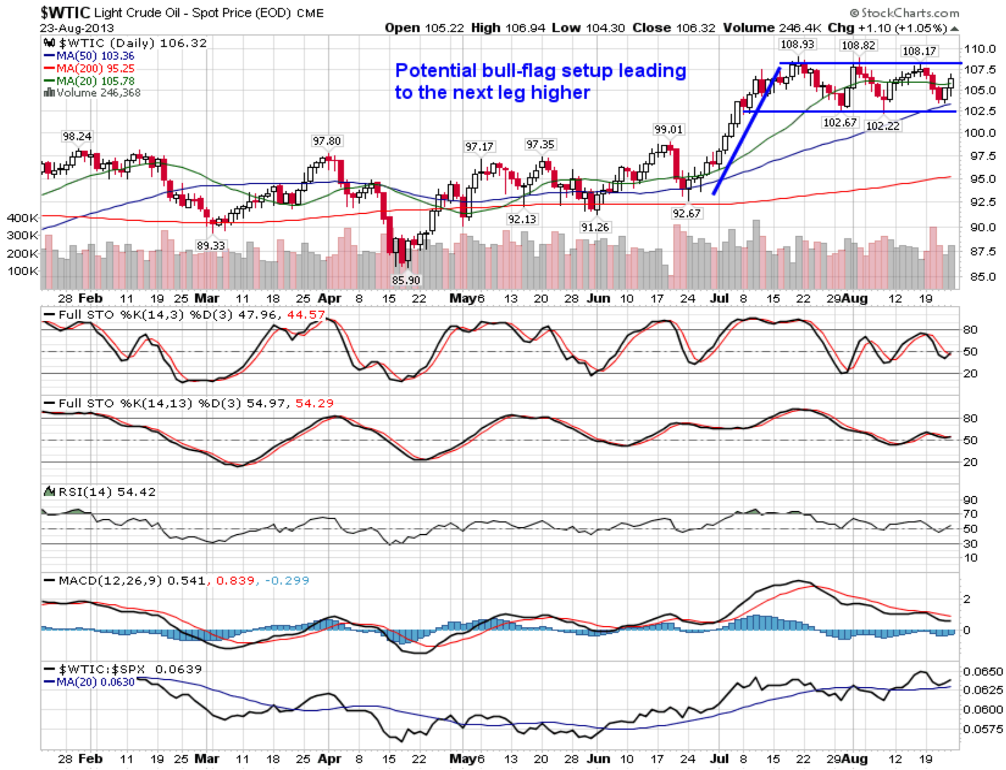
Trend remains up. Palladium remains above its 20 day moving average. However, strength relative to Gold and the S&P 500 Index changed from neutral to negative.

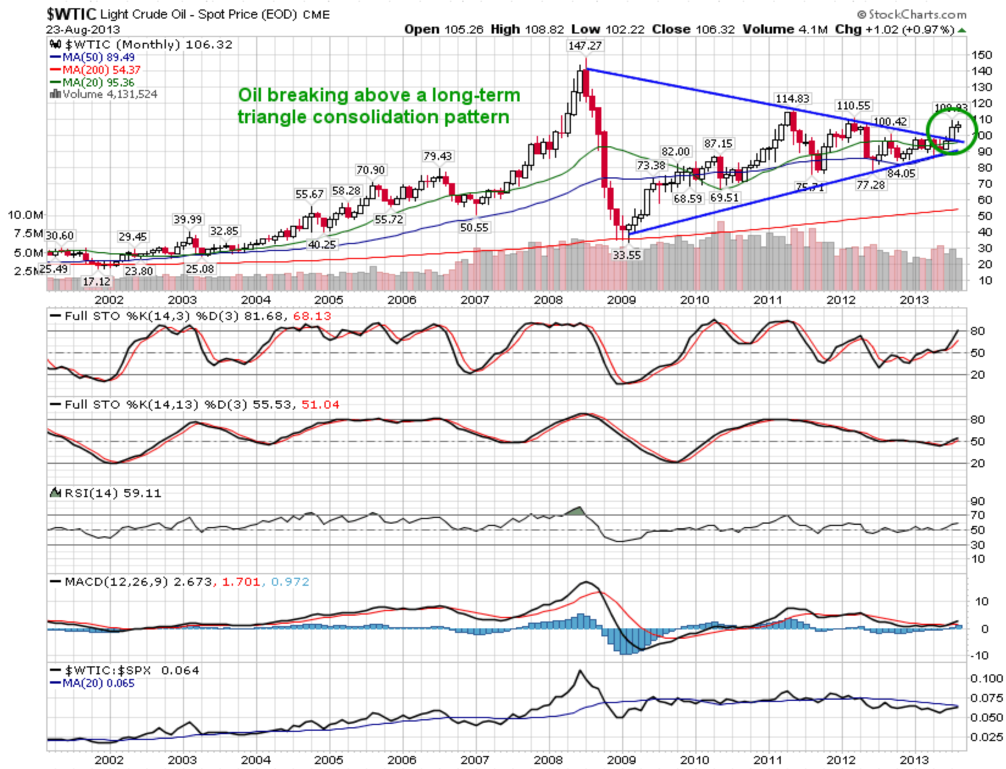
Oil, Gas & Energy Commentary & weekly charts

The WTI chart pattern suggests a bull-flag may be in play, which is a sharp move higher in price followed by a period of consolidation. The next implied move is higher, breaking out of the consolidation range that restricted momentum over recent weeks. Looking at a monthly chart of the commodity, the price of oil appears to have broken above a substantial triangle consolidation pattern, which is suggesting longer-term bullish implications.

Oil remains seasonally strong until the beginning of October, through hurricane season, meaning that strength in the price of oil could continue to influence energy stocks higher over the weeks to come.

Crude Oil has been range-bound for the past month and a half, trading between \$102 and \$108. Trading activity has now met up with its 50-day moving average, bouncing off of the significant level mid last week. Higher oil prices, however, would likely pose a negative influence to the broad market as analysts gauge the impact on consumers. Consumer Discretionary and Transportation stocks fare the worst in a rising oil price environment, as is seasonally typical at this time of year.





Crude Oil slipped $1.14 per barrel (1.06%) last week.

Trend remains up. The Index returned to above its 20 day moving average on Friday.

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

Short-term momentum indicators are neutral.

Natural Gas gained $0.11 per MBtu (3.26%) last week.

Trend remains down. Gas moved above its 20 day moving average.

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

Short-term momentum indicators are trending up.

Gasoline added $0.03 per gallon (1.01%) last week.

Trend remains up. Gasoline moved above its 20 day moving average.

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

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