Creative Global Investments

Morning Market Commentary

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Objectivity

Integrity

Creativity

No Inflation?

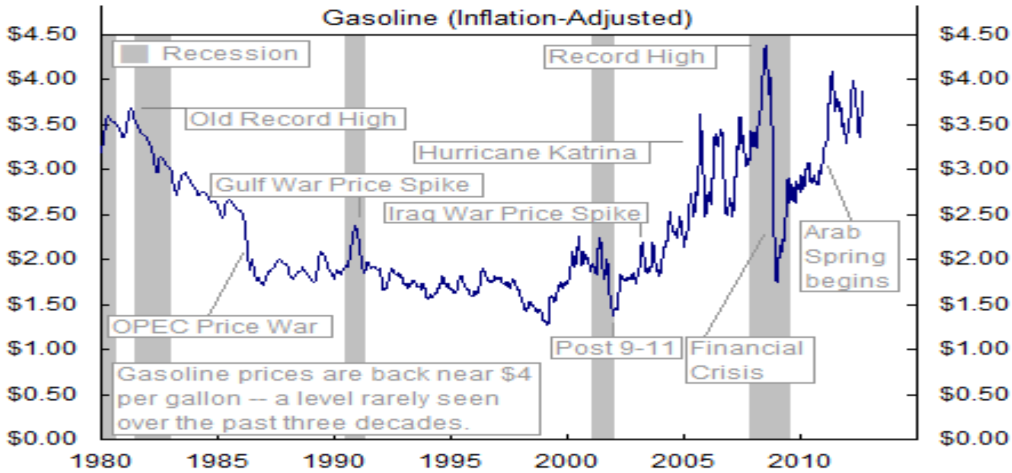
Inflation adjusted gasoline prices in the US have soared in the past four months. The inflation-adjusted price for a gallon of unleaded is up over $0.50 since the end of June and has rarely been higher than current levels.

- **Middle East crises are often associated with major swings in the price of gasoline.**

- **Gasoline price spikes also have often occurred prior to an economic downturn.**

Middle East instability (e.g. Arab spring) and Middle East tensions (e.g. Iran) are ongoing.

The chart below shows the inflation-adjusted US$ price of one gallon of gasoline since 1980.



Our long-term outlook for oil and gasoline remains favorable given the commodity's fairly positive demand picture. In particular, while the Western economies exhibit sluggish growth prospects, global oil consumption is expected to get a boost from sustained strength in the non-OECD (Organization for Economic Cooperation and Development) countries that continue to expand at a healthy rate.

According to the Energy Information Administration (EIA), which provides official energy statistics from the US Government, world crude consumption grew by an estimated 1.0 million barrel per day in 2011 to a record-high level of 88.3 million barrels per day. In 2010, oil demand increased by over 2 million barrels per day to 87.3 million barrels per day, which more than made up for the losses of the previous 2 years, and surpassed the 2007 level of 86.3 million barrels per day (reached prior to the economic downturn).

One might note that global demand for 2009 was below the 2008 level, which itself was below the 2007 level -- the first time since the early 1980's of two back-to-back negative growth years.

The agency, in its most recent Short-Term Energy Outlook, said that it expects global oil demand growth of 0.8 million barrels per day in 2012 and 1.0 million barrels per day in 2013. EIA's latest forecasts assumes that demand will be lackluster in US, Europe and Japan but this will be more than made up by impressive consumption surge coming from Russia, the Middle East and Brazil.

Separately, the Organization of the Petroleum Exporting Countries (OPEC) -- which supplies around 40% of the world's crude -- predicts that global oil demand will increase by 0.8 million barrels per day annually, reaching 88.7 million barrels a day in 2012 from last year's 87.9 million barrels a day. In 2013, OPEC expects world liquid fuels consumption to grow by another 0.8 million barrels per day to average 89.5 million barrels per day.

Lastly, the third major energy consultative body, the Paris-based International Energy Agency (IEA), the energy-monitoring agency of 28 industrialized countries, also said that it expects world oil consumption to grow by 0.8 million barrels per day during both 2012 and 2013 to average 89.8 million barrels per day and 90.6 million barrels per day, respectively.

In our view, crude oil prices in the remainder of 2012 are likely to exhibit a sideways-to-bullish trend. While domestic demand is relatively soft and the global economy still showing signs of weakness, the fact that demand is outpacing supply appears to be evident.

As long as growth from developing nations continues and the global output is unable to keep up with that, we are likely to experience a surge in the price of a barrel of oil. With a world population of 7 billion people and all the easy oil being already discovered and expended, we assume that crude will trade in the $90-$100 per barrel range for the near future.

Natural Gas

Over the last few years, a quiet revolution has been reshaping the energy business in the US. Shale gas, trapped within dense sedimentary rock formations or shale formations is being seen as a game-changer, set to usher in an era of energy independence for the country. The success of this unconventional fuel source has transformed domestic energy supply, with a potentially inexpensive and abundant new source of fuel for the world's largest energy consumer.

With the advent of hydraulic fracturing (or fracking) -- a method used to extract natural gas by blasting underground rock formations with a mixture of water, sand and chemicals -- shale gas production is now booming in the US. Coupled with sophisticated horizontal drilling equipment that can drill and extract gas from shale formations, the new technology is being hailed as a breakthrough in US energy supplies, playing a key role in boosting domestic natural gas reserves.

As a result, once faced with a looming deficit, natural gas is now available in abundance. In fact, gas stocks, currently some 10% above the benchmark levels, are at their highest level for this time of the year, reflecting robust onshore output.

To make matters worse, near-record mild winter weather across most of the country curbed natural gas demand for heating, leading to an early beginning for the stock-building season. The grossly oversupplied market continued to pressure commodity prices in the backdrop of sustained strong production.

This prompted natural gas prices to dive approximately 63% from the 2011 peak of $4.92 per million Btu (MMBtu) in June to a 10-year low of $1.82 per MMBtu during late

April 2012 (referring to spot prices at the Henry Hub, the benchmark supply point in Louisiana).

However, in the recent past, repeated smaller-than-average storage builds have rallied back prices toward $3.00 per MMBtu. As hot summer weather prevailed across the country, homes and businesses were prompted to increase electricity draws to run air conditioners.

But with temperatures falling from their summer highs and consequent cooling demand set to wane, bigger storage builds are likely to prevail in the near future. In fact, the EIA foresees natural gas storage at all-time highs of around 4.0 trillion cubic feet by October's end.

Moreover, there are apprehensions that should natural gas breach and stay above the $3.00 per MMBtu barrier, utilities that took advantage of the beaten down prices to switch to the commodity from the more costly coal, could revert back to the latter. This demand loss may further inflate natural gas inventories.

Therefore we continue to see small upside in gas prices in coming weeks. This despite the fact that there appears no reason to believe that the supply overhang will subside and natural gas will be out of the dumps in 2012.

Global Macro Events

- **Germany's business climate deteriorated for the fifth consecutive month in September, according to the influential Ifo Institute.** Its monthly index based on a survey of 7,000 companies, fell to 101.4 last month, from 102.3 in August. It was the index's lowest reading since February 2010. The fall suggested that German businesses were not entirely convinced by the European Central Bank's bond-buying plans.

- **The China Beige Book, through interviews of more than 2,000 company executives and bankers from Aug. 9 to Sept. 3, found limits to monetary easing after interest-rate cuts in June and July, with banks loosening credit while fewer companies are borrowing.** The findings are pointing to a seventh straight deceleration in growth and potentially the weakest annual expansion in 22 years. They contrast with the China Beige Book's report for the previous period. The dramatic and unexpected worsening of the European crisis and slowing of America's economy brought China's export order growth to a near-standstill.

Upcoming Macro Events:

- The July Case-Shiller 20 City Home Price Index to be released at 9:00 AM EDT on Tuesday is expected to show a year-over-year gain of 0.8% versus an increase of 0.5% in June.
- Canada's July Retail Sales to be released at 8:30 AM EDT on Tuesday is expected to increase 0.2% versus a 0.4% decline in June.
- September Consumer Confidence Index to be released at 10:00 AM EDT on Tuesday is expected to increase to 63.0 from 60.6 in August.
- August New Home Sales to be released at 10:00 AM EDT on Wednesday is expected to increase to 380,000 from 372,000 in July.
- Weekly Initial Jobless Claims to be released at 8:30 AM EDT on Thursday is expected to ease to 380,000 from 382,000 last week.
- August Durable Goods Orders to be released at 8:30 AM EDT on Thursday are expected to drop 5.1% versus a gain of 4.1% in July. Excluding Transportation, Durable Goods Orders are expected to decline 0.3% versus a decline of 0.6% in July.
- The third report on real annualized second quarter GDP to be released at 8:30 AM EDT on Thursday is expected to remain unchanged at 1.7%.
- August Personal Income to be released at 8:30 AM EDT on Friday is expected to increase 0.2% versus a gain of 0.3% in July. August Personal Spending is expected to increase 0.5% versus a gain of 0.4% in July.
- Canada's July GDP to be released at 8:30 AM EDT is expected to increase 0.1% versus a gain of 0.2% in June.
- September Chicago PMI to be released at 9:45 AM EDT on Friday is expected to ease to 52.8 from 53.0.
- The September Michigan Sentiment Index to be released at 9:55 AM EDT on Friday is expected to slip to 79.0 from 79.2 in August.

EURO Economies

Upping the “ante”?

Officially, the ESM permanent euro-zone bailout fund is worth 500 billion Euros. That, though, might not be enough, which is why euro-zone governments are now planning to introduce levers that could mobilize up to 2 trillion Euros. With the launch of the permanent common-currency bailout fund, the European Stability Mechanism (ESM), just around the corner, Euro-zone member states are looking into ways to leverage the €500 billion ($647 billion) available to the fund. But with Finland still concerned about the leveraging plans, it is unlikely that they will be initially included when the ESM is launched on Oct. 8.

The plan envisions the continuation of leverage instruments currently in use in the temporary euro bailout fund, the European Financial Stability Facility (EFSF). Should they be applied to the ESM, the permanent fund could be able to mobilize up to €2 trillion instead of the €500 billion lending capacity it currently has -- a size that would make it easier to provide emergency aid to countries as large as Spain and Italy, for example.

The leveraging proposal was a focus of last Friday's meeting of euro-zone finance ministers in Cyprus. German Finance Minister Wolfgang Schäuble is in favor of the plan. But Finnish Finance Minister Jutta Urpilainen is worried that such a change is dramatic enough that it would require the ESM to be resubmitted to Finnish parliament for approval.

Plans for leveraging the ESM envision creating a vehicle to attract private investors as was created for the €440 billion EFSF last year. For the temporary fund, the plan called for protecting investors against the first third of losses they might sustain on purchases of EFSF bonds. In addition, to attract additional private funding, potential investors were promised that the euro zone would cover the riskiest portion of, for example, purchases of Spanish government bonds. Private investment would cover the rest of such purchases. Finland, however, is worried that adopting such a plan for the ESM would conflict with the ESM's preferred creditor status, which stipulates that the fund be paid back prior to other creditors.

The plan has also been met with skepticism by opposition parties in Germany. Members of the center-left Social Democratic Party and of the environmentally minded Greens demanded that any concept for leveraging the ESM be discussed in German parliament. The far-left Left Party criticized the plan because it would mean much more risk for taxpayers.

Finance Ministry State Secretary Steffen Kampeter, said on Monday that German parliament would of course be consulted.

The ESM lever isn't the only crisis-related tool that is likely to come later than originally planned. According to European Parliament President Martin Schulz, the European Commission's plan for introducing joint oversight of banks in the euro zone by the end of the year is looking increasingly unrealistic. His comments came on the heels of a meeting between Merkel and French President François Hollande on Saturday in Ludwigsburg to commemorate Charles de Gaulle's watershed 1962 speech on Franco-German postwar reconciliation. During the meeting, Hollande pushed for an introduction of bank oversight as quickly as possible while Merkel was more cautious in her comments. Paris would like to make the European Central Bank responsible for overseeing all 6,000 banks in the euro zone whereas Berlin only wants the ECB to watch the zone's biggest banks. She also seems to be in less of a hurry to introduce the oversight system.

US Weekly Charts

The VIX Index fell another 0.53 (3.65%) last week and is testing support at 13.30%.

Intermediate trend is up. The Index remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought and showing early signs of rolling over (e.g. a fall by RSI below its 70% level on Friday).

The ratio of S&P 500 stocks in an uptrend to a downtrend (i.e. the Up/Down ratio) fell last week to (380/78=) 4.87 from 5.22.

Twenty-six S&P 500 stocks broke resistance and 21 broke support.

The S&P 500 Index slipped 5.62 points (0.38%) last week.

Percent of S&P 500 stocks trading above their 50 day moving average slipped last week to 82.00% from 86.20%.

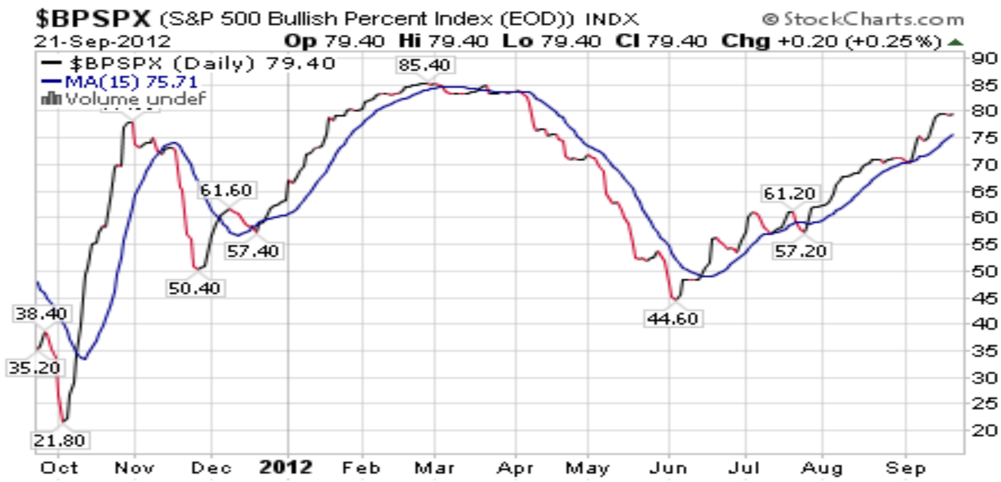
The index is intermediate overbought and rolling over.

Percent of S&P 500 stocks trading above their 200 day moving average fell last week to 77.00% from 81.80%.

The index is intermediate overbought and rolling over.

Bullish Percent Index for S&P 500 stocks increased last week to 79.40% from 79.00% and remained above its 15 day moving average.

The Index remains intermediate overbought.



The Dow Jones Industrial Average eased 13.90 points (0.11%) last week.

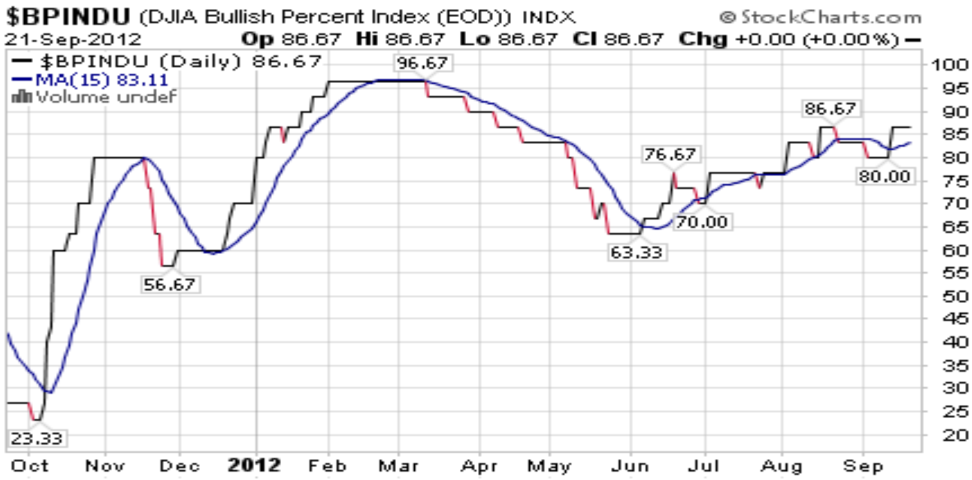
Intermediate trend is up. The Average remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought and showing early signs of rolling over (e.g. RSI falling below 70%).

Strength relative to the S&P 500 Index remains negative but is showing early signs of change.

Bullish Percent Index for Dow Jones Industrial Average stocks was unchanged last week at 86.67% and remained above its 15 day moving average.

The Index remains intermediate overbought.



The Dow Jones Transportation Average plunged 305.18 points (5.85%) last week.

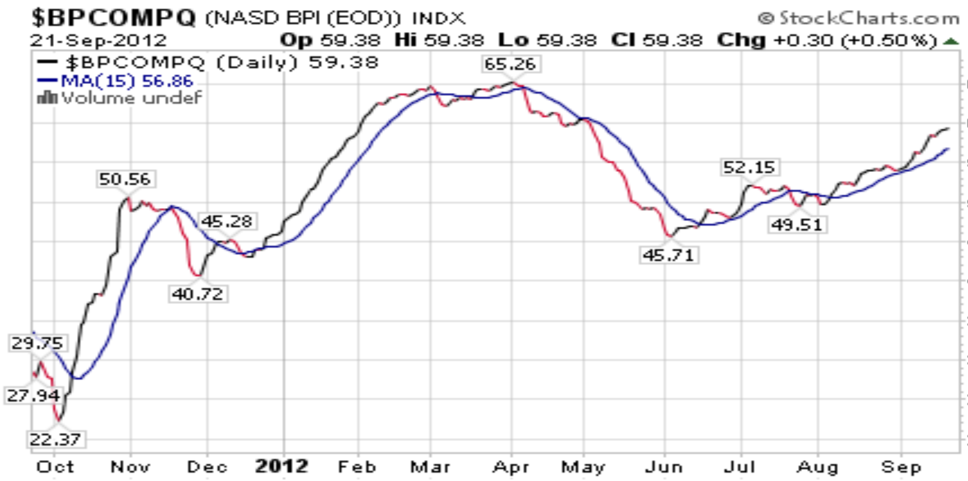
An intermediate downtrend was confirmed on a break below 4,911.83 on Friday.

Short-term momentum indicators are trending down.

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

Bullish Percent Index for NASDAQ Composite Index increased last week to 59.38% to 58.56% and remained above its 15 day moving average.

The Index remains intermediate overbought.



The NASDAQ Composite Index slipped 3.99 points (0.13%) last week.

Intermediate trend is up. The Index remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought and showing signs of rolling over (e.g. RSI falling below 70%).

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

The Russell 2000 Index eased 9.19 points (1.06%) last week.

Intermediate trend is up. The Index remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought and showing signs of rolling over (e.g. RSI moving below its 70% level and Stochastics moving below its 80% level).

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

The S&P Energy Index slipped 10.33 points (1.81%) last week.

Intermediate trend is up. The Index remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought and have rolled over.

Strength relative to the S&P500 Index remains positive.

Favorable seasonal influences tend to peak at the end of September.

The Philadelphia Oil Services Index fell 6.78 points (2.81%) last week.

Intermediate trend is up. The Index remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators have rolled over from an overbought level.

Strength relative to the S&P 500 Index is positive, but showing signs of change.

The AMEX Gold Bug Index gained another 8.01 points (1.55%) last week.

Intermediate trend is up. The Index remains above its 20, 50 and 200 day moving averages.

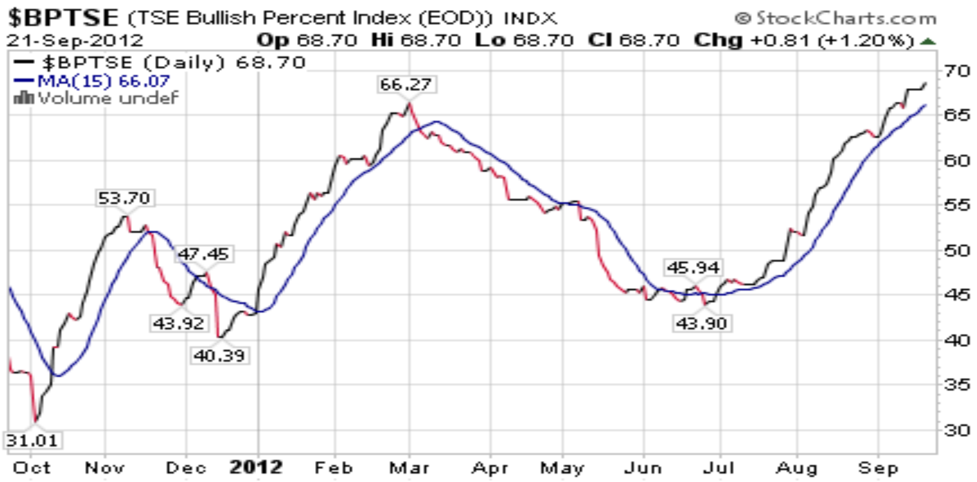
Short term momentum indicators are overbought, but have yet to show signs of peaking

Strength relative to gold remains positive.

Canadian Markets weekly charts

Bullish Percent Index for TSX Composite stocks increased last week to 68.70% from 67.89% and remained above its 15 day moving average.

The Index remains intermediate overbought.



The TSX Composite Index fell 115.87 points (0.93%) last week.

Intermediate trend is up. The Index remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought and showing early signs of rolling over (e.g. RSI falling below the 70% level).

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

The Up/Down ratio for TSX Composite stocks slipped last week to (163/52=) 3.13.

Twelve stocks broke resistance and thirteen stocks broke support.

The index is intermediate overbought and rolling over.

Percent of TSX stocks trading above their 50 day moving average fell last week to 67.07% from 71.95%.

The index is intermediate overbought and rolling over.

Percent of TSX stocks trading above their 200 day moving average fell last week to 63.01% from 67.48%.

The TSX Global Metals and Mining Index fell 81.29 points (8.15%) last week.

Intermediate trend is up. The Index remains above its 20 and 50 day moving averages and below its 200 day moving averages.

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

Strength relative to the S&P 500 Index has returned to a neutral level.

Asian Markets weekly charts

The Nikkei Average fell 49.39 points (0.54%) last week.

An intermediate uptrend was confirmed when the Average broke above resistance at 9,222.87. The Average remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are trending higher.

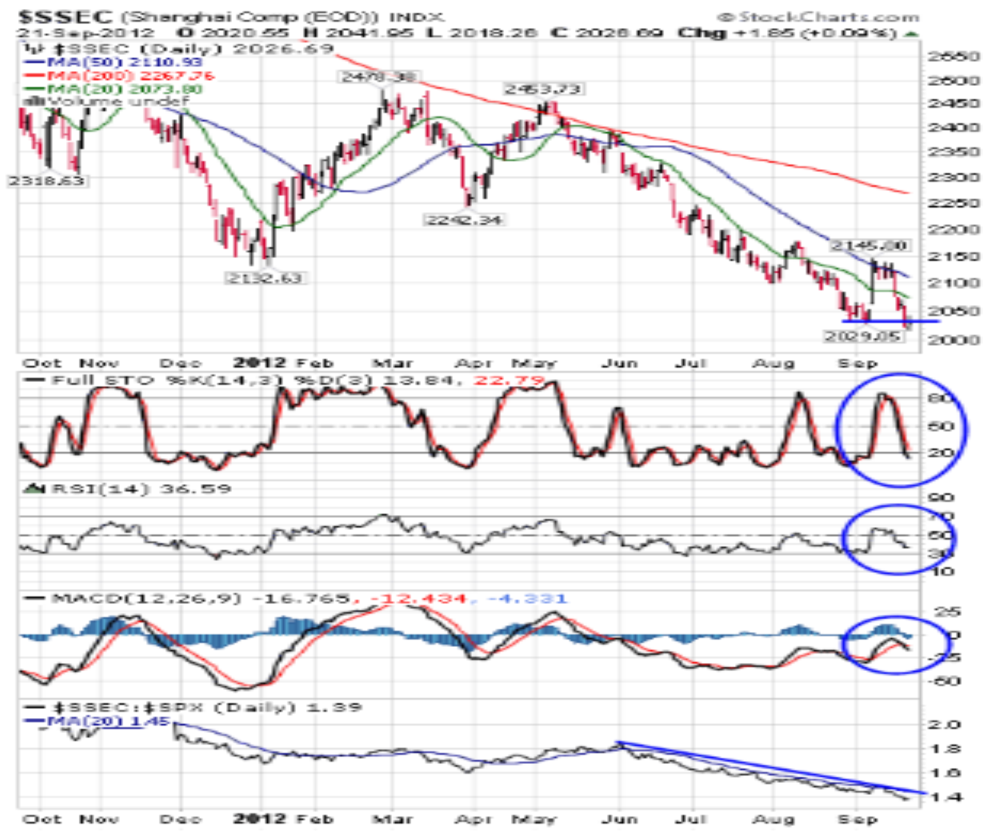
Strength relative to the S&P 500 Index remains negative.

The Shanghai Composite Index lost another 97.16 points (5.12%) last week.

Intermediate downtrend was confirmed when the Index fell below support at 2,029.05 to reach a three year low. The Index remains below its 20, 50 and 200 day moving averages.

Short-term momentum indicators are trending down.

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

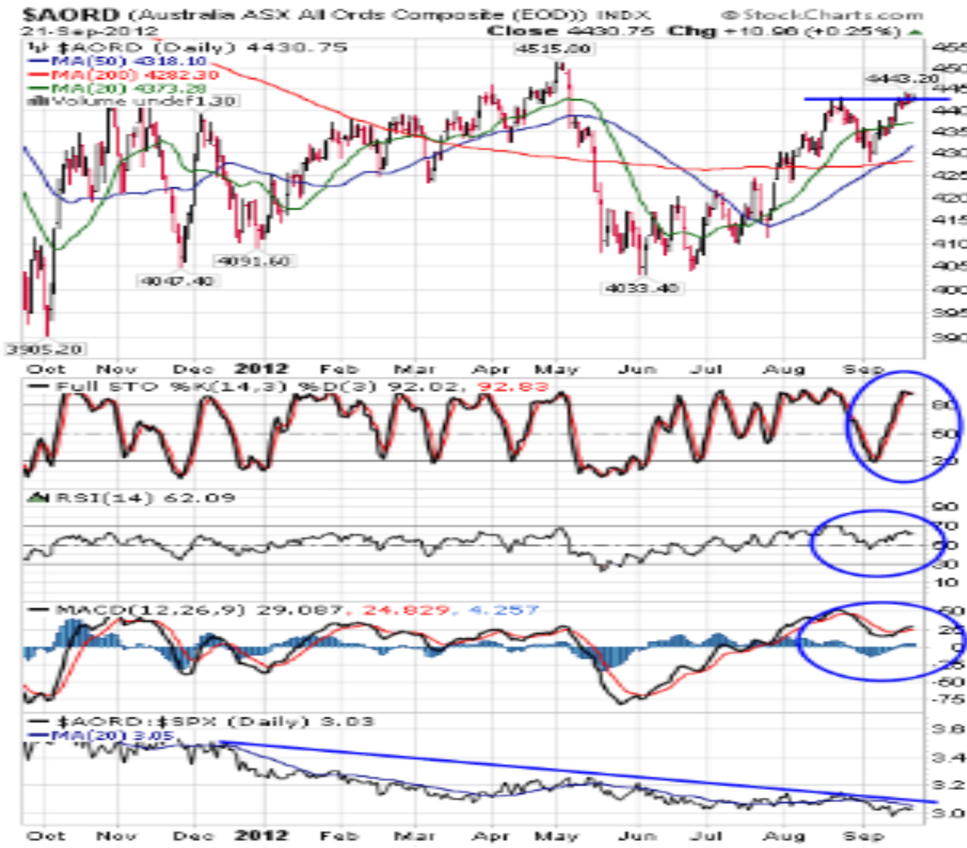


Intermediate trend changed from down to up on a break above resistance at 4,430.30. The Index remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are trending higher.

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

The Australia All Ords Composite Index added 20.55 points (0.47%) last week.



European Market News & Commentary

European equities have begun today´s session with modest falls. That following the differences aired by Germany and France, this weekend, over the timetable to grant the European Central Bank (ECB) supervisory powers over the Continent´s banks. That is a necessary precondition for Europe´s so-called rescue fund, the European Stability Mechanism (ESM), to be able to inject funds directly into Europe´s banks.

From a sector standpoint the worst performers within the DJ Stoxx 600 are now the following: Basic resources (-1.6%), Construction (-0.96%) and Automobiles (-0.90%).

German automotive supplier **Continental** is on track to reach its full-year targets and does not need to shorten workers' hours, the company´s Chief Executive has told the German press.

Peugeot does not intend to cut jobs or plants "at this stage", but domestic factories must improve productivity to match sites in Spain and Britain, the company´s COO has said.

Aberdeen Asset Management saw its assets under management (AuM) edge up in the first two months of the second half of the year. AuM at the end of August stood at £184.3bn, up from £182.7bn at the end of June. Gross new business during July and August totaled £6.1bn, but overall the group saw a net outflow of £0.1bn.

Dairy Crest warned of lower first half profits, as challenging conditions continue, but said profit expectations for the full year ending March 31st 2013 remain unchanged.

Profit before tax and exceptional items slipped to £14.9m in the six months ended July 28th, from £16.2m in the corresponding period of last year at Irn-Bru maker **AG Barr**. The company took a £1m hit from adverse currency movements, although around £0.6m of this is expected to unwind in the second half of the year. On a constant currency basis, first half profit before tax was £0.3m behind the similar period in the prior year. Sales in the first seven weeks of the second half have shown double-digit percentage growth.

European Market weekly charts

The London FT Index fell 136.47 points (3.28%)

The Frankfurt DAX Index added 39.49 points (0.53%)

The Paris CAC Index dropped 50.86 points (1.42%) last week

The Athens Index gained 32.77 points (4.41%) last week.

Intermediate trend is up. The Index remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought.

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

Global Fixed Income Markets

EURO Bonds

US Bonds

Short-term momentum indicators are trending lower from overbought levels.

The yield on 10 year Treasuries fell 11 basis points (5.88%) last week.

Price recovered above its 200 day moving average.

The price of the long term Treasury ETF gained $3.25 (2.75%) last week.

Currencies

The Euro fell 1.51 (1.15%) last week.

Intermediate trend is neutral. The Euro remains above its 20 and 50 day moving averages and below its 200 day moving averages.

Short-term momentum indicators are overbought and showing signs of rolling over (e.g. Stochastics moving below the 80% level and RSI moving below its 70% level on Friday).

The US Dollar Index added 0.48 (0.61%) last week.

The Index bounced from support at 78.40. The Index remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are oversold and showing early signs of bottoming (e.g. Stochastics moving above 20% and RSI moving above 30% on Friday).

The Canadian Dollar eased 0.48 cents U.S. (0.47%) last week.

Intermediate trend is up. The Canuck Buck remains above its 20, 50 and 200 day moving averages.

Short term momentum indicators are overbought and have rolled over (e.g. Stochastics falling below 80%, RSI dropping below 70% and MACD recording a negative cross over.

The Japanese Yen added 0.36 (0.28%) last week.

Intermediate trend is up. The Yen remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are neutral after trending lower from an overbought level.

Commodities

The CRB Index fell 11.94 points (3.72%) last week.

Intermediate trend is up. The Index remains above its 50 and 200 day moving averages, but fell below its 20 day moving average.

Short-term momentum indicators are trending down.

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

Copper slipped $0.04 per lb. (1.05%) last week.

Intermediate trend is up. Copper remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are overbought.

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

Lumber added $0.41 (0.14%) last week.

Intermediate trend is up.

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

The Grain ETN fell $3.20 (5.04%) last week.

Units fell below their 20 and 50 day moving averages.

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

Intermediate trend is up. Units remain above their 20, 50 and 200 day moving averages.

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

Strength relative to the S&P 500 Index remains neutral, but is close to turning positive.

The Agriculture ETF slipped $0.63 (1.19%) last week.

Gold & Precious Metals

Gold gained $1.90 per ounce (0.11%) last week.

Intermediate trend is up. Gold remains above its 20, 50 and 200 day moving averages.

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

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

Silver slipped $0.16 per ounce (0.46%) last week.

Intermediate trend is up. The stock trades above its 20, 50 and 200 day moving averages.

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

Strength relative to gold remains positive.

Momentum indicators have rolled over from overbought levels.

Strength relative to the S&P 500 Index is positive, but changing.

Platinum fell $67.40 per ounce (3.96%) last week.

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

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

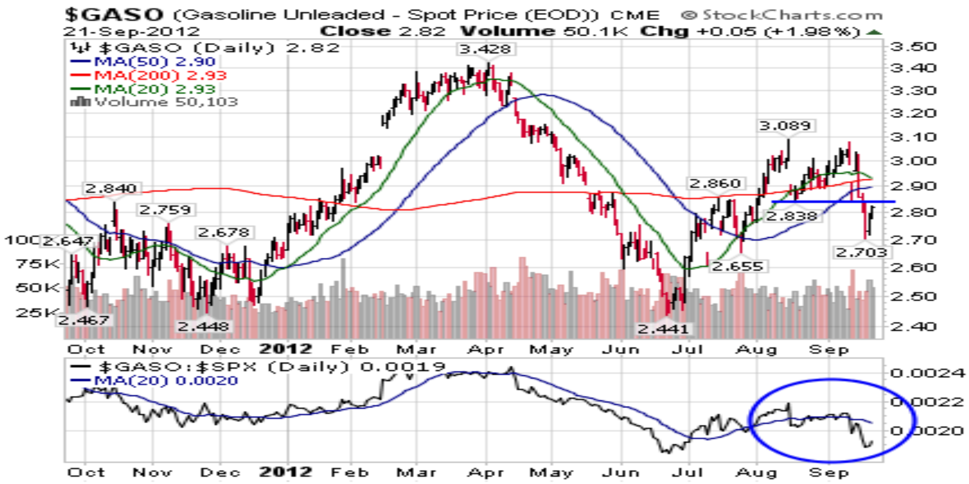
Palladium dropped $21.85 per ounce (3.15%) last week.

Oil, Gas & Energy

Gasoline fell $0.19 per gallon (6.31%) last week.

Gasoline fell below support at $2.84 as well as its 20, 50 and 200 day moving averages.

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



Crude Oil fell $5.93 per barrel (5.99%) last week.

Intermediate trend changed from up to neutral on a break below support at $93.95. Crude fell below its 20, 50 and 200 day moving averages.

Short-term momentum indicators are trending down.

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

Natural Gas fell $0.07 per MBtu (2.36%) last week.

Intermediate trend is up. Resistance is at $3.28 and support is at $2.61. Gas remained above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are neutral.

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

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