Creative Global Investments

Morning Market Commentary

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Objectivity

Integrity

Creativity

End of Q3
Now will there be a final spurt in Q4 2012?

We had the privilege to visit with some of Germany’s top corporate managements last week in Munich, plus get a glimpse at the Oktoberfest, where we were on a fact-finding mission with clients to assess the state of mind of the German corporate executives and that of the overall German consumer.

Firstly, the Oktoberfest, well visited, albeit seemingly by about -20% to -25% fewer visitors than 2011, according to the subjective opinions of the hotel managers, taxi drivers, restaurant managers and gas station operators, Biergarten waiters and waitresses (still in extremely attractive “Dirndl’s, not at all adhering to the Wall street adage “weak economy, long hem lines”.

Secondly, on a more serious and factual note, corporate executives we had meetings with were not as skeptical of the current and future outlook for the remainder of 2012 and 2013.

Despite more frequent Q3 earnings warnings, across all sectors, mirroring those of US peers, German corporates, and managements guiding investors towards lower revenues, lower earnings and lower profit margins, German Corporate executives are not overly scared of the next 6 – 12 months macroeconomic outlook.

We warn investors, however, to brace themselves for Q3 earnings season and, yet, buy the dips. But couldn't a batch of weak reports from corporate America send stocks tumbling into a traditionally scary October? That's why investors want to be ready to buy the dips.

The market has been speaking loud and clear since the June lows.

Portfolio managers are more afraid of missing incredible values in equities than of worries overseas, or ho-hum 1-2% growth here. However, we do see they're not even that worried about the Fiscal Cliff - even if PMI data says business owners are.

So there's still plenty to worry about. But we already had our correction and stocks have since taken out lots of resistance levels to make new highs.

That strength is very likely to continue into a seasonally strong time of the year. Last week, S&P 1,430 found early buyers.

Global Macro Events

Major Macro Events:

- **September ISM** to be released at 10:00 AM EDT on Monday is expected to improve to 49.7 from 49.6 in August
- **August Construction Spending** to be released at 10:00 AM EDT on Monday is expected to increase 0.5% versus a 0.9% decline in July.
- **The Great Presidential Debate** starts at 7:00 PM EDT on Wednesday.
- **September ADP Private Employment Report** to be released at 8:15 AM EDT on Wednesday is expected to fall to 140,000 from 201,000 in August.
- **September ISM Services** to be released at 10:00 AM EDT on Wednesday are expected slip to 53.2 from 53.7 in August.
- **FOMC minutes** from the September 12th meeting are released at 2:00 PM EDT.
- **Weekly Initial Jobless Claims** to be released at 8:30 AM EDT on Thursday are expected to increase to 365,000 from 359,000 last week.
- **August Factory Orders** to be released at 10:00 AM EDT on Thursday are expected to fall 2.5% versus a gain of 2.8% in July.
- **September Non-farm Payrolls** to be released at 8:30 AM EDT on Friday are expected to increase to 111,000 from 96,000 in August. **Private Non-farm Payrolls** are expected to increase to 125,000 from 103,000 in August. **The September Unemployment Rate** is expected to increase to 8.2% from 8.1% in August. **Hourly Earnings** are expected to increase 0.2% versus no change in August.
- **Canadian September Employment** to be released at 8:30 AM EDT on Friday is expected to increase 8,500 versus a gain of 34,300 in August. **The September Unemployment Rate** is expected to remain unchanged at 7.3% set in August.

Review of past macro-economic data:

Asian Economies

The Bank of Japan's tankan survey showed that large Japanese companies became more pessimistic about business conditions in the three months to September, weighed down by a persistently firm yen and weakening global demand. The key measure of business confidence fell to minus 3 from minus 1 in June.

China's manufacturing activity shrank for the second month in September on weak domestic and external demand, increasing the pressure on the government to step up stimulus. The official Purchasing Managers' Index came in at 49.8 in September, up slightly from 49.2 a month ago, but still remaining below 50. The reading was forecast to improve to 50.1.

EURO Economies

PMI 14 months straight in decline, and still contracting

The final reading of the purchasing-managers' index, or PMI, for the euro-zone manufacturing sector edged higher in September but still signaled a 14th consecutive month of shrinking activity. The index rose to 46.1 from 45.1 in August and was revised up from a preliminary estimate of 46.0. Despite seeing some easing in the rate of decline last month, manufacturers across the euro area suffered the worst quarter for three years in the three months to September. Output, order books and exports all continued to fall at steep rates, causing firms to cut their staffing levels once again.

Spanish Banks stress test better than expected.

The independent stress test was commissioned by the Spanish government as part of the conditions agreed in July for a European bailout of as much as €100 billion for the country's banking system. Due to increased costs of public financing, Spain's public debt figure is expected to reach 85.3 per cent of gross domestic product in 2012 and 90.5 per cent in 2013, Spain's Minister of Finance and Public Administration Cristobal Montoro Romero said on Saturday, increasing speculation that Moody's Investors Service could downgrade Spanish government debt to 'junk' status.

UK Housing prices contracting further

In the UK, the average asking price for a home fell 0.1 percent in September from the previous month, falling for the third straight month. The headline figure was in line with expectations and unchanged from the readings of the previous two months.

French car sales tumbling

The slump in the French automobile market showed no signs of moderating in September, according to the latest industry data released Monday, as car buyers, worried by weakening economic activity, rising unemployment and eroded purchasing power, stayed away from dealerships. New car registration data from the French car manufacturers' association show an 18% drop in September compared with the same month in 2011. Car sales in France have been contracting steadily over the past year. Adjusted to take into account two more working days in September 2011 than last month, the decrease was 10%, the industry group said. For the first nine months of 2011, registrations showed a drop of 14%, or 13% on an equivalent number of working days. Sales of the Renault group plunged by one-third in September to 31,929 vehicles, and its market share collapsed to 23.3% from 28.6% in September 2011. Sales of the Renault brand were down 36% on the year, while those of its no-frills Dacia brand were down 14%. PSA Peugeot Citroen fared much better, showing a decline of only 5% in September. Thanks to the launch of its new 208 sub-compact, the Peugeot brand managed to keep its sales roughly level in the sharply falling market, and its market share climbed to 30.9% from 26.6% a year earlier.

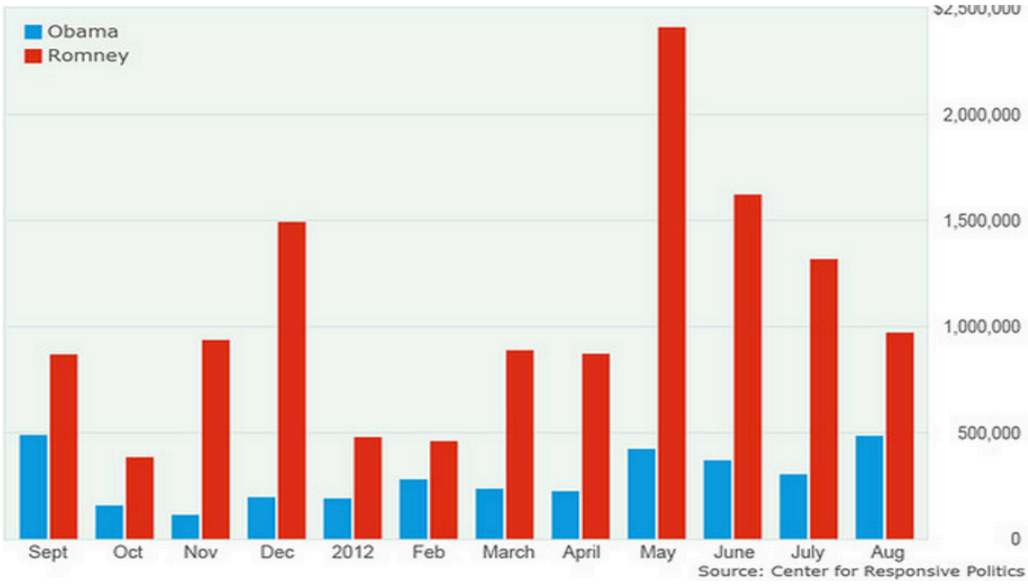
For the full year, the car manufacturers' group expects registrations to fall by around 12%.

Among the imported brands, car sales of Italy's Fiat group dropped 38% in September, while those of South Korea's Hyundai Motor Co. climbed 24%. German brands didn't escape the effects of the depressed French market with Volkswagen posting a 17% decline.

US Economy

Wall Street is continuing to heavily back Mitt Romney's campaign, according to recently released data. Last month individuals associated with the securities and investment industry contributed almost $1 million to Mitt Romney's campaign, double what they contributed to President Obama's campaign

In total, individuals associated with the securities and investment industry have contributed about $16 million to Romney's campaign since April of 2011, compared with less than $5 million to Obama's campaign.



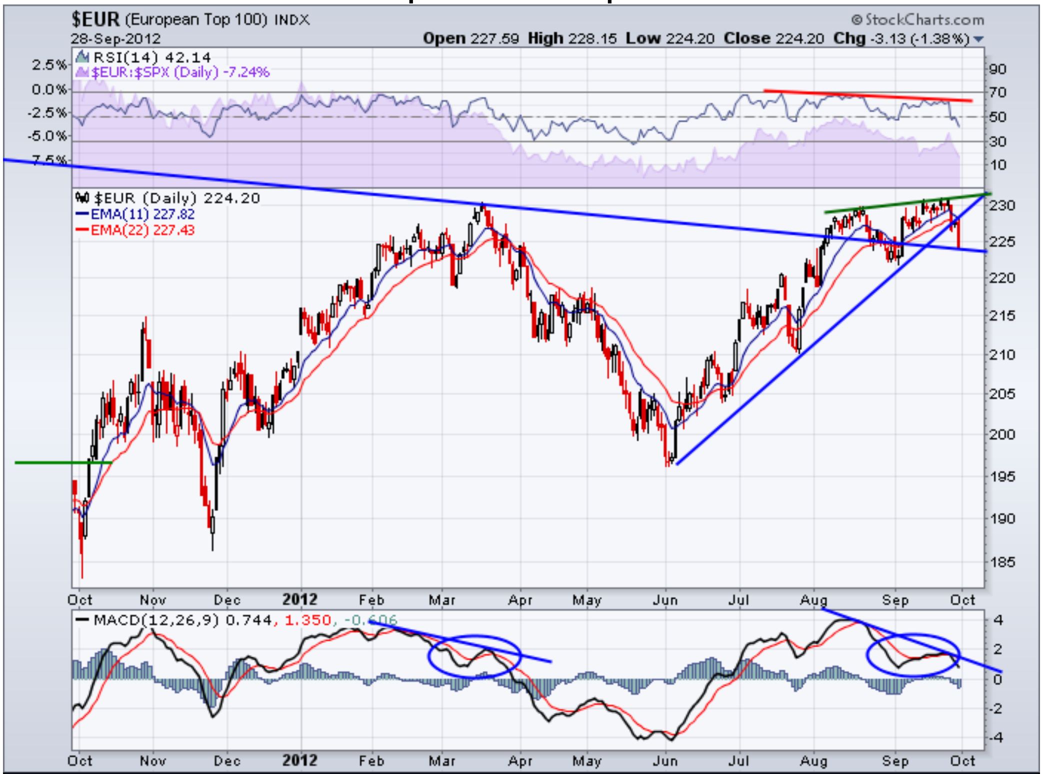
On the macro-economic front, US personal consumption expenditures (PCE) in August were up 0.5%, in line with expectations, after rising 0.4% in July. However, personal income was up 0.1%, slightly below expectations of a 0.2% increase. The July reading was revised to show a 0.1% gain from 0.3% previously. The personal savings rate fell to 3.7% from 4.1% in July. The Core PCE index rose 0.1% in August, as expected. Core prices were up 1.6% from a year earlier, versus a 1.3% annual increase in July.

The notoriously volatile regional Chicago NAPM manufacturing sector purchasing managers' index for the month of September has come in at 49.7 (Consensus: 53), after a reading of 53 for the previous month. The new orders sub-index has come in at 47.4 (from 54.8) while the prices paid sub-index has printed a reading of 63.2 (after 57). While this report is soft on the whole, the Chicago PMI had been running well above the ISM since 2011. We view the September print as bringing the Chicago PMI in line with the softer prints in the other manufacturing surveys rather than signaling a more substantial future decline.

Global Markets Commentary

Storm Season for this year is almost over, in nature, however, are there any on the financial Horizon?

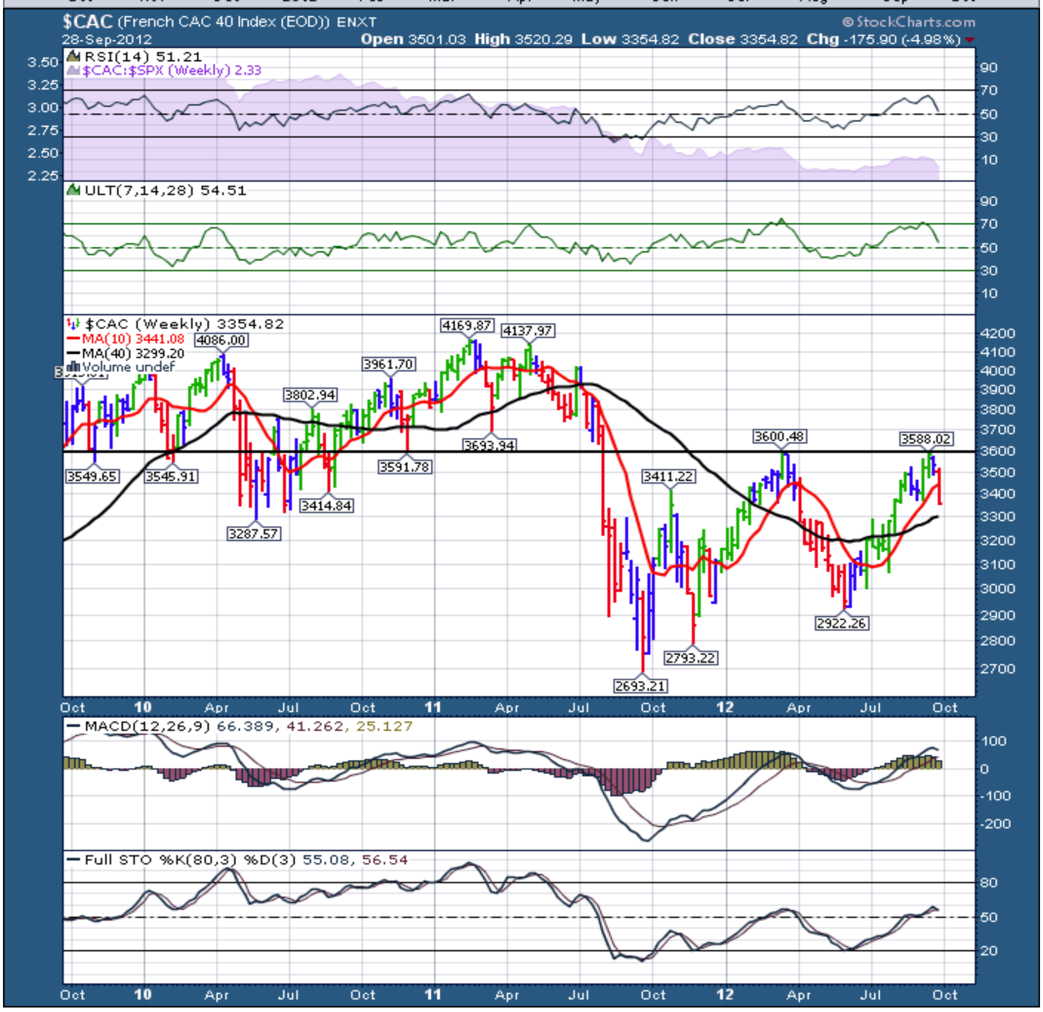
This chart is the index for the top 100 Euro companies.



Notice how the price made a new high, but the MACD surged to a much lower high. Enough to get above the signal line, but then it rolls over.

Compare the March MACD pattern to the current MACD pattern. It looks very similar

Let's look at France 's CAC 40 and you see $CAC fade at resistance. It is making 8-week lows or almost 2 month lows.



This could happen anywhere on the chart but this level has been important on the chart for 3 years. When can we get through it if the 4 central banks announcing stimulus was not enough?

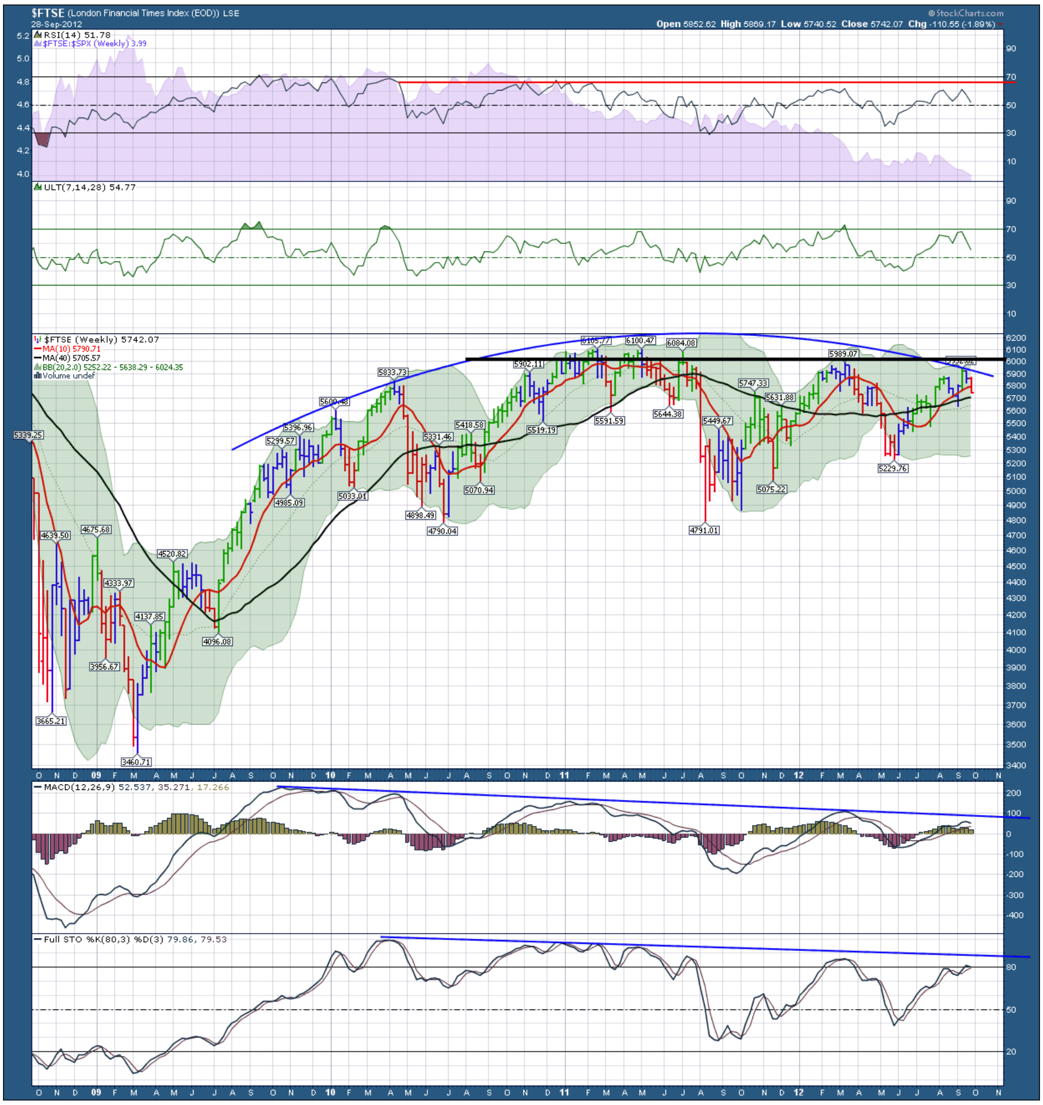
A MACD rising from the bottom and failing just above zero is a classic bear market wave style. Look at the RSI. It has not been able to get above 65 for 3 years. A bear market pattern.

This horizontal resistance line is critical

And the DAX 30, where at least this index was able to make it above 80 on the full Stochastics.

The RSI looks ok, but the MACD has a divergence so far.

The FTSE 100



Notice the declining Full stochstics and the MACD. RSI has not reached overbought since 2010.

Look at the price chart. We do not like the horizontal resistance denoted by the black line.

Also note the rounding top. Usually this is a daily chart style. Seeing it on a weekly is interesting.

It is just a simple picture of investor sentiment getting weaker as the right side develops.

US Weekly Charts

The VIX Index rose 1.75 (12.52%) last week.

Intermediate trend is up. Resistance has formed at its September 14th high at $1,474.51. The Index remains above its 50 and 200 day moving averages, but closed below its 20 day moving average on Friday.

All three short-term momentum indicators are trending down and have yet to show signs of bottoming.

The ratio of S&P stocks in an uptrend to a downtrend (i.e. the Up/Down ratio) fell again last week to (347/86=) 4.03 from 4.87.

Forty-three S&P stocks broke support and five stocks broke resistance.

The S&P 500 Index fell another 19.48 points (1.73%) last week.

The index remains intermediate overbought and trending down.

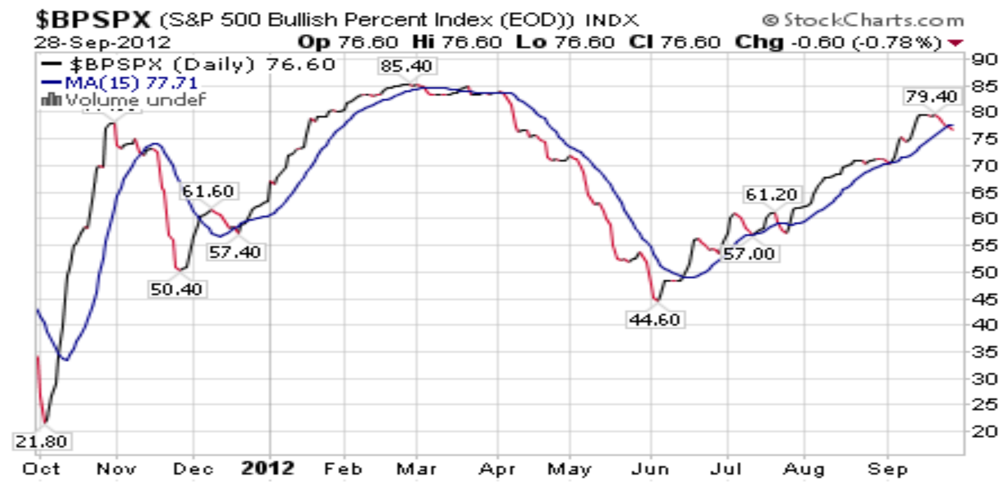
Percent of S&P 500 stocks trading above their 50 day moving average fell last week to 68.80% from 82.00%.

The index remains intermediate overbought and trending down.

Percent of S&P 500 stocks trading above their 200 day moving average fell last week to 71.80% from 77.00%.

The Index remains intermediate overbought and has started to trend down.

Bullish Percent Index for S&P 500 stocks fell last week to 76.60% from 79.40% and fell below its 15 day moving average.



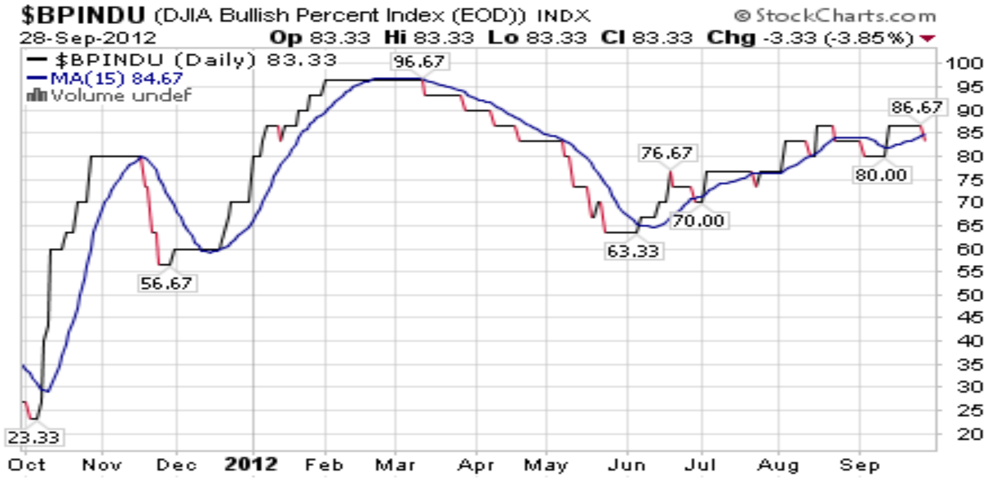
Resistance has formed at 13,653.24. The Average remains above its 20, 50 and 200 day moving averages.

All three short-term momentum indicators are trending down. Strength relative to the S&P 500 Index has changed from negative to at least neutral.

The Dow Jones Industrial Average fell another 142.30 points (1.05%) last week.

Bullish Percent Index for Dow Jones Industrial Average slipped last week to 83.33% from 86.67% and slipped below its 15 day moving average.

The Index is intermediate overbought and showing early signs of rolling over.



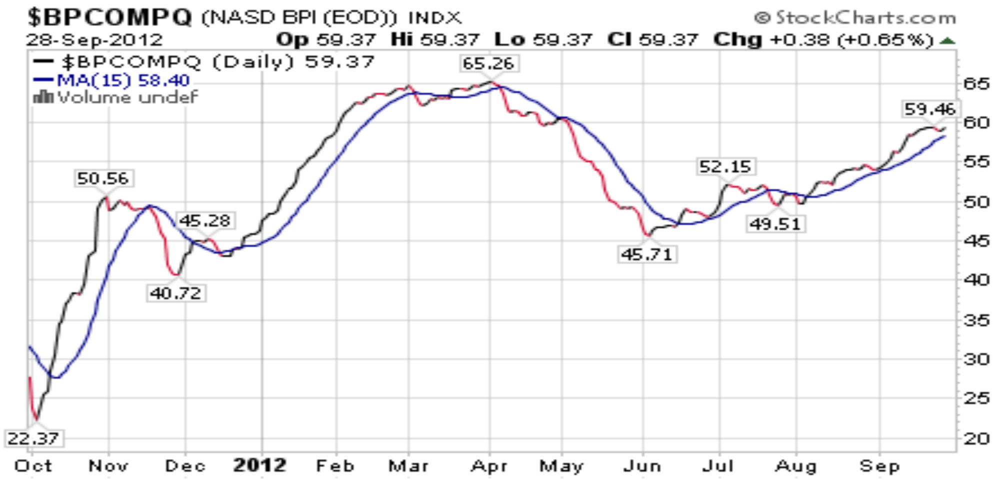
The Dow Jones Transportation Average slipped another 18.17 points (0.37%) last week.

The Average remains below its 20, 50 and 200 day moving averages. All three short-term momentum indicators are trending down.

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

Bullish Percent Index for NASDAQ Composite stocks was virtually unchanged last week at 59.37% and remains above its 15-day moving average.

The Index remains intermediate overbought.



Intermediate trend is up. Resistance has formed at 3,196.93. The Index remains above its 50 and 200 day moving averages, but fell below its 20 day moving average.

All three short-term momentum indicators are trending down.

Strength relative to the S&P 500 Index has been positive, but may be changing.

The NASDAQ Composite Index lost another 63.73 points (2.00%) last week.

Resistance has formed at 868.50. The Index remains above its 50 and 200 day moving averages, but fell below its 20 day moving average.

All three short-term momentum indicators are trending down.

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

The Russell 2000 Index lost another 18.06 points (2.11%) last week.

The S&P Energy Index fell another 8.38 points (1.50%) last week.

Intermediate trend is up. Resistance has formed at 574.53. The Index remains above its 20, 50 and 200 day moving averages.

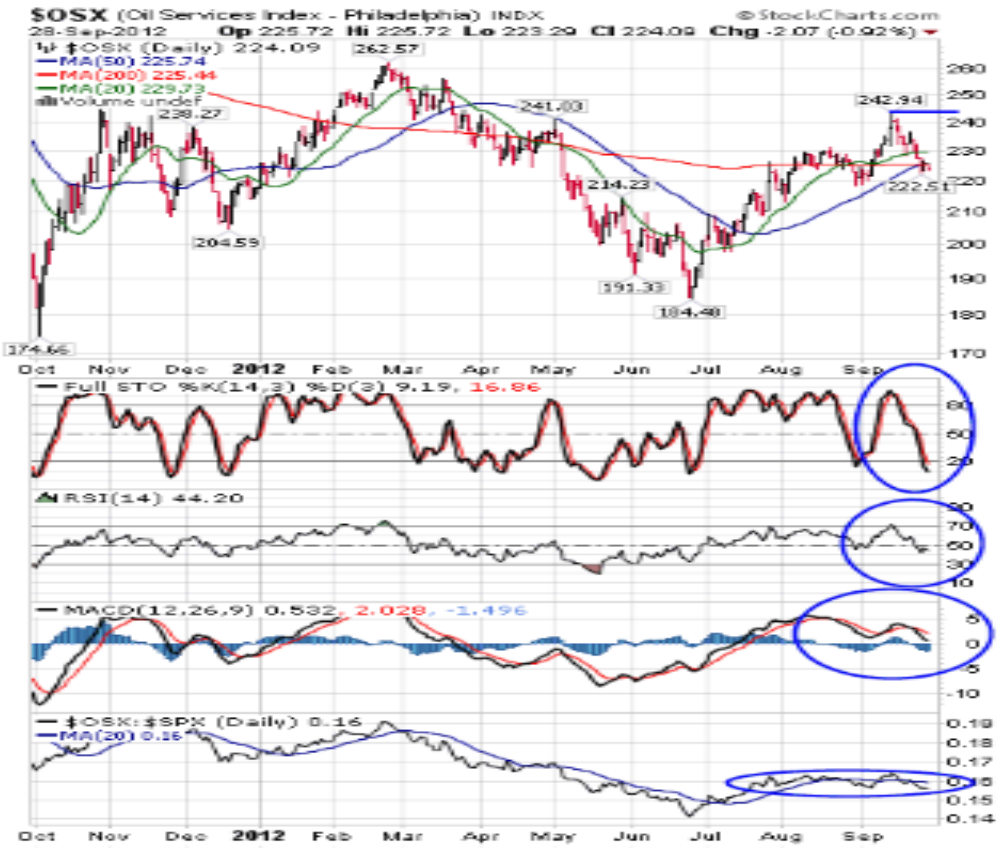
Short-term momentum indicators are trending down. Strength relative to the S&P 500 Index has changed from positive to neutral.

Favorable seasonal influences have ended.

The Philadelphia Oil Services Index fell 10.01 points (4.38%) last week.

Intermediate trend is up. Short-term momentum indicators are trending down. The Index fell below its 20, 50 and 200 day moving averages last week.

Strength relative to the S&P 500 Index has turned from positive to at least neutral.



The AMEX Gold Bug Index lost 11.66 points (2.22%) 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 gold remains positive.

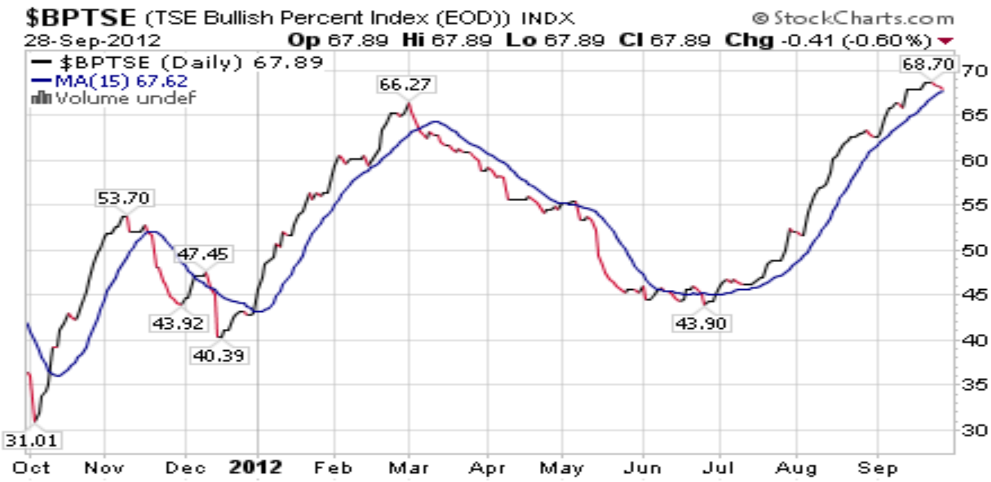
The period of favorable seasonality has just ended.

Canadian Markets weekly charts

The Index remains intermediate overbought and showing early signs of rolling.

The Up/Down ratio for TSX Composite stocks fell again last week to (155/54=) 2.87 from 3.13. Seven TSX stocks broke resistance and twelve stocks broke support.

Bullish Percent Index for TSX Composite stocks fell last week to 67.89% from 68.70% and is close to moving below its 15 day moving average.



The TSX Composite Index slipped another 66.14 points (0.53%) last week.

Intermediate trend is up. Resistance has formed at 12,529.77. The Index remains above its 20, 50 and 200 day moving averages.

All three short-term momentum indicators are trending down.

Strength relative to the S&P 500 Index is neutral/ mildly positive.

Percent of TSX stocks trading above their 50 day moving average fell last week to 63.41% from 67.07%.

The index is intermediate overbought and trending down.

Percent of TSX stocks trading above their 200 day moving average fell last week to 61.70% from 63.01%.

The index is intermediate overbought and trending down.

Intermediate trend is up. The Index fell below its 50 day moving average last week.

Short-term momentum indicators are trending down.

Strength relative to the S&P 500 Index remains neutral

The TSX Global Mines and Metals Index fell another 18.38 points (2.01%) last week.

Asian Markets weekly charts

The Nikkei Average fell another 239.84 points (2.63%) last week.

Intermediate trend is up. Resistance has formed at 9,288.53. The Average fell below its 20, 50 and 200 day moving averages.

All three short-term momentum indicators are trending down.

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

The Shanghai Composite Index added 59.48 points (2.93%) last week following unofficial news that up to $70 billion of stimulus was pumped into the Chinese economy prior to "Golden Week" this week when markets are closed.

Intermediate trend is down. The Index remains below its 50 and 200 day moving average, but moved above its 20 day moving average on Friday.

Short-term momentum indicators are oversold and trying to recover.

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

The Australia All Ords Composite Index slipped 24.41 points (0.55%) last week.

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

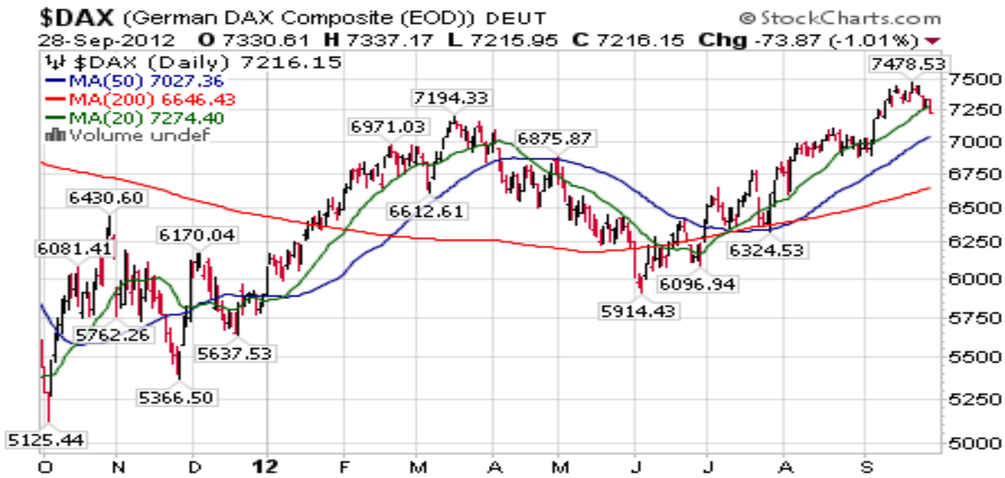
All three short-term momentum indicators are trending down.

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

European Market weekly charts

The London FT Index fell 110.55 points (1.89%).

The Frankfurt DAX Index dropped 235.47 points (3.16%)



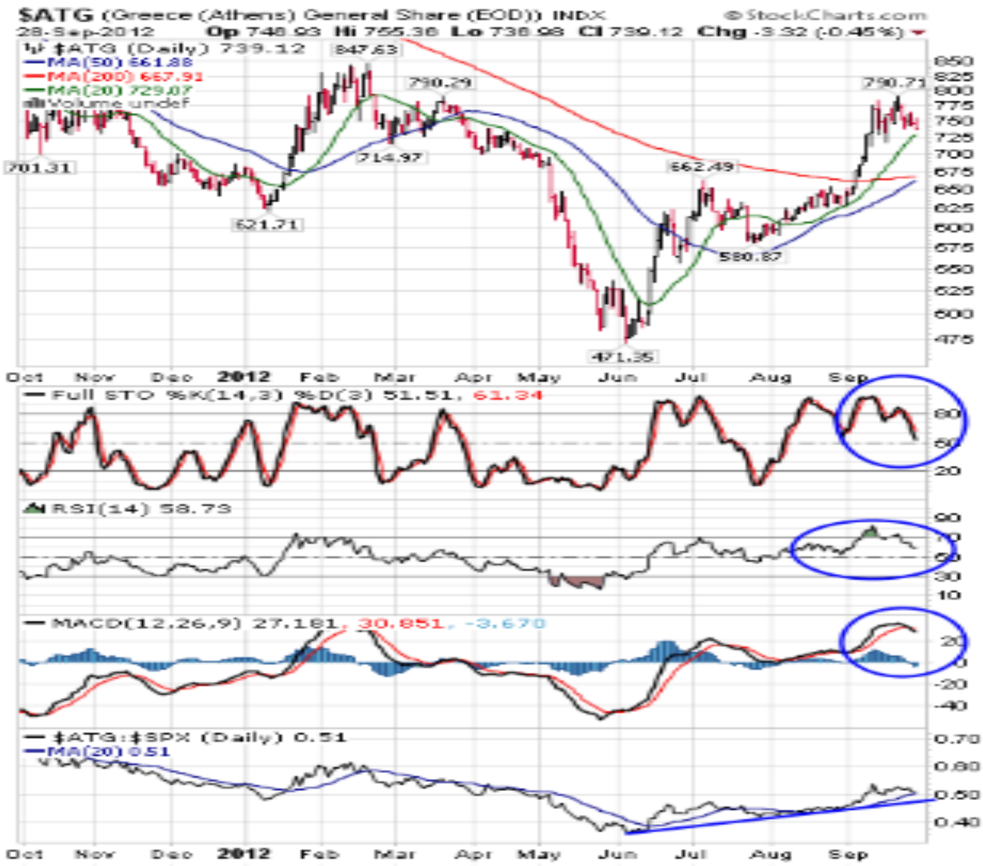
The Paris CAC Index plunged 175.90 points (4.98%) last week.

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

All three short-term momentum indicators are trending down.

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

The Athens Index fell 36.66 points (4.77%) last week.



Global Fixed Income Markets

EURO Bonds

US Bonds

Short-term momentum indicators continue to trend down.

The yield on 10 year Treasuries fell 12.3 basis points (6.99%) last week.

The price of the long term Treasuries ETF gained $2.67 (2.20%) last week.

Currencies

Intermediate trend is neutral. Resistance has formed at 131.72.

All three short-term momentum indicators are trending down.

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

The Euro fell 1.20 (0.92%) last week.

The oversold bounce from 78.60 continues. Dollar remains below its 20, 50 and 200 day moving averages.

Short-term momentum indicators continue to recover from oversold levels and are trending higher.

The US$ added 0.60 (0.76%) last week.

The Japanese Yen added 0.40 (0.31%) last week.

Intermediate trend is up. Resistance has formed at 129.65. The Yen remains above its 20, 50 and 200 day moving averages.

Short-term momentum indicators are neutral.

The C$ dropped another 0.75 cents U.S. (0.73%) last week.

Resistance has formed at 103.73 cents U.S. The Canuck Buck remains above its 50 and 200 daily moving average, but fell below its 20 day moving average.

All three short-term momentum indicators are trending down.

Commodities

The CRB Index added 0.32 (0.10%) last week.

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

Short-term momentum indicators are trending down.

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

Copper slipped $0.03 per lb. (0.80%) last week.

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

Short term momentum indicators are overbought and rolling over.

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

Lumber added $0.67 (0.36%) last week.

Intermediate trend is up.

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

The Grain ETN slipped $0.17 (0.26%) last week.

Units fell below support at $60.60.

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

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

Short-term momentum indicators are trending down.

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

The Agriculture ETF slipped $0.49 (0.94%) last week.

Gold & Precious Metals

Gold slipped $0.90 per ounce (0.05%) last week.

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

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

Strength relative to the S&P 500 Index remains positive. Seasonal influences are peaking.

Silver eased $0.02 per ounce (0.06%) last week.

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

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

Strength relative to gold is positive, but showing early signs of change.

Seasonal influences are peaking.

Strength relative to gold remains positive.

Platinum gained $28.40 per ounce (1.74%) last week on continuing labor strife in South Africa.

Palladium fell below its 20 and 200 day moving averages.

Strength relative to gold has changed from neutral to negative.

Palladium fell $34.65 per ounce (5.86%) last week.

Oil, Gas & Energy

Gasoline gained $0.08 per gallon (2.84%) last week.

Gasoline moved above its 20 and 200 day moving averages.

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

Crude Oil slipped $1.02 per barrel (1.10%) last week.

Intermediate trend is neutral. Resistance has formed at $100.42 per barrel. Crude remains below its 20, 50 and 200 day moving averages.

Short-term momentum indicators are trending down.

Seasonal influences recently turned negative.

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

Natural Gas jumped $0.41 per MBtu (14.14%) last week.

Intermediate uptrend was confirmed on a break above resistance at $3.28. Natural Gas 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.

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