



Creative Global Investments

Morning Market Commentary

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Objectivity

Integrity

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European Nuclear Power Plant Problems



Hundreds of problems have been found at European nuclear plants that would cost 25bn euros (£20bn) to fix, says a leaked draft report. The report, commissioned after Japan's Fukushima nuclear disaster, aimed to see how Europe's nuclear power stations would cope during extreme emergencies.

The final report is to be published on Thursday. The draft says nearly all the EU's 143 nuclear plants need improving. Anti-nuclear groups say the report's warnings do not go far enough.

For its part, the regulatory body for European nuclear safety has urged the Commission not to use language that could undermine public confidence. The report - the wording of which could change before Thursday's final version is published - points out that in the EU, 47 nuclear power plants with 111 reactors have more than 100,000 inhabitants living within a circle of 30km.

"On the basis of the stress test results practically all [nuclear plants] need to undergo safety improvements," says the leaked draft. "Hundreds of technical upgrade measures have already been identified. The Commission should be recommending the closure of unsafe or ageing reactors".

Following the accidents at Three Mile Island and Chernobyl, urgent measures to protect nuclear plants were agreed. The stress tests demonstrated that even today, decades later, their implementation is still pending in some member states.

Four reactors in two unnamed countries would have less than an hour to restore safety functions if electrical power was lost, it adds.

In France, Europe's largest nuclear power producer that relies on 58 nuclear reactors for 80% of its electricity, specific failings were found in all 58 nuclear reactors. Earlier this month, a blast of escaping steam burned two people at the Fessenheim power

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station in eastern France - one of the country's oldest nuclear reactors, which has long been the target of regular anti-nuclear protests. Fessenheim, close to France's borders with Germany and Switzerland, opened in 1977 and draws water for cooling from the Rhine, but campaigners say its location makes it vulnerable to seismic activity and flooding.

Shortcomings were also reported in the UK. Most of the country's power plants lacked an alternative emergency control room to use if the main one became contaminated by high radiation, says the report. The UK's Department of Energy said there was no evidence UK nuclear facilities were unsafe. However, the Government said it is committed to the principle of continuous improvement. "We are working closely with the Office for Nuclear Regulation to ensure that operators address any site specific issues using the existing robust UK regulatory regime, which requires operators to take all reasonably practicable steps to reduce risk and seek continuous improvements to safety."

Some governments have reappraised their nuclear energy strategy in the aftermath of last year's Fukushima disaster, with Germany deciding to abandon nuclear energy for green technology and cleaner gas- and coal-powered plants by 2022. Others, like France, have boosted investment in nuclear power since the meltdown.

We continue to recommend AREVA SA as a major direct investment for the increasing safety concern measures that governments globally need to increase.



Global Macro Events

Today's Macro Events:

- German PMI Services for September will be released at 3:55am EST. The market expects 50.6 versus 48.3 previous.
- Euro-Zone PMI Services for September will be released at 4:00am EST. The market expects 46.0 versus 47.2 previous.
- Great Britain PMI Services for September will be released at 4:30am EST. The market expects 53.0 versus 53.7 previous.
- Euro-Zone Retail Sales for August will be released at 5:00am EST. The market expects a year-over-year decline of 2.0% versus a decline of 1.7% previous.

Review of past macro-economic data:

Event	Actual	Forecast	Previous
AUD Reserve Bank of Australia Rate Decision	3.25%	3.50%	3.50%
GBP Purchasing Manager Index Construction	49.5	49.9	49
EUR Euro-Zone Producer Price Index (MoM)	0.90%	0.60%	0.30%
EUR Euro-Zone Producer Price Index (YoY)	2.70%	2.60%	1.60%
USD ISM New York	52.9		51.4
USD Total Vehicle Sales	15.00M	14.50M	14.46M
USD Domestic Vehicle Sales	11.60M	11.40M	11.54M
AUD AiG Performance of Service Index	41.9		42.4

Asian Economies

China's non-manufacturing purchasing managers' index (PMI) fell from 56.3 to 53.7 in September, according to the National Bureau of Statistics and China Federation of Logistics and Purchasing. Meanwhile, China's consumer sentiment index fell from 90.4 to 89.3 last month, its lowest level since December.

EURO Economies

Spanish Prime Minister Mariano Rajoy yesterday denied claims that his country is looking to request a bailout this weekend. He said that the country had no immediate plans to ask for aid. When asked about a report in Reuters on Monday, Rajoy said: "If a news agency reports that we'll ask for aid this weekend, there can only be two explanations; that the agency is right, and knows more than I do, which is possible, or that they are not right. "But, if it helps, and you accept that what I say is more important than this leak, I say no (we won't ask for aid this weekend.)"

The comments are unlikely to have to have a major impact on the markets as long as Rajoy doesn't delay making the request for too long. It is thought that he is holding out until after the regional elections on 21 October, a similar move to what we saw earlier this year.

Shop price inflation in the United Kingdom fell slightly in September to 1.0 percent from the August reading of 1.1 percent, mainly due to falling prices of non-food articles, British Retail Consortium reported. Food price inflation remained unchanged for a third straight month at 3.1 percent, while deflation in non-food prices increased to 0.2 percent from the August reading of 0.1 percent.

Global Markets Commentary

Markets traded around the flat-line on Tuesday as investors continue to wait for news pertaining to a potential bailout of Spain as well as an update of the employment condition in the US.

The ADP employment report is due out today, followed by the important monthly employment report on Friday, among the last major economic reports before the presidential election, which takes place in just over one month's time.

Apple played an influential role in the Tuesday's market activity, yet again. The stock fell by as much as 1.3% at the session low before touching it's 50-day moving average line at \$650, initiating a flurry of buying pressures at this important technical level. As Apple rebounded, so too did the market. Of course Apple is one of the most important stocks for investors as not only is it the largest single security weight within a number of benchmarks, but it is also one of the most widely held securities in the stock market. Any opportunity to accumulate the stock during periods of weakness, it is likely that investors will pursue it. Momentum indicators for Apple are increasingly becoming bearish now that the stock has reached oversold levels with regards to Stochastics.

Expect escalated selling pressures should the 50-day moving average fail to hold as support, implying that escalated negative pressures would also be felt within broad equity benchmarks.





US Market News & Commentary

JP Morgan NYAG lawsuit is the first action to come out of a working group created by US President Barack Obama looking into the causes of the 2008 financial crash.

The New York Attorney General has sued JP Morgan Chase for allegedly defrauding investors who lost more than \$20bn (£12bn) on mortgage-backed securities sold by Bear Stearns. JP Morgan bought the investment bank Bear Stearns in March 2008. It said that it would contest the allegations.

JP Morgan said: "The NYAG civil action relates to Bear Stearns, which we acquired over the course of a weekend at the behest of the US government. This complaint is entirely about historic conduct by that entity." The civil suit, filed by New York Attorney General Eric Schneiderman, accuses Bear Stearns of failing to ensure the quality of loans underlying residential mortgage-backed securities. It relates to securities sold by Bear Stearns in 2006 and 2007 - before it was taken over by JP Morgan. The legal action claims the bank "systematically failed to fully evaluate the loans, largely ignored the defects that their limited review did uncover, and kept investors in the dark about both the inadequacy of their review procedures and the defects in the underlying loans". It says that this led to the inclusion of mortgages on which borrowers were likely to default, and that investor losses in 2006 and 2007 totaled more than a quarter of the original £87bn value of the securities.

The NYAG wants the company to pay an undisclosed amount of damages for investor losses "caused, directly or indirectly, by the fraudulent and deceptive acts". There were some "jaw-dropping elements" exposed in the suit. The report disclosed "a manic and frenzied culture of procuring and packaging as many mortgages as humanly possible, to maintain the bonds spewing from the investment bank, to generate as much short-term profit as humanly possible".

A JPMorgan spokesman accused the NYAG of not giving the bank a sufficient chance to discuss the accusations before launching the legal action.

We continue to recommend to "sell/underweight" major US & European Financial stocks, such as JPM



Most earnings adjustments and misses continue to impact individual securities prior to the traditional earnings report season.





Canadian Market News & Commentary



European Market News & Commentary

Volkswagen of America Inc., a unit of Volkswagen AG, announced that it has sold 36,339 units in September 2012, 34.4 percent higher than 27,036 units sold in the corresponding month in the previous year.

Porsche Cars North America Inc., the U.S. distributor of Porsche cars and a unit of Porsche AG, said that it sold 2,736 vehicles in September 2012, up 26.08 percent from 2,170 vehicles sold last September.

Sanofi S.A. agreed to acquire Colombian generic drug maker **Genfar S.A.** to further expand into Latin America.

U.K.-based data storage solutions provider Xyratex reported a bigger-than-expected decline in third-quarter profit, hurt by a sharp decline in sales, coupled with a rise in selling, general, and research expenses.

Supermarket chains **Tesco** and **Sainsbury's** failed to impress with their updates this morning, with both providing a drag on the Footsie in the opening hour.

Tesco fell despite seeing a return to like-for-like (LFL) sales growth in the second quarter. Both profits and margins decreased in the 29 weeks to August 25th.

Meanwhile, **Sainsbury's** fell despite saying it had outperformed the market in the second quarter, with total sales up 4.4% excluding fuel and LFL sales up 1.9%.

Pearson, the education and publishing firm, dropped after revealing that its Chief Executive Officer Marjorie Scardino has decided to call it quits at the end of the year.

Heading the other way was mining group **Xstrata** after raising its copper mineral resource estimate at the major long-life development El Pachn project in San Juan Province, Argentina, by 20%.

Global Fixed Income Markets

EURO Bonds

US Bonds

The long-term charts of the CRB commodity index and the ratio chart of the TIPS Bond Fund (TIP) versus the 7-10 Year Treasury Bond Fund (IEF), an appropriate measure of inflation, shows that the price action of each is reaching a critical point within a triangle pattern.



Currencies

The Euro retained gains against the US\$ on Tuesday as Spain quashed reports that it is moving closer to asking for a bailout. The EUR/US\$ 1.2922 moved up from \$1.2895 the previous day as markets digested reports that the Eurozone's fourth-largest economy was getting ready to ask for a bailout as early as this weekend. However Spain's Prime Minister Mariano Rajoy was quick to quash the reports saying a bailout request was not imminent. A bailout for Spain is widely seen as positive as it will lower borrowing costs and remove persistent uncertainty about the nation's debt situation.

Also in focus was a review of Spain's credit rating later this month by Moody's Investors Service. Many analysts believe the country will be downgraded to junk status.

We expect the EUR/US\$ to hold at the 200 dMVA, and built a base from here to move towards EUR/US\$ 1.3850 by year end 2012



Commodities

The long-term charts of the CRB commodity index and the ratio chart of the TIPS Bond Fund (TIP) versus the 7-10 Year Treasury Bond Fund (IEF), an appropriate measure of inflation, shows that the price action of each is reaching a critical point within a triangle pattern.

Obviously, with US enacting easy money policy for an indefinite period or time and other central banks seeming very accommodative as well, the bias is to the upside, but a breakout is still required in order to confirm.

A break in either direction will define the next major trend for commodities and inflation, likely influencing equity and bond markets in the process.



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