

# THE OMNIVEST MARKET VIEW



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## June 3 - 10, 2011

	(%)
Gold	-0.71
Silver	-0.17
Oil	-0.93
	(%)
S&P 500 Index	-2.21
Russell 2000 Index	-3.52
Emerging Equity Markets	-2.36
Developed Equity Markets	-2.39
	(bps)
2-year Treasury Yields	-2.67
5-year Treasury Yields	-3.66
10-year Treasury Yields	-1.66
30-year Treasury Yields	-4.07
	(%)
High Yield Bonds	-0.53
Investment Grade Bonds	0.09
Municipal Bonds	0.13

Source: Bloomberg

## Week in Review & Preview Glimpse

June 13, 2011

It was another week of poor performance from risk assets such as equities, credit, commodities and currencies. Such uniform weak performance led to a stronger US dollar and a decline in Treasury yields.

The force behind last week's flight to quality was due to the lack of resolve concerning Greece's aid package and an increase in dissent between the ECB and the Deutsche Bundesbank. Fed Chairman Ben Bernanke and New York Fed President Bill Dudley both echoed concern about the current weak patch of economic growth which led some to believe that the Fed could do little to change the current economic landscape.

As a consequence, US stocks declined for six consecutive weeks. The S&P 500 Index lost 2.21%, emerging equity markets declined 2.36% and developed equity markets posted a loss of 2.39%.

High-yield bonds continued to weaken, as supply concerns pushed the total return for the high-yield market down 0.53% on the week. The Treasury market benefited from credit concerns with Treasuries gaining 0.22%. The rally in the Treasury market has now pushed yields to their lowest level since the first week of December last year.

Also weighing on the financial markets is the uncertainty as to what happens to asset prices when QE2 ends at the end of this month. While some uncertainty should be expected, the level of uncertainty seems unwarranted. For one, the Federal Reserve will continue to maintain the size of its balance sheet, which suggests that liquidity conditions will continue to be quite ample.

Looking forward to this week's data, PPI and retail sales will be released on Tuesday, followed by CPI and Industrial Production on Wednesday. The two most important economic readings will be Thursday's initial unemployment gains followed by Friday's consumer confidence reading.

Uncertainty with respect to Greece's aid package will weigh on the markets until resolution is completed. Other issues outstanding that bear watching will be the battle over the US debt ceiling and progress on budget cuts. Lack of progress on either of those two fronts could force one or more of the rating agencies to lower the credit rating of the US Treasury debt.

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