

THE OMNIVEST MARKET VIEW



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Week in Review & Preview Glimpse

November 5, 2011

The change in weekly price data for stocks and bonds may have given a misleading signal that investors were beginning to shift back towards risk-free investments. Consider that for the week, 30-year Treasury bond yields fell 28.38 basis points (bps) but for the first four days of November, yields only fell by 3 bps. Similarly, the S&P 500 Index fell 2.45% on the week but when looking at the first four days of the month, we find that the S&P actually had a positive return of 0.02%. A more impressive return was captured in the Russell 2000 Index with a total return of 0.75% for the first four days of the month.

It is not just splitting hairs by looking at the weekly vs the first week of the month. Much of the return patterns for the week have been dominated by the trading patterns of the last Thursday and Friday in October when it was announced that the Greek haircut of 50% would not trigger a default on Greek debt and therefore nullify the need for insurance related to credit default swaps. This knock-on effect was to push 30-year Treasury yields up by 11 bps and the S&P up by 3.5%. Week-over-week comparisons will now become cleaner and perhaps revealing a more meaningful trading pattern.

From a risk-on/risk-off perspective, AMG did record a very strong \$1.57 billion in -flow into high yield funds this week, following last week's record in-flow.

This week will be a light week for economic data but a very important week for news from Greece and Italy. Last week the euro fell 2.51% because of Greek Prime Minister's (George Papandreou) call for a referendum and confidence vote. By the end of the week, Italy was making headline news because of its own austerity needs. This was followed by the G-20 meeting. The 10-year Italian yields rose from 6.01% to 6.35%, triggering a flight-to-quality within the Sovereign debt markets.

This week, It will be important to see how the markets respond to Greek Prime Minister George Papandreou's victory and efforts to put together a coalition government. The G-20 communiqué offered little ground breaking information but the BRIC leaders suggested that they would be willing to fund the IMF of up to \$350 billion to help finance Europe's needs.

The most important two pieces of data this upcoming week will be Thursday's Initial Unemployment Claims followed by Friday's University of Michigan Consumer Confidence report. If Initial Unemployment Claims stay below 400,000 for a second consecutive week, it will confirm that the labor market is finally beginning to mend, as has been evidenced by the positive revisions to the monthly employment data.

	Week 10/28/11 - 9/30/11 - 11/04/11	Month 10/31/11
	(%)	(%)

Gold	0.51	6.47
Silver	0.64	14.60
Oil	1.01	17.66

S&P 500 Index	-2.45	10.93
Russell 2000 Index	-1.89	15.13
Emerging Equity Markets	-2.02	13.19
Developed Equity Markets	-4.08	10.26
	(bps)	(bps)

2-year Treasury Yields	-7.08	-0.48
5-year Treasury Yields	-25.58	0.81
10-year Treasury Yields	-28.39	19.79
30-year Treasury Yields	-28.38	21.73
	TR (%)	TR (%)

High Yield Bonds	-0.35	5.96
Investment Grade Bonds	0.95	1.75
Municipal Bonds	0.55	-0.41

Source: Bloomberg

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