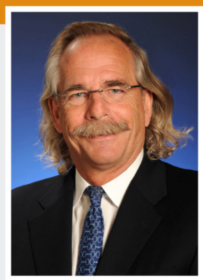
THE OMNIVEST MARKET VIEW



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Week in Review & Preview Glimpse

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This past week, financial markets were driven by the volatility of the euro. The first 3 days of the week, we saw the euro decline from 1.3386 to an intraday low of 1.2946 for a loss of 3.28%. Similarly, the S&P 500 Index fell 3.67% for the first 3 days of the week.

However, by the end of the week, the euro had recovered from 1.2946 to a Friday's close of 1.3046. During the same period, the S&P rose from an intraday low on Wednesday to close the week at 1219.66. It is not clear whether the euro was being bullied by fundamentals or by speculative traders hoping to profit from option strategies that were set to expire on Friday.

Last week, investors remained indifferent to a string of positive economic data that ranged from better than expected Purchasing Manager's Indexes (PMI's) globally to a multi-year low for the four-week moving average of Initial Unemployment Claims.

It is likely that the markets will continue to focus on the performance of the euro, especially given the threat that US rating agencies begin a series of sweeping downgrades throughout Europe. Some fear that France could lose its AAA rating by S&P as early as this week. What we'll need to observe is whether the markets have already priced in the risk of downgrades. It seems to us as though the euro may have already priced in the risk of serial downgrades.

Conversely, the performance of the long end of the Treasury curve seems to be oblivious to the risk that the US undergoes a similar series of downgrades. This week, Congress is expected to vote on the payroll tax bill which was passed by the Senate this weekend by a vote of 89 to 10. As of now, the House has expressed displeasure with this bill and may not be able to muster the votes before Christmas.

In our view, volatility associated with uncertain political environment globally, will likely create investment opportunities for long term investors. Last week, we saw high yield corporate bond spreads widen a bit as flight-to-quality pressured Treasury yields lower. The widening of high yield spreads in an improving economic environment is an opportunity for long term investors.

The observation that lower quality assets underperformed risk-free assets last week should be viewed as an opportunity. And while it is understandable why investors remain on the sidelines (out of fear), it is also true that many of these investors will simply miss out on the value that is being created in long term investment opportunities.

This week we will have data for Housing Starts, Existing Home Sales, Final reading for Q3 GDP, Initial Unemployment Claims and Durable Goods. This will be enough information to keep the markets alert.

	Week 12/9/11 - 12/16/11 (%)
Gold	-6.93
Silver	-7.74
Oil	-5.91
S&P 500 Index	-2.79
Russell 2000 Index	-3.08
Emerging Equity Markets	-3.19
Developed Equity Markets	-3.44
	(bps)
2-year Treasury Yields	-0.03
5-year Treasury Yields	-9.19
10-year Treasury Yields	-21.37
30-year Treasury Yields	-25.60
	TR (%)
High Yield Bonds	-0.04
Investment Grade Bonds	1.00
Municipal Bonds	0.37

Source: *Bloomberg*

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