

THE OMNIVEST MARKET VIEW



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Week in Review & Preview Glimpse

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It was a week of strong recovery for equities, Greek debt and stabilization of the euro. Rumors that China would buy the euro and certain European sovereign debt helped to bring calm to global markets. This was followed with a verbal commitment from Ms. Merkel and Mr. Sarkozy in support of Greece staying in the EU. Also, a coordinated round of increased liquidity was going to be given to European banks from the Federal Reserve and four other major Central Banks.

Greek yields began to tumble early in the week with 2-year yields falling from a high of 74.65% to close the week out at 51.83%. Though still remarkably high, there is a sense of calm returning to the Greek debt markets.

The improving tone for risk pushed risk-free US treasury yields higher by 13 basis points (bps) for the 10-year note and 9 bps for the German 10-year bunds. Even the very stable 10-year Swiss note nudged higher in yield by 1 bp on the week.

This week, the market will focus on the Federal Reserve's 2-day FOMC meeting which may play a very pivotal role for global markets. It is widely expected that the Federal Reserve will take action to try to further stimulate the US economy. Failure to take any action would likely push global equities considerably lower.

Greece's parliament has been working over the current weekend and will likely announce further austerity measures in order to meet the deficit guidelines set for incremental funding. It is expected that the Greek government will be able to placate its creditors which could add to the already positive momentum in the markets.

Assuming that the Fed does take further action and the Greek government makes solid gains to further cut expenses, then a continuation of last week's equity rally would be expected.

Watching the movement of European bank shares should give us signals as to the changing temperature for risk. Last week, European bank shares (EUFN) rallied 5.5% despite the surprise \$2.3 billion trading loss estimated for UBS.

Finally, if "operation twist" is not announced by the Fed this coming Wednesday afternoon, we would expect a fairly sharp sell-off at the back end of the treasury market.

9/9/11 - 9/16/11

(%)

Gold	-2.40
Silver	-1.93
Oil	0.86

S&P 500 Index	5.42
Russell 2000 Index	6.05
Emerging Equity Markets	-1.50
Developed Equity Markets	3.64

(bps)

2-year Treasury Yields	-0.36
5-year Treasury Yields	10.71
10-year Treasury Yields	12.96
30-year Treasury Yields	6.67

TR (%)

High Yield Bonds	-0.29
Investment Grade Bonds	-1.02
Municipal Bonds	-0.05

Source: Bloomberg

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