THE OMNIVEST MARKET VIEW

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Weaker Economic Data May Bring QE3 Closer

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While the UK fell into an official recession last week, today we learned that Spain has suffered the same fate of two consecutive negative quarters of GDP activity. In the US, GDP came in at 2.2% (preliminary) vs. 3.0% from the 4th quarter of 2011. Weaker growth (globally) is beginning to give investors reason to adopt a more cautious stance.

It is our view that weaker growth in the US may prove to be a give-back to the stronger than expected economic activity that occurred during the November to February 2012 period. Specifically, labor related data has been slowing over the past month. After averaging 223,000 job gains from November through February, the March data came in substantially weaker at 120,000. The four-week moving average for Initial Unemployment Claims has also started to trend higher from a low of 363,000 at the end of March to 381,000 on April 20th.

Purchasing Manager's Indices (PMI) data is telling a similar story as evidenced by the 56.2 reading for Chicago PMI in April vs. 62.2 for March. And while these figures point to a slowdown, investors should remember that a reading above 50.0 still indicates growth.

Against this series of weaker data, Consumer Confidence and Retail Sales have surprised on the upside. On the earnings front, 74% of companies that have reported their earnings for the first quarter have beaten expectations. To add to the overall confusing signals, we will now be faced with two important elections this weekend in Greece and France.

And while the landscape has become somewhat muddled in recent weeks, the one constant that we can rely on is the willingness of the Federal Reserve to act promptly if the data were to become unambiguously negative. Moreover, the Fed will become increasingly more concerned about the viability of the economy should Congress fail to take necessary steps to prevent the US from tipping over the fiscal cliff at the turn of the year.

Admittedly, the US will be entering a very difficult political period in the final six months of the year. While this is not new news, it could raise uncertainty and volatility in financial markets.

Investors seeking protection from uncertainty and volatility should consider diversifying into mutual funds made up of Commodity Trading Advisors (CTA's). There is hard evidence that highlights the negative correlation between CTA based performance and the S&P 500 Index.

One idea is Equinox Fund Management LLC. Equinox offers an actively managed portfolio of CTA programs in a mutual fund format. The MutualHedge Frontier Legends Fund allows easy access to a diversified CTA portfolio with daily liquidity.

A Total Return Comparison

	S&P 500 Index	*Managed Futures*
Aug - Sept 2002	*-10.28%*	*4.16%*
Jan 2000 - Dec 2002	*-37.60%*	*23.84%*
Nov 2007 - June 2008	*-16.18%*	*12.17%*
Sept 2008 - Feb 2009	*-41.80%*	*10.47%*
April 2010 - July 2010	*-15.63%*	*-1.41%*
July 2011 - Oct 2011	*-17.91%*	*5.20%*

Source: *Bloomberg & Equinox Fund Management LLC*

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