THE OMNIVEST MARKET VIEW

Investments

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Week in Review & Preview Glimpse

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On Wednesday, the FOMC announced a much bolder “operation twist” than what had been expected and highlighted their view that there were “significant risks” to the economic outlook. This, combined with heightened fears of an imminent default for Greece, forced investors out of risk assets and into risk-free assets.

Stocks tumbled globally led by emerging markets with a drop of 11.78% on the week. Double digit declines are often associated with margin calls which may be why silver fell 23.42% on the week and gold fell 9.64%. The adage “if you can’t sell what you want, sell what you can” seems to have played a large role in the precious metals market. The significant sell-off in gold may cause investors to question the validity of gold as a safe haven.

“Operation twist” actually had its desired effect on the treasury market. 30-year bond yields fell by an amazing 41.28 basis points (bps) on the week, followed by a 21.45 bps decline in 10-year yields. At the same time, 2-year yields rose by 5.12 bps, thus creating a much flatter yield curve. The FOMC also announced that they would be purchasing mortgage securities. The combination of lower long term interest rates and buying back mortgages is expected to have a profound impact on the housing market and refinancing activity - time will tell.

Though stocks experienced a very harsh week, there may be signs that the market is actually beginning to bottom. From our lens, we were pleased to see that the September 22nd closing low for the S&P 500 Index was higher than both the August 8th and August 19th closing lows.

This week we have Germany IFO and US New Home Sales on Monday. On Tuesday, we have US Consumer Confidence; Wednesday we have Durable Goods and Thursday Initial Unemployment Claims followed by Chicago Purchasing Manager Index. Europe’s Harmonized Index of Consumer Prices comes out on Friday.

On September 29th, Germany will vote on expanding the EFSF program followed by Austria’s vote on September 30th. A “yes” vote by Germany could help ease tensions in Europe concerning sovereign debt risk.

Given the FOMC’s weak assessment of the US economy and the ECB’s downward revision of economic indicators in the Euro-area, suggests that we may be entering into a period of coordinated easing. If so, then demand for risk assets may begin to improve and will do so in a very aggressive manner.

	9/16/11 - 9/23/11 (%)
Gold	-9.64
Silver	-23.42
Oil	-9.22
S&P 500 Index	-6.52
Russell 2000 Index	-8.64
Emerging Equity Markets	-11.78
Developed Equity Markets	-6.90
	(bps)
2-year Treasury Yields	5.12
5-year Treasury Yields	-3.92
10-year Treasury Yields	-21.45
30-year Treasury Yields	-41.28
	TR (%)
High Yield Bonds	-1.58
Investment Grade Bonds	0.26
Municipal Bonds	1.04

Source: *Bloomberg*

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