

THE OMNIVEST MARKET VIEW



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The Current State of the US Economy

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Unfortunately economic data does not lie. While it has become a popular sport to portray the economy as if we were already in a recession, we find little or no evidence to support such claims. We've chosen to look at the economic data that has crossed the tapes in the last 30 days to paint a real picture of how the economy is actually performing.

In the last 30 days, ISM Non-Manufacturing has increased from 52.7 to 53.3, followed by the most recent print of 53.0 - admittedly not robust, but definitely not collapsing. Trade balance has narrowed from -\$51.6 B to -\$44.8 B. PPI registered a year-over-year gain of 6.5% followed by a 3.8% year-over-year change in CPI. These data points give no glimpse of deflationary risks.

By mid-September, Retail Sales were unchanged – both an anemic and worrisome report at the same time. Additional concerns were raised when the NY Empire Manufacturing Index slipped to a reading of -8.82 from -7.72 and the Philadelphia Fed Index recorded a reading of -17.5. Unfortunately, these dismal readings were not supported by the data that followed.

For example, University of Michigan Consumer Confidence came in at 57.8 versus a reading of 55.7 in August and Existing Home Sales gained 7.7% on the month. Housing Starts continued to show weakness with Starts coming in at an annualized pace of 571,000. Offsetting the Starts data was an unusual increase in Home Prices of 0.8% for the month of July. Even the Case-Shiller Home Price data showed a modest increase of 142.77 from 141.48 in June.

Durable Goods orders came in slightly better than expected with a decline of 0.1% following a very strong reading of 4.2% in July. The much feared final revision to Q2's GDP actually surprised on the upside with a gain of 1.3% from a preliminary reading of 1.0%. More importantly, Personal Consumption showed a gain of 0.7% versus a prior reading of 0.4%.

Moving towards the end of the month, we found that Personal Income contracted by 0.1% from a prior reading of a positive 0.1% - another worrisome data point. However, Manufacturing data showed clear strength with Chicago PMI registering a reading of 60.4 versus 56.5 for August and the ISM Manufacturing report came in at 51.6 versus 50.6 for August.

Finally, the University of Michigan Consumer Confidence registered 59.4 versus a preliminary reading of 57.8 in September. Total Vehicle Sales registered its strongest reading since the first quarter of 2008.

A fair reading of all of these data points clearly does not paint a picture of an economy that is in a recession, yet risk assets are priced to reflect the environment that existed in 2008. From our perspective, risk assets are extremely attractive in the current environment and maybe pricing in an even worse economic scenario.