THE OMNIVEST MARKET VIEW

Investments

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	Week-ending July 29 2011	July MTD
	(%)	(%)
Gold	1.67	8.35
Silver	-0.47	14.98
Oil	-4.18	0.29
S&P 500 Index	-3.90	-2.03
Russell 2000 Index	-5.30	-3.60
Emerging Equity Markets	-1.27	-0.39
Developed Equity Markets	-3.16	-1.89
	(bps)	(bps)
2-year Treasury Yields	-0.03	-0.10
5-year Treasury Yields	-0.15	-0.40
10-year Treasury Yields	-0.16	-0.36
30-year Treasury Yields	-0.14	-0.25
	(%)	(%)
High Yield Bonds	0.00	1.23
Investment Grade Bonds	1.03	2.29
Municipal Bonds	0.11	1.10

Source: *Bloomberg*

Week in Review & Preview Glimpse

July 31, 2011

The month of July was a weak month for risk assets, especially the last week of July. This past week was dominated by the children of Washington in a spit battle to curb spending and raise the debt ceiling. We also received a set of weak GDP data with significant downside revisions to previous quarters. All of the data and political intrigue, produced negative returns for stocks with losses of 3.90% for the week and 2.03% for the month. Small cap stocks faired poorly with a weekly loss of 5.30%.

Oddly, emerging equity markets outperformed the US and developed markets with a loss of 1.27% on the week and a very negligible loss of 0.39% for the month. Perhaps, investors are finally looking at economic differentials.

In the bond market, Treasury yields fell to their lowest levels of the year, driven by fear as a result of weaker than expected economic data and the high level of uncertainly.

Despite the growing uncertainty, investment grade corporates, handedly outperformed “risk-free” treasuries. It is important to note that just as emerging equity markets outperformed developed equity markets, a similar pattern can be seen as corporate credit is outperforming government debt.

The growing lack of trust with paper assets (ie: bonds and stocks) continues to push investors into real assets (ie: gold, silver) with respective gains of 8.35% and 14.89% on the month.

As we write the week ahead preview, S&P equity futures are up 13.70 points, on the likelihood that the Senate will pass the debt ceiling bill tonight and ratified by Congress tomorrow. Clearly, action on the debt ceiling will dominate global markets in the first 2 days of the week.

Thursday, Initial Jobless Claims will be released and investors will be looking for a print of less than 400,000 to confirm last week’s number. This will be followed by the all important Friday release of the Employment Data for the US.

Assuming the US dollar responds positively to news from Washington, investors should take that opportunity to explore US dollar alternatives. Also, we could see a very significant rally in equities, partially in response to Washington, but also in response to very strong earnings.

Finally, investors should understand that Treasury bonds are at risk of being repriced to lower levels to reflect the eventual downgrade of US Treasuries from AAA rating to AA status.

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