longview economics

SELL-off or Something more Sinister? Feb 2010

Chris Watling, CEO, Longview Economics
Direct Line: +44 (0) 870 225 1388
Email: chriswatling@longvieweconomics.com

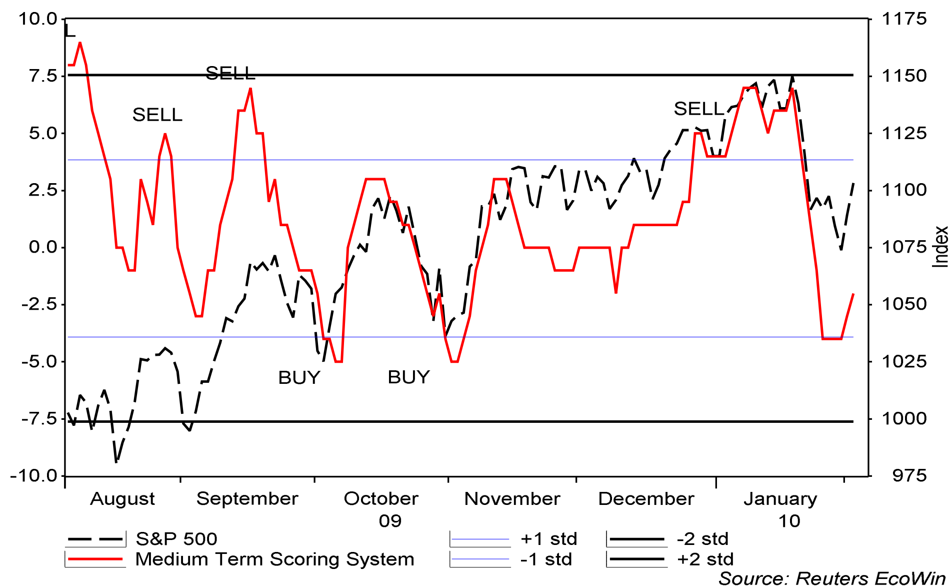
Summary & Conclusion

With our indicators having warned of the potential for a wave of risk aversion (see Longview Alert No V 12th January 2010, “High Risk of Imminent SELL-off”), the key issue now is whether this is simply a straightforward SELL-off or the start of something more sinister?

Comfort can be taken from the fact that our indicators were high and signaling SELL in the early weeks of last month. Medium term risk appetite gauges were on SELL indicating that the market’s appetite for risk had become notably high, relative to past norms. A (rare) signal from our SELL-off indicator spoke of euphoria amongst investors in certain parts of the world’s financial markets (and as such warned of a reversal of the euphoria – i.e. a wave of risk aversion). Over and above that a number of sentiment indicators at the start of this year, were also at extremes. US equity advisory optimism was at a 6 year high, indicating widespread bullishness towards equities from advisors, while AAII (retail) sentiment registered the lowest no. of bears since 2006.

However while the indicators suggest that this is merely a wave of risk aversion, at times, those waves of risk aversion have developed into something more sinister. In October 2007, for example, these indicators flashed up a similar set of signals (the SELL-off indicator, for example, generated a signal on 19th September which it held through to 15th October ‘07). That October high marked the high of the S&P500 in the 2003-07 cyclical bull market.

Fig 1: Longview medium term (1 – 2 month) scoring system



This indicator has again (i.e. last week) signalled BUY, having been on SELL (and close to strong SELL) in early January

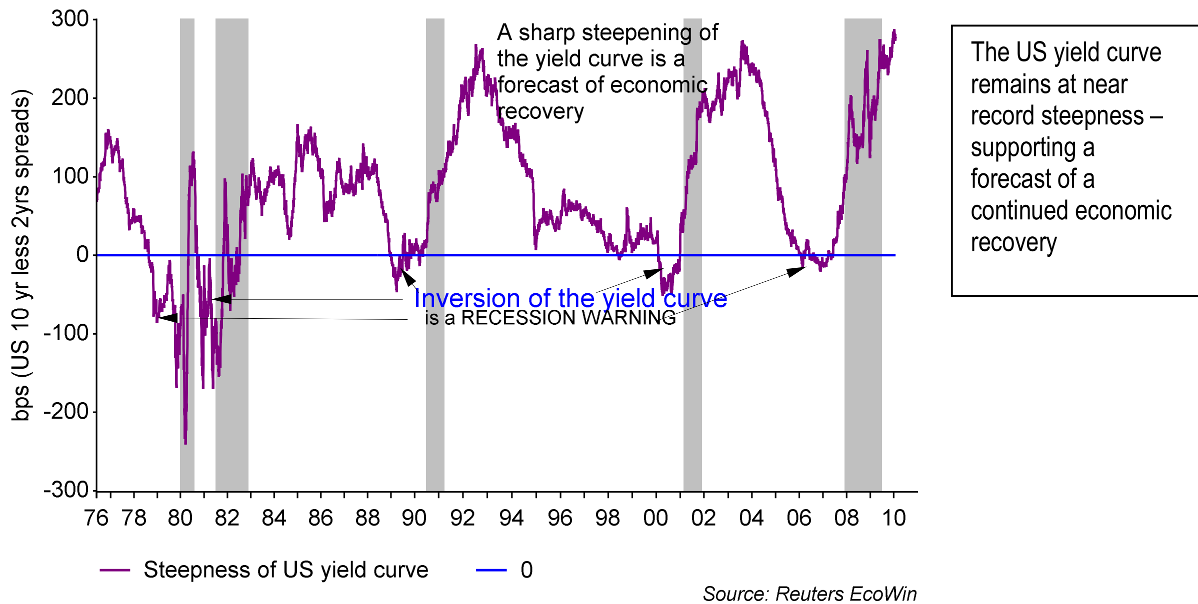
Important disclosures are included at the end of this report

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

Bear markets, as opposed to SELL-offs/waves of risk aversion, at their core reflect a pricing into asset prices of an economic contraction (or indeed a pricing in of a major shock like, for example, the heightened risk associated with a war – e.g. see 1938-1942 bear market as well as 1950 sell-off associated with the Korean war). Consequently for this sell-off to evolve into something notably more sinister, and by definition, enduring, there must be an expectation of a double dip – i.e. another recession in the second half of this year, early next year (or a shock). While risks always remain, there are 4 fundamental reasons for assigning a low probability to the double dip possibility and therefore discounting it for the purpose of our current asset allocation. Those reasons are as follows:

i) The US yield curve remains steep and therefore indicative of an ongoing economic recovery. Since the 1970s the US bond market has acted as an early warning system for US equity investors. Each recession since that time has been forecast ahead of time by an inversion of the yield curve while ahead of each recovery, the curve has steepened (see wk 39 '09 "The Amazing Mr Bond" & fig 2 below)

Fig 2: US steepness of yield curve (10 year less 2 year yields)



The US yield curve remains at near record steepness – supporting a forecast of a continued economic recovery

ii) The US corporate sector is throwing off considerable excess cashflow and is therefore well protected against potential shocks (i.e. since it's unlikely to begin retrenching again as costs are already notably below revenues). All US recessions have started at a time when the US corporate sector is considerably overstretched and as such vulnerable to shocks. Current high levels of cashflow therefore act as a buffer and support an expectation of an ongoing economic recovery (not least since companies will be encouraged to deploy that cash and invest in future economic growth but also since the cash precludes their need to respond to shocks by retrenching) – see fig 7.

iii) All US recessions come after a period of monetary policy tightening…or as a result of a major shock (e.g. dramatic oil price spike). Current US monetary policy remains loose (for example take base rates currently @ zero subtract headline inflation of 2.8%, that generates an approximation of real rates – i.e. negative 2.5/3% real rates).

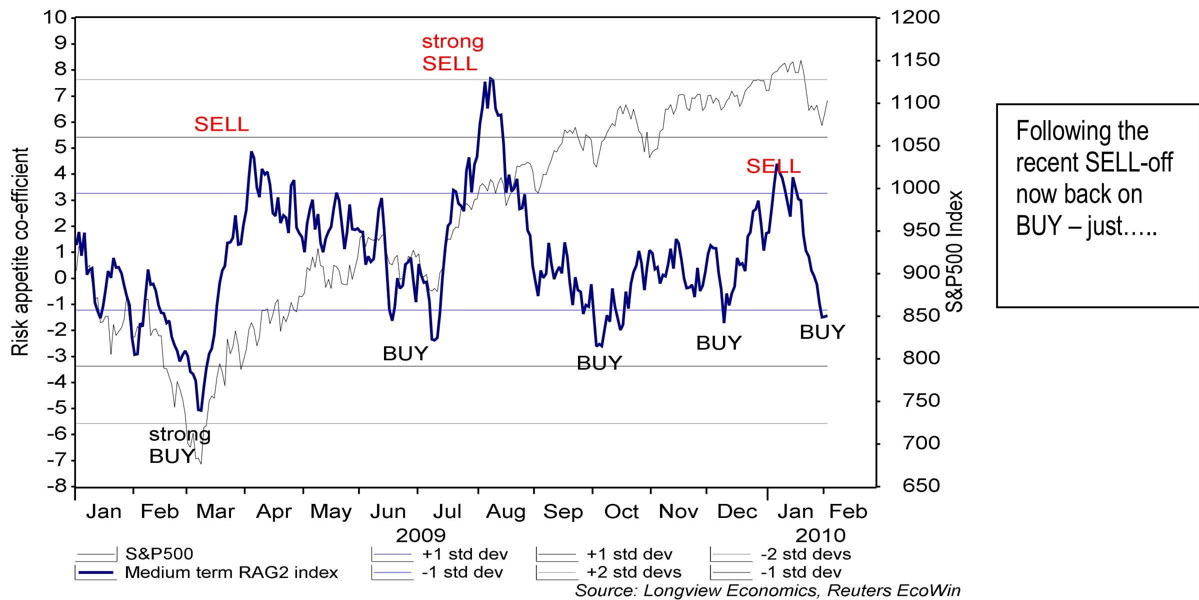
Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

iv) There's only one recorded example of a double dip in the US since the end of Breton Woods (i.e. early 1970s). That is the 1980 and 1981/2 back to back recessions with the second recession deliberately engineered by the Federal Reserve through tighter monetary policy in order to begin squeezing inflation out of the system.

As such a lapse in 2010 back into a US and global recession is unlikely. That therefore leaves us with the challenge of forecasting the size of this wave of risk aversion. Prior waves have been as shallow as 5% and as deep as 15% (e.g. July to Sept 1975; mid yr 2006 and so on) and as short as 3 weeks or as long as 2-3 months.

Of some encouragement, equities are already 5% off of their highs (having been as much as 7% off late last week). Furthermore and of more importance, our medium term indicators are moving towards medium term 1 – 2 month BUY signals. Medium term RAG1 is now below neutral and closing in on BUY levels (fig 4). Medium term RAG2 is on BUY (fig 3). Our medium term scoring system has just (once again) touched on BUY, having been on SELL in early January. The medium term put to call ratio is also close to BUY levels and so on. Over and above those indicators our asset allocation scoring system (fig 8) has also, once again, turned negative – i.e. signaling a (modest) BUY signal.

Fig 3: Longview Medium term RAG2



As a result we therefore recommend investors start building an overweight position in equities. Our central view remains that equities have moved into Phase II of a stylized cyclical bull market (i.e. a sideways to modestly down trend for 6 – 9 months whereby equities consolidate their strong gains of Phase I). As such our TAA strategy is to BUY the dips and move neutral when medium term indicators collectively flag up SELL. What is unclear from our indicators is whether or not this SELL-off is half way through or close to completion. Hence the strategy is to start building a LONG position and to increase that on further notable weakness. For long term investors that don't wish to trade the 1 – 3 month rallies, we recommend remaining defensive.

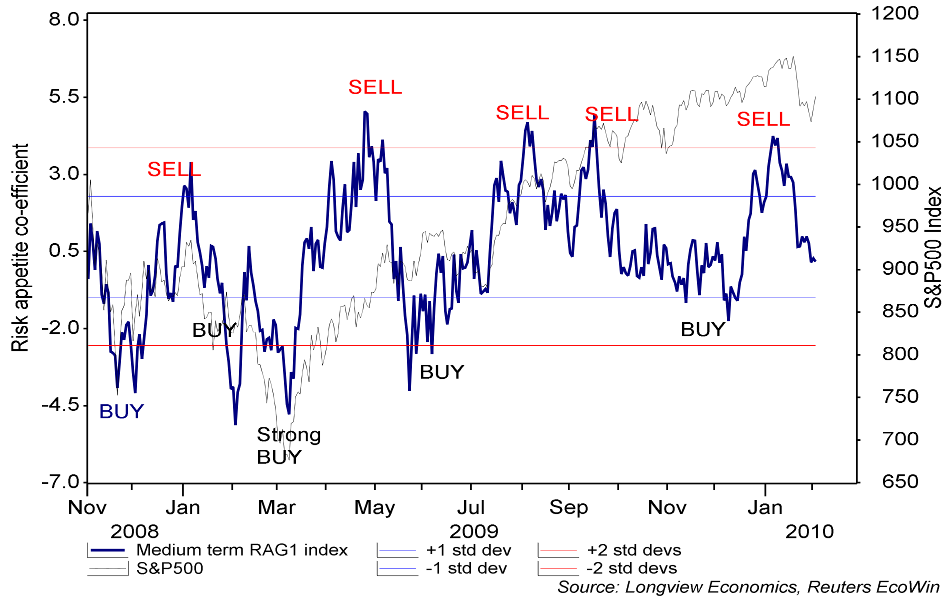
To our mind, our key risk remains that the drawing to a close of QE programmes around the globe represents a de facto tightening of monetary policy that's one step too far (see Longview Letter no 40,

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

2nd November 2009: "After QE, Whats Next?"). If so then the sell-off will likely prove more sinister than we expect. For now though the stirring to life of the private sector coupled with an absence of concern from the bond markets, suggest that this should not be a central case scenario for investors.

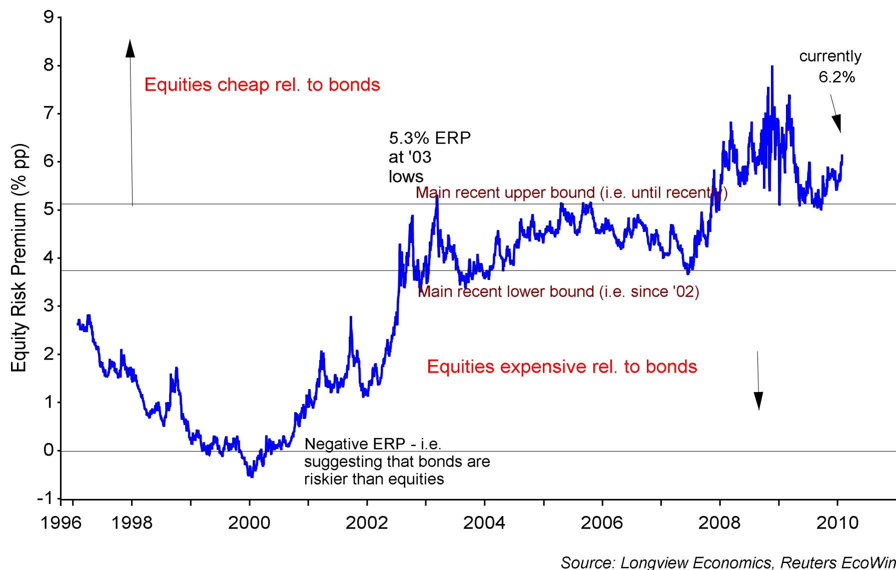
Consequently, we recommend investors move 5.0pp OW equities and 2.5pp UW bonds, 2.5pp UW cash.

Fig 4 Longview Medium term RAG1



Medium term RAG1 is closing in on BUY levels, although still neutral (Having been on strong SELL at the start of this month)

Fig 5: US ERP – based on rolling 12m fwd consensus EPS & TIPs yields

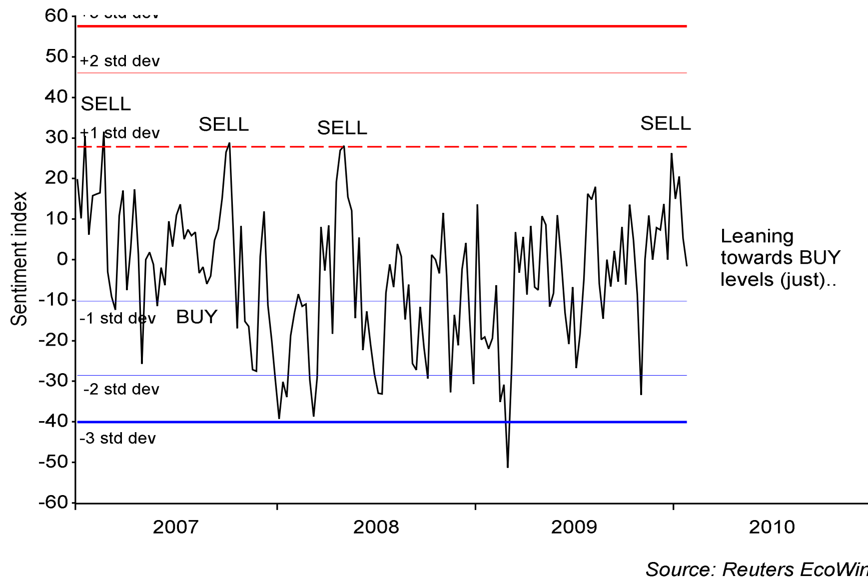


Relative to bonds, equities are attractive

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

longview economics

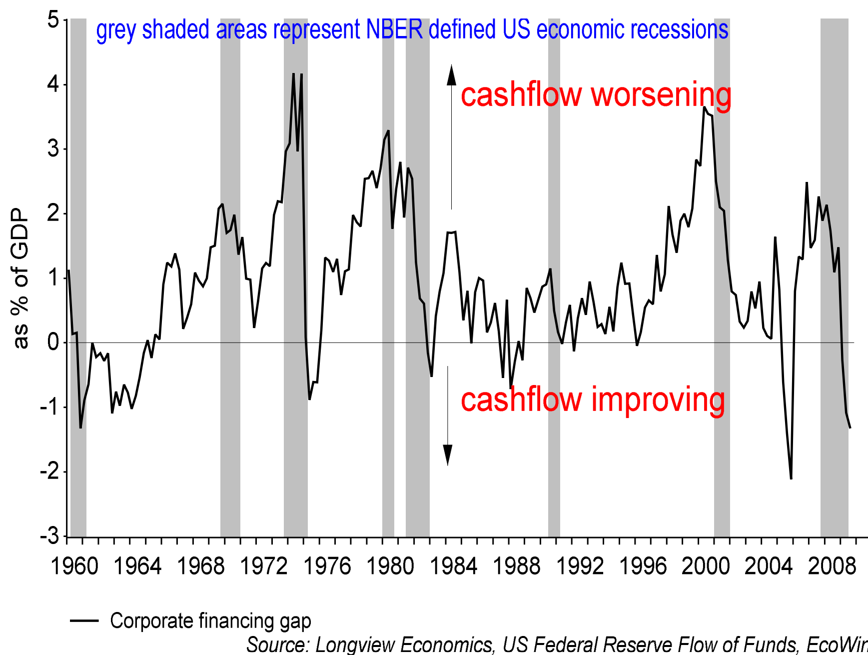
Fig 6: US AAII retail sentiment



Source: Reuters EcoWin

Retail sentiment, having been close to SELL levels earlier this month is now moving back towards generating a BUY signal

Fig 7: US corporate financing gap (as % of GDP)



Source: Longview Economics, US Federal Reserve Flow of Funds, EcoWin

Companies remain notably cashflow positive – a point reinforced by the recent Q4 results season. Recessions start when companies are overstretched, and therefore vulnerable to shocks, not when companies are throwing off considerable spare cash and therefore resilient to shocks.

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

longview economics

Section 2: Asset Allocation Scoring System

Table 1: Asset allocation summary score* sheet (i.e. total scores for 5 key indicator categories)

Category	**Summary score**	**Comment**	**Reference**
1. Valuation	0.00	Most indicators remain neutral	Appendix 2
2. Technical factors	0.00	All indicators now neutral	Appendix 3
3. Embedded market risk	-0.17	Indicators mixed – some on SELL; some on BUY	Appendix 4
4. Risk appetite	-0.50	Indicators now leaning to/towards BUY	Appendix 5
5. Sentiment indicators	0.00	All indicators now Neutral	Appendix 6
Total	**-0.67**	**Score once again negative, i.e. on BUY**	

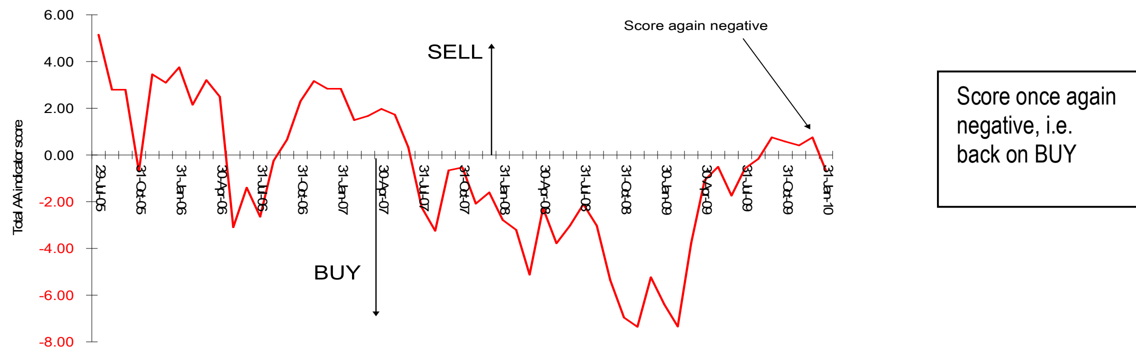
**Each category is scored out of +/-3; the total is therefore between +/-15. Since scores are based on standard deviations away from the mean, a score of +/-5 is significant since it implies an average across all indicators of at least 1 standard deviation away from the mean. It is therefore necessary to place that score in the context of current market volatility – i.e. in this instance volatility is low, therefore a one standard deviation move away from the mean is significant. For detailed explanation of the scoring system, please see appendix page 15.*

Table 2: Monthly total asset allocation scores (i.e. as at start of month shown)

	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08
Total	**+1.67**	**+1.97**	**+1.72**	**+0.33**	**-2.25**	**-3.25**	**-0.66**	**-0.53**	**-2.08**	**-1.61**
	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08
Total	**-2.78**	**-3.20**	**-5.12**	**-2.28**	**-3.78**	**-3.03**	**-2.11**	**-3.03**	**-5.36**	**-6.96**
	Dec-08	Jan-09	Feb 09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sept-09
Total	**-7.36**	**-5.23**	**-6.40**	**-7.35**	**-3.77**	**-1.08**	**-0.51**	**-1.74**	**-0.58**	**-0.16**
	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10					
Total	**+0.75**	**+0.58**	**+0.41**	**+0.75**	**-0.67**					

Source: Longview Economics

Fig 8: Longview Economics Asset Allocation Scoring System



Disclosures: This report has been prepared for information purposes only and is not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. The information on which the report is based has been obtained from sources which we believe to be reliable, but we have not independently verified such information and we do not guarantee that it is accurate or complete. All expressions of opinion are subject to change without notice. This report has been prepared solely for the person to whom it is addressed and must not be relied upon by any other person for any purpose whatsoever. We accept no responsibility whatsoever for any investment or asset allocation decision taken on the back of any or all of the information and/or advice in this report.

Longview Economics Ltd is not authorised nor regulated by the Financial Services Authority.

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

longview economics

Appendices Feb ‘10 monthly market timing

Chris Watling, CEO, Longview Economics
Direct Line: +44 (0) 870 225 1388
Email: chriswatling@longvieweconomics.com

Section 1: Recommended asset allocation & performance

The asset allocation recommendation is between US equities, government bonds and cash* with a 2 – 6 month time frame. The allocation is implemented at the start of trading on the first business day of the report month. The aim is to mimic an institutional approach to US (mainstream) asset allocation. The permitted range on the allocation to each asset class is as follows, for the purpose of this recommendation:

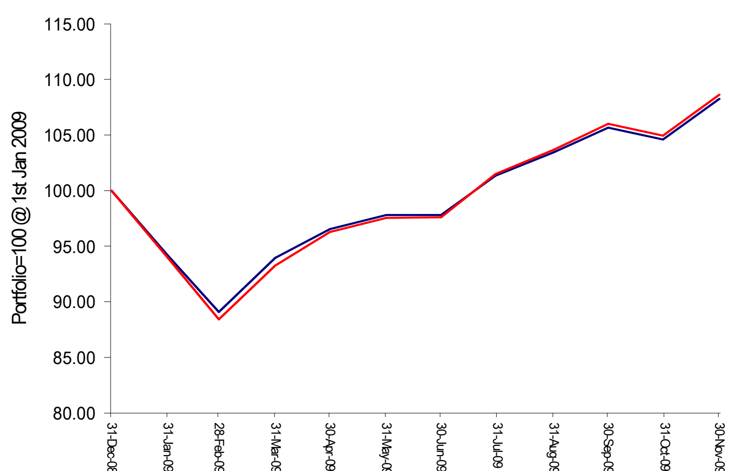
Table 1: Permitted allocation range, benchmark & recommended allocation (in percentage points)**

	Equities	Bonds	Cash*
Range	+/-40	+/-40	+/-20
Longview benchmark	45.0	45.0	10.0
Over-under weight	**+5.0**	**-2.5**	**-2.5**
Current recommendation	**50.0**	**42.5**	**7.5**

**We calculate the return on cash using the average monthly yield on a 3 month T bill. Lowest cash weighting is ZERO*
***Change in benchmark: For full details of benchmark change please see Jan 2007 monthly appendix*

Summary: Given recent weakness, we recommend investors start building OW equity positions again.

Fig 1: Performance of model portfolio year to date (2008 – N.B. Jan 1st = 100)



Having remained NEUTRAL all asset classes in January, we have moved OW equities & UW bonds and cash in February

Table 2: Historical performance* of Longview Economics’ asset allocation recommendations**

	2006	2007**	2008	2009	2010
	bps	bps	bps	bps	Bps
Benchmark	824	752	-933	827	-62
Longview absolute	847	772	-950	862	-62
Longview rel. to benchmark	**+23**	**+20**	**-17**	**+35**	**-**

**e.g. ‘04 benchmark portfolio rose by 4.39%, L’view p’folio rose by 4.71%, N.B. sums may not add due to rounding*
***N.B. Benchmark was changed at 1 Jan ’07 to permit larger position sizes rel. to benchmark*

Important disclosures are included at the end of this report

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

Section 2: VALUATION

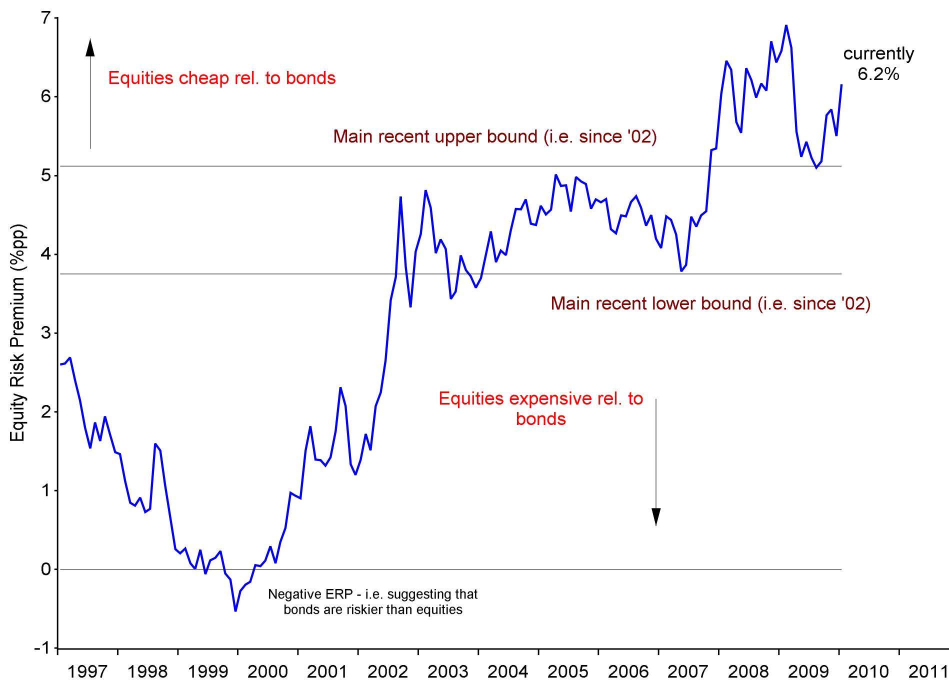
Summary: In aggregate valuation indicators are neutral with little change from last month.

Table 3: Valuation indicators (+3 through to -3; +3 most expensive; -3 cheapest)

Indicator	Score	Comment	Fig.
PE** ratio (forward EPS)	0.00	Still around average PER levels – i.e. 13.6x	n/s
PE** ratio (cyclically adjusted - Shiller)	+1.00	Currently @ ~20.8x - above long term average levels of 16x	n/s
ERP* (vs. real bond yield)	n/a	Data – currently distorted	n/s
ERP* (vs. real cash rate)	-1.00	(Just) still cheap against real cash yields	n/s
Longview proprietary model***	0.00	Still neutral (having been on BUY in Feb '09)	n/s
ERP* (using DY****) vs. TIPs	Not scored as too new (i.e. TIPs only launched in '97)	ERP @ 2.4% - Still attractive relative to (short) history	n/s
ERP* (using fwd EPS) vs. TIPs	Not scored as too new (i.e. TIPs only launched in '97)	ERP @ 6.2 % - risk premium, while off from highs, still @ high levels	2
Scaled total	**0.00**	**Valuation score – now neutral**	

**ERP = equity risk premium (real cash rates are calculated using fed funds and core annual consumer price inflation; real bond yield is calculated using nominal bond yields and 36 month rolling annual inflation);*
***PE = price earnings (forward eps PER is based on consensus 12 month rolling forward earnings; cyclically adjusted Shiller ratio is based on 10 year rolling historical eps)*
****see fig 2 & 3 for explanation of Longview proprietary model*
***** DY = dividend yield, we assume that the dividend payout ratio is constant at 50% and therefore calculate the EY as 2*DY*
*****TIPs = Treasury inflation protected securities, i.e. index linked bonds, a market traded real bond yield*
N/S = not shown here – see last month's asset allocation monthly for chart

Fig 2: US Equity risk premium (ERP %) – using US TIPS and forward earnings estimates



This ERP (using TIPS & forward earnings estimates) remains at high levels

Source: Longview Economics, Reuters EcoWin

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

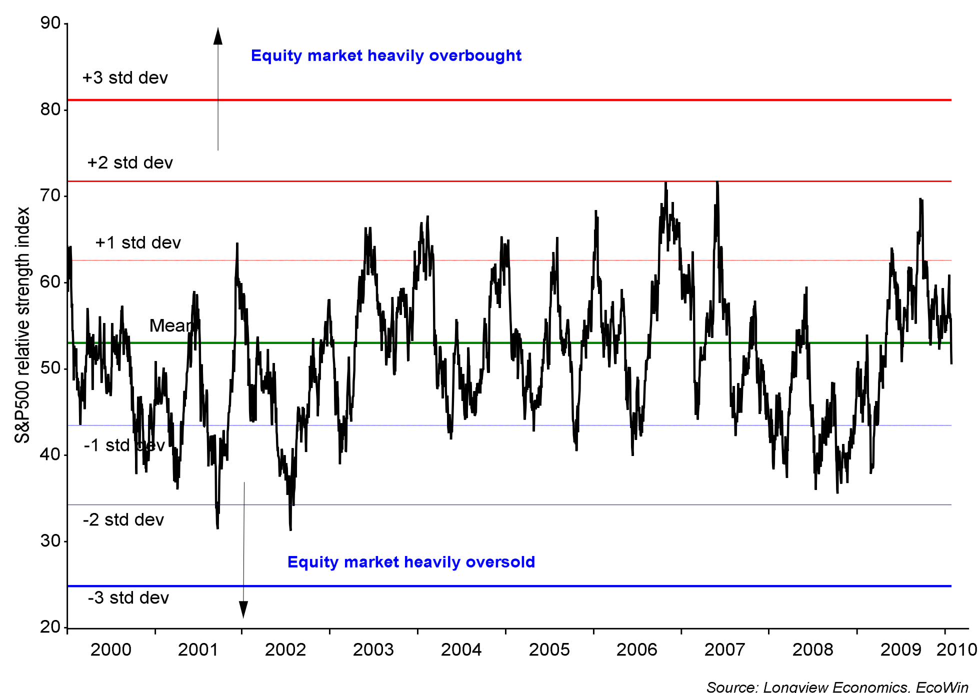
Section 3: Technical Factors

Technical factors summary: With weakness in equities in January, the modest SELL bias of our technical indicators has unwound, with all indicators currently neutral.

Table 4: Technical factors

Indicator	Score	Comment	Fig
Bollinger Band	0.00	Indicator between +1 and -1 Bollinger Band	5
S&P500 Relative strength index (RSI)	0.00	Currently neutral/mid range	3
CBOE put to call ratio	0.00	Between +1 and -1 std deviations	4
S&P500 20 day rate of change	0.00	Neutral, although close to BUY levels	N/S
Scaled total	**0.00**	**Last month's score was 0.25**	

Fig 3: S&P500 Relative strength index (56 day RSI with standard deviations)



The S&P500 RSI remains neutral and close to average levels

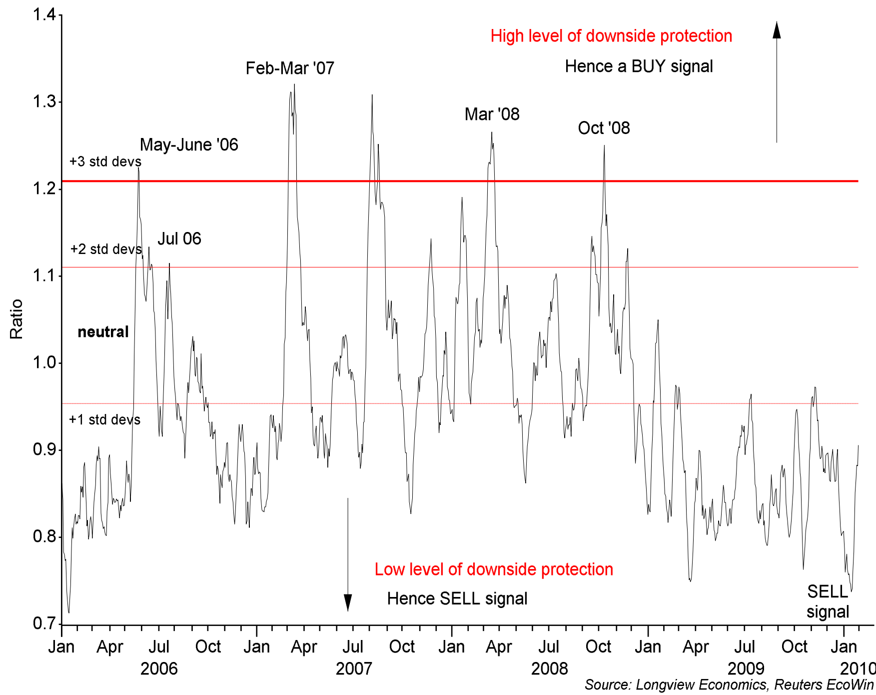
Explanation: The relative strength index (RSI) is another measure of the strength of the recent move in the equity market. In this instance we utilise the longer term 56 day RSI (shorter term traders typically use a 14 day or 28 day RSI). The index is calculated by dividing the average of the up days (over the time period) by the sum of the average of the up and down days (i.e. *100·upavg/(upavg+downavg)*).

In current markets, two, rather than one, standard deviations is significant as currently equity markets are trading with near record high volatility

The standard deviation bands are based on the full history of the S&P500 (i.e. since 1928)

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

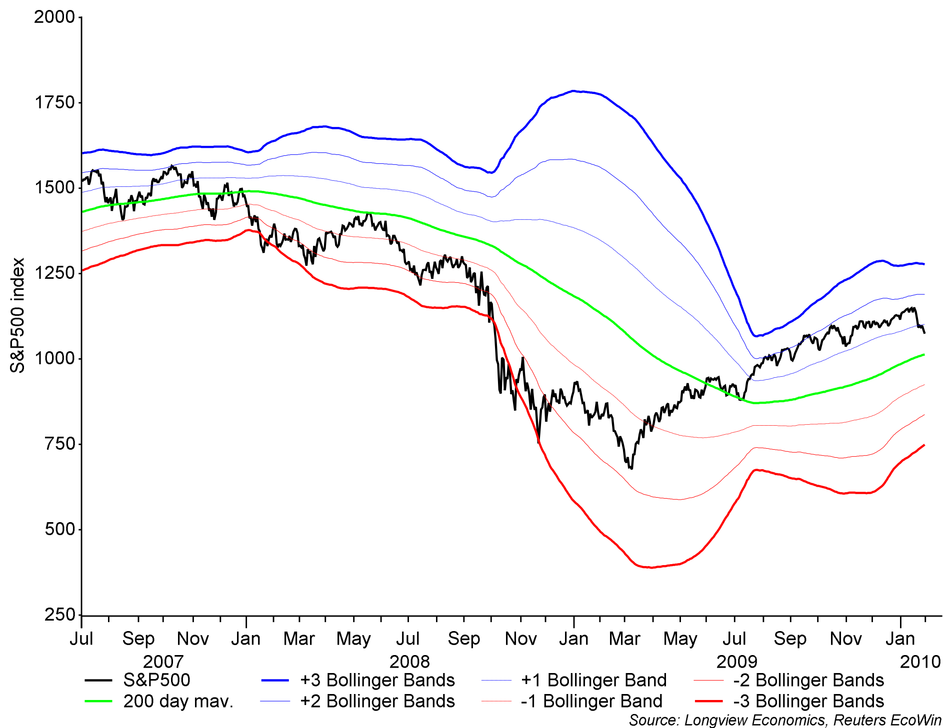
Fig 4: CBOE put to call ratio (10 day moving average with standard deviation bands)



Feb comment: Official score is zero as the ratio is between +1 and -1 standard deviation.

Explanation: The CBOE put to call ratio measures the ratio of outstanding equity market put to equity market calls – hence giving an indication of how much downside market protection has been put into place by market participants. A high put to call ratio suggests a large level of protection – a low put to call ratio reflects complacency. This is a contrarian indicator.

Fig 5: S&P500 Bollinger Bands (based on 200 day moving average)



Feb comment:
Indicator now between +1 and -1 Bollinger band

Hence score of zero

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

Section 4: Key fundamental market measures of risk

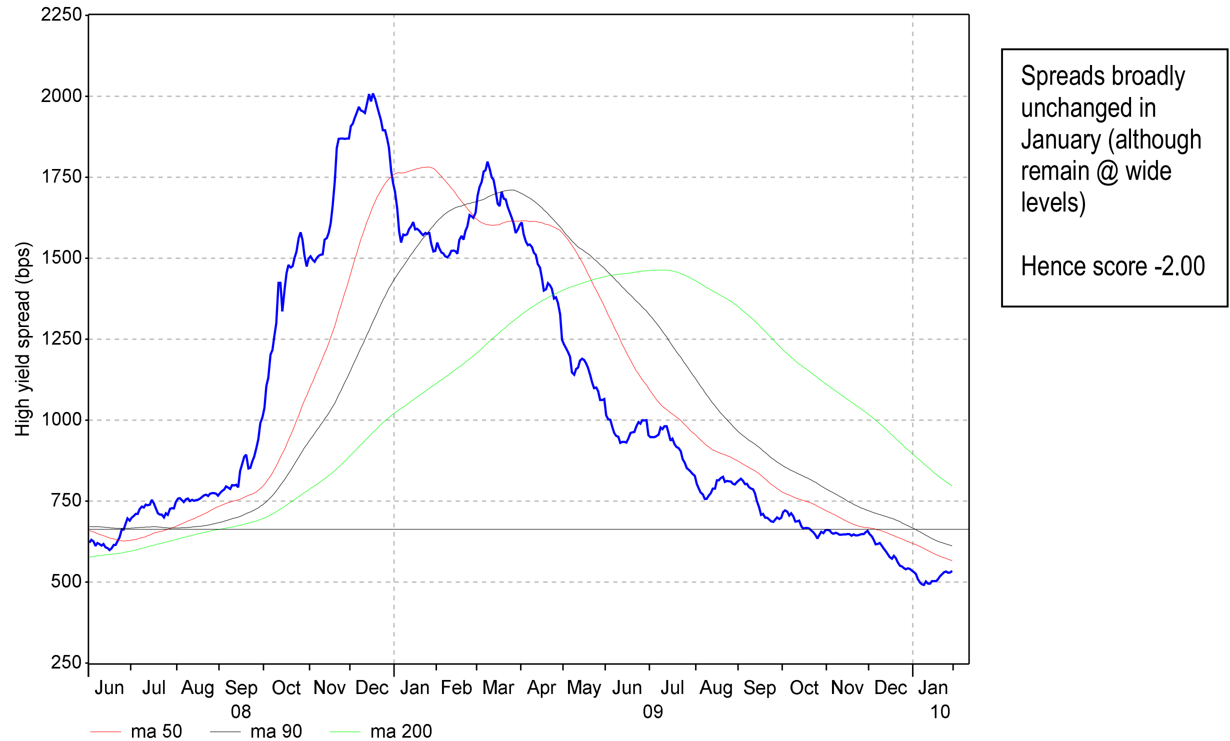
Embedded market risk summary: With strong risk aversion in markets last month, the behaviour of bond spreads and volatility was, somewhat surprisingly, mixed. Emerging bond market spreads, for example, rose while high grade bond spreads narrowed (high yield spreads were unchanged). Volatility, as measured by the VIX and VSTOXX rose while emerging market bond volatility and our (longer term) global volatility indicator fell.

Table 5: Embedded market risk

Indicator	Qualitative scoring	Comment	Fig
High yield corporate bond spreads	-2.00	Spreads remain wide (albeit narrowing)	6
High grade corporate bond spreads*	0.00	Spreads – back @ normal levels	7
Emerging market bond spreads*	0.00	Spreads rose in Jan – score still neutral	8
Implied volatility (US equities)*	-1.00	@ high level but falling	9
EM bond volatility*	+1.00	Recent downward trend	10
Global volatility indicator*	+1.00	Below average levels & on SELL	11
Scaled total	**-0.17**	**Slightly negative (i.e. on BUY)**	

**asymmetric measures of risk (i.e. they are skewed series) – it is therefore not possible to apply the standard deviation approach. Consequently we have adopted a qualitative scoring approach between +/-3 (as above).*

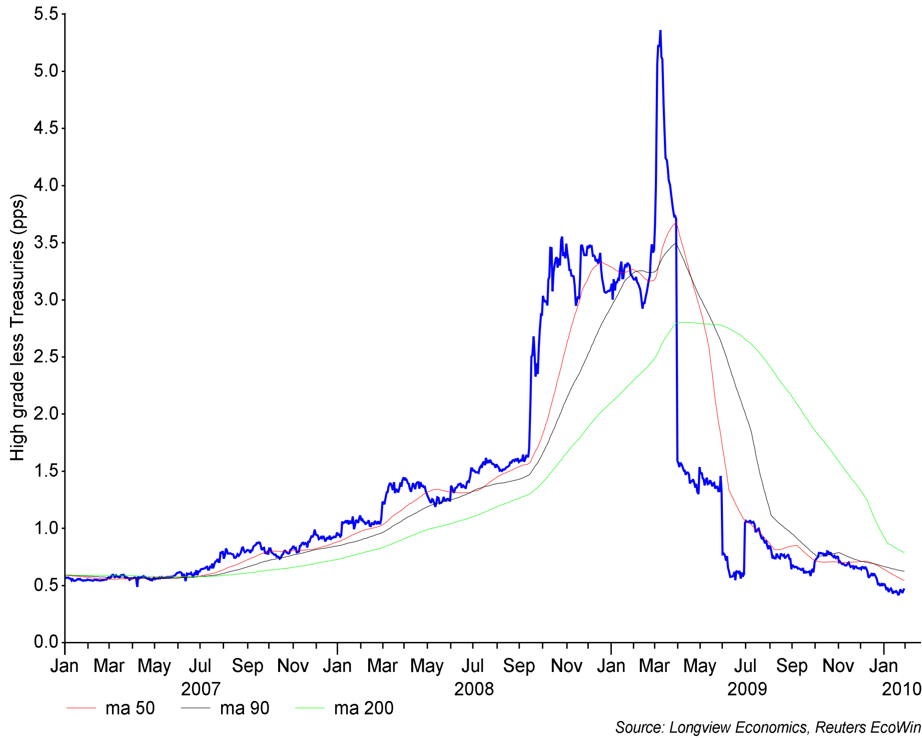
Fig 6: US High yield corporate bond spreads over US treasuries



Source: Reuters EcoWin

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

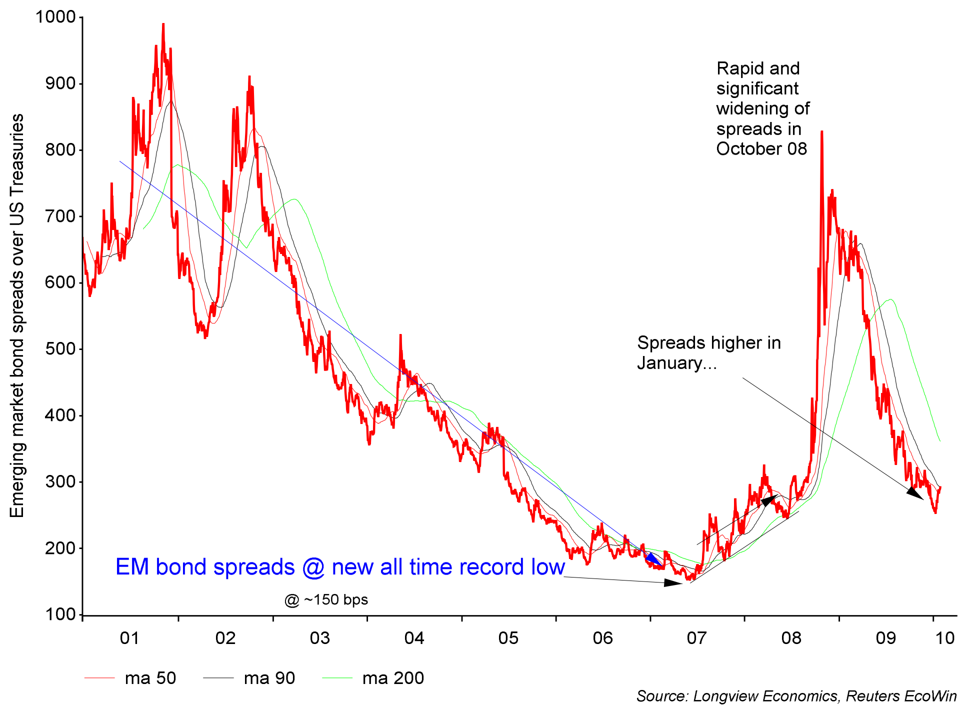
Fig 7: US High grade (AAA) corporate bond spreads over US treasuries



High grade spreads – narrowed (modestly) again last month (and are at normal post recession levels) – hence score of ZERO

The range on high grade spreads over the last 30 years has historically been between 20bps and 140bps. A spread of 100bps has previously been commensurate with recessionary conditions

Fig 8: Emerging Market bond spreads over US treasuries (shown in basis points)

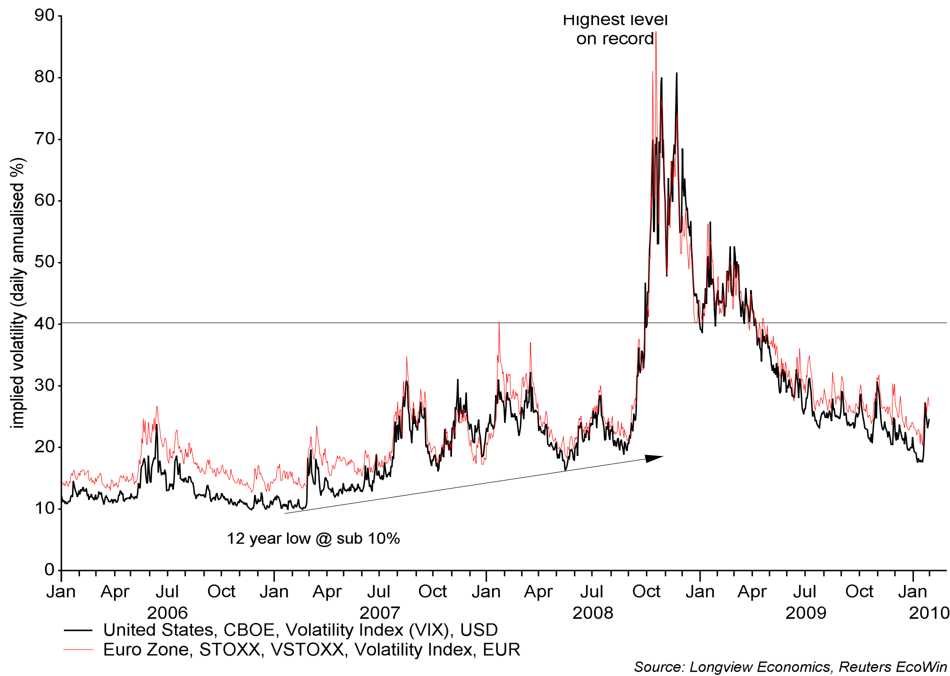


Spreads modestly higher in January

Score remains neutral

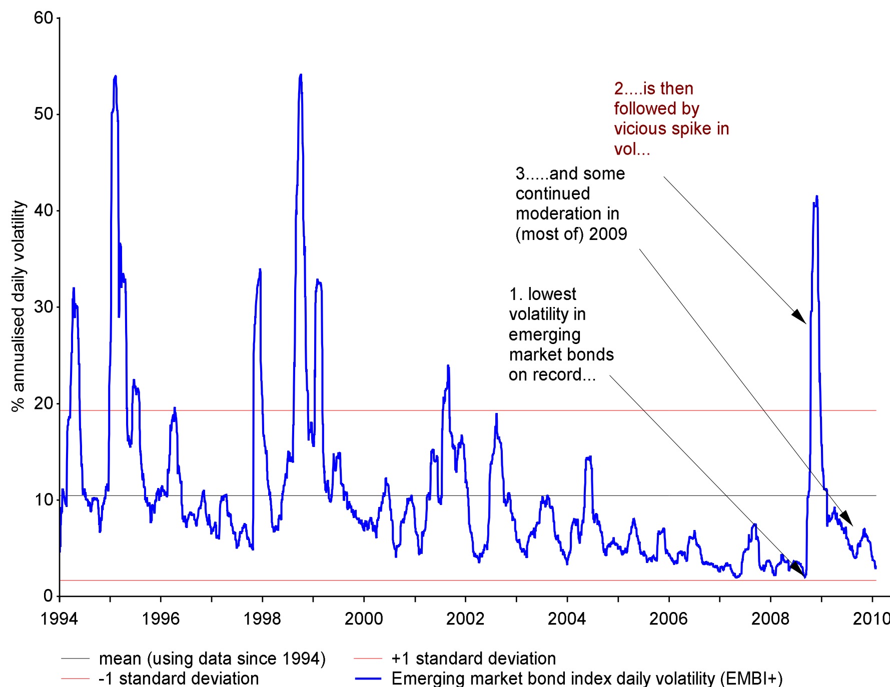
Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

Fig 9: VIX & VSTOXX implied volatility (on S&P500 & Eurostoxx)



Both the VIX & VSTOXX rose in Jan, score remains at -1.0

Fig 10: Emerging market bond volatility (based on daily data since 1994)*



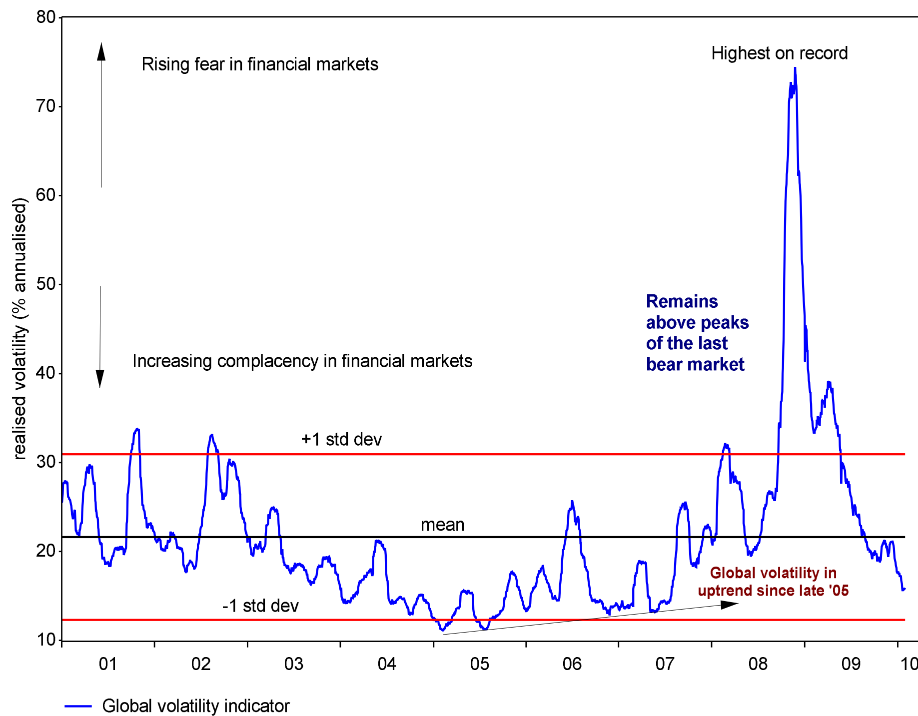
EM bond volatility fell again in Jan and remains below long term average levels: Score of +1.0 (i.e. on SELL).

Example of usefulness of EMB volatility in waves of risk aversion: From its high on Apr 21st 2005, falling volatility supported emerging market equities (MSCI emerging market equities reached a local low on April 18th in 2005). Equally the S&P500 reached a local low on 20th April 2005 – hence the importance to our US equities call of understanding the trend in emerging market equities

*calculated using JP Morgan total return index, scoring is subjective as the spreads are asymmetric – ie. We can not therefore apply a standard deviation analysis. Furthermore, the spreads should be used differently at different stages of the economic cycle.

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

Fig 11: Global volatility indicator* (measuring annualised rolling volatility for over 150 financial prices)



The global volatility indicator remains below long term average levels

Hence score of +1 (i.e. on SELL)

*This indicator is put together by measuring the rolling volatility of over 150 financial prices drawn from across the globe and all the major asset classes. The score allocated to the indicator for the asset allocation scoring system incurs a degree of judgement since the series is asymmetric (i.e. skewed – this is typical of volatility series)

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

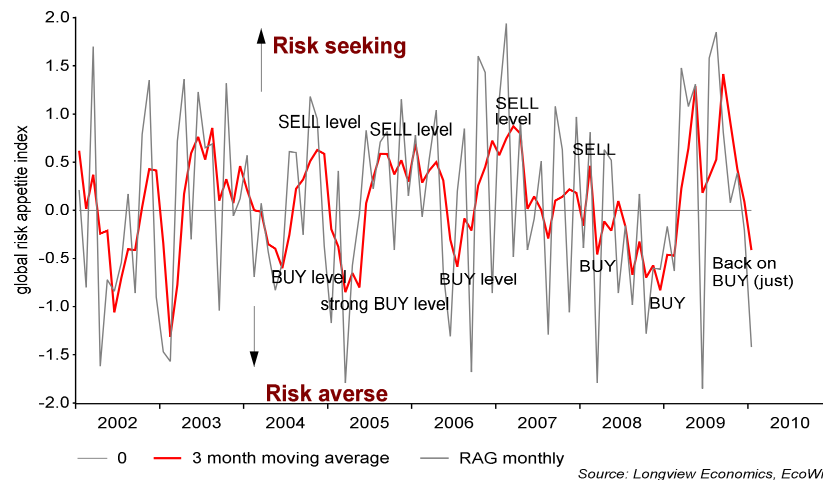
Section 5: Global risk appetite measures

Summary: After the sell-off in risk assets in January, indicators are now starting to lean towards/move onto BUY. The monthly RAG is on BUY while the daily RAG is neutral.

Table 6: Risk appetite indicators (contrarian indicator)

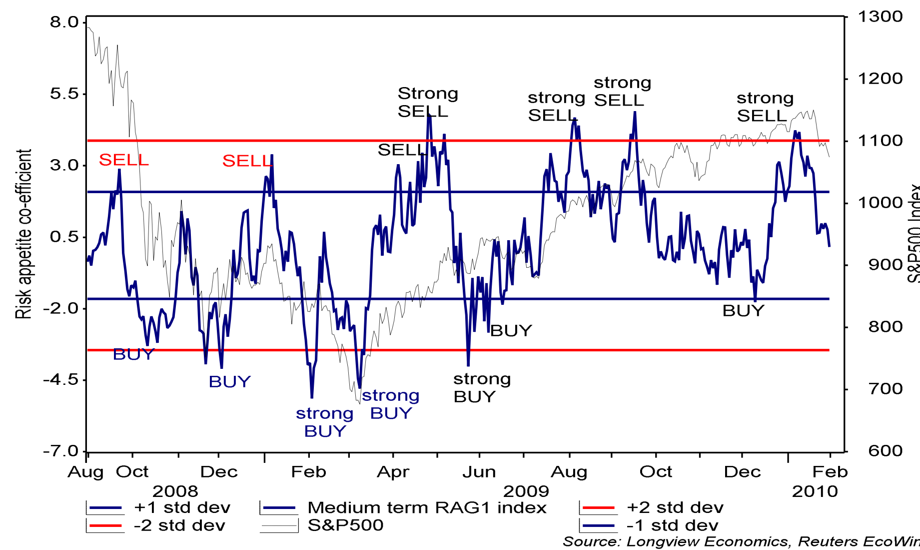
Indicator	Score	Comment	Fig
Longview medium term risk appetite index	-1.00	3 month moving average now back on BUY	12
Longview Daily RAG	0.00	Now neutral	13
Scaled total	**-0.50**	**One neutral; one now on BUY**	

Fig 12: Medium term global risk appetite indicator (i.e. 2 – 6 month time frame)



3 month moving average has moved back to BUY after risk aversion in January

Fig 13: Daily US risk appetite gauge RAG (i.e. useful for 1 - 3 month trading time frame)



Risk appetite is now neutral

This indicator tends to be shorter term in nature than fig 12

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

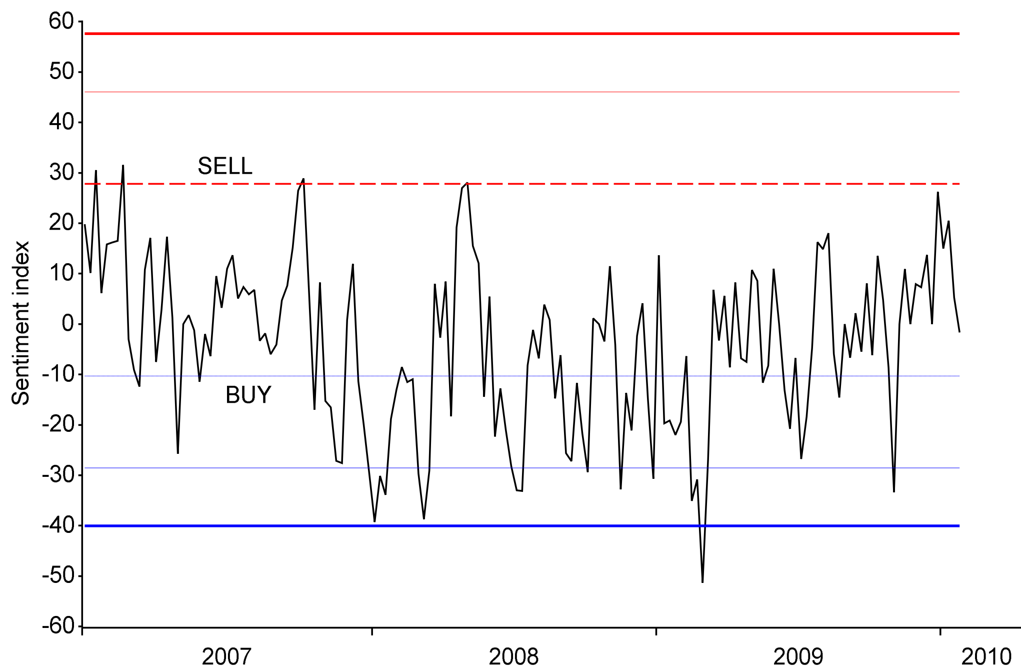
Section 6: Sentiment indicators

Summary: All scored sentiment indicators are now back on neutral after weakness in risk assets in January.

Table 7: Sentiment indicators (contrarian indicators)

Indicator	Score	Comment	Fig
AAII retail sentiment	0.00	Neutral – although moving towards BUY	14
US equity advisory optimism	0.00	Now neutral (from SELL last month)	15
US conference board – consumers' expectations for equities	0.00	Currently neutral	16
State street confidence	N/A	Mid range & off recent highs from August	n/s
Scaled total	**0.00**	**Last month's score was +0.33**	

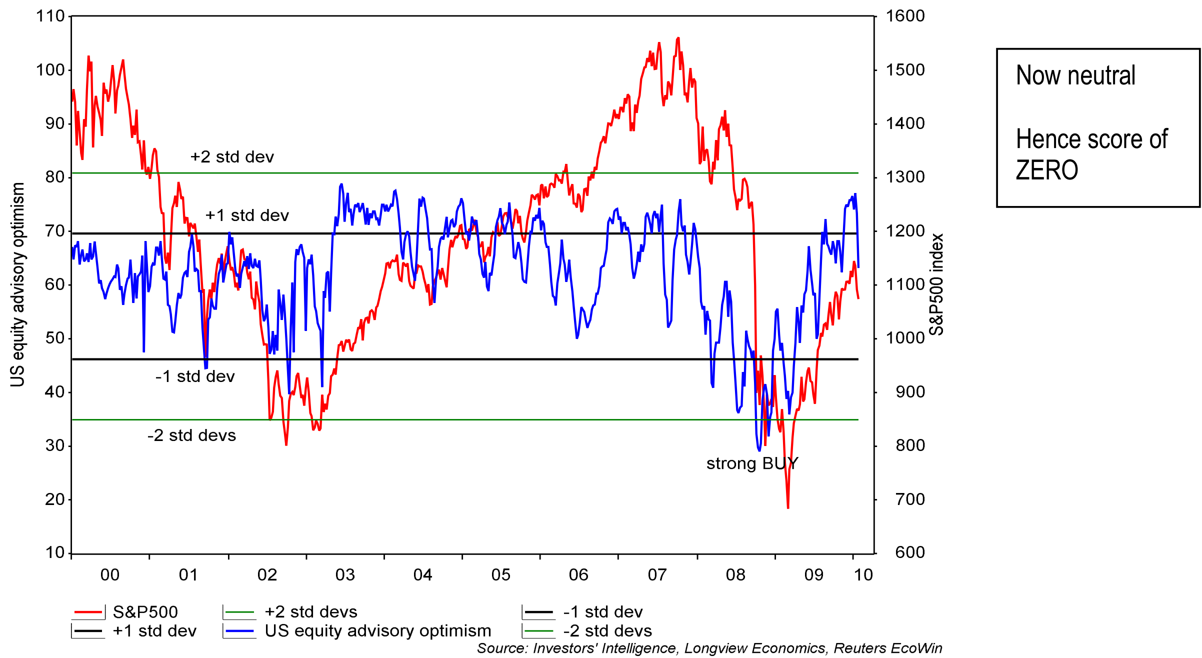
Fig 14: AAII retail sentiment indicator (shown with standard deviations)



Source: Reuters EcoWin

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

Fig 15: US equity advisory optimism (shown with 1 & 2 standard deviations only)

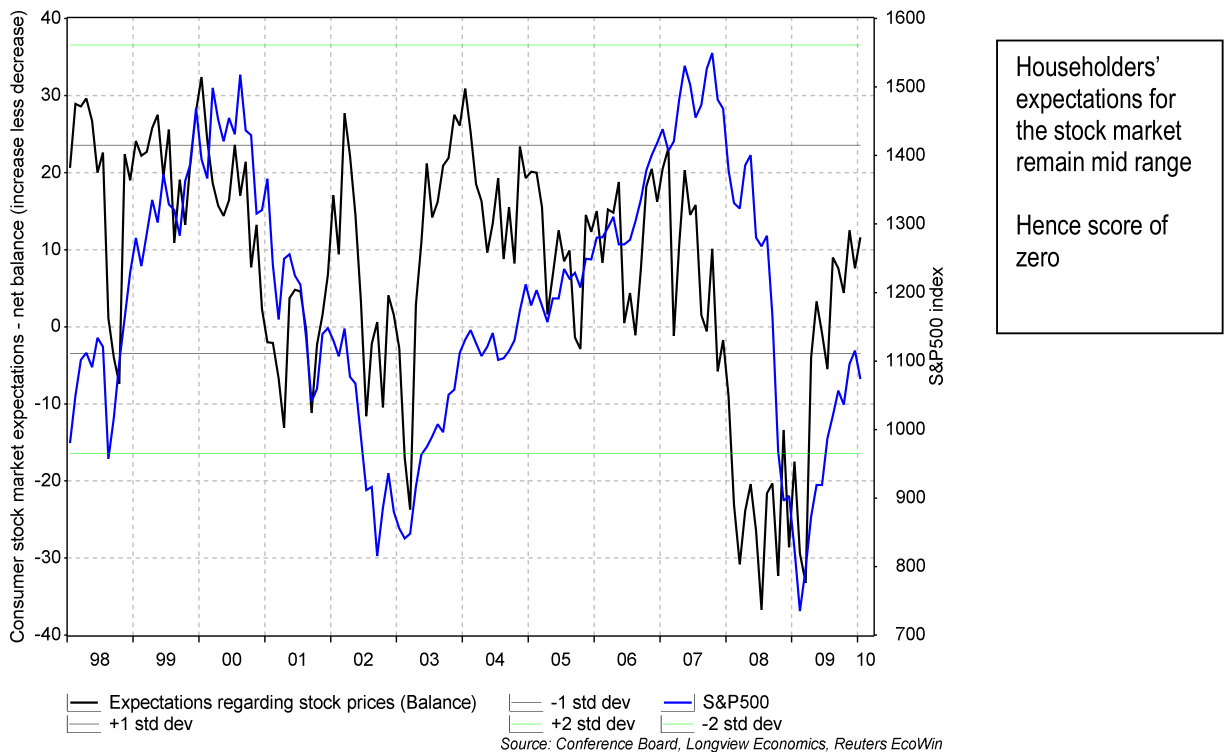


Source: Investors' Intelligence, Longview Economics, Reuters EcoWin

Now neutral

Hence score of ZERO

Fig 16: Conference Board expectations regarding stock prices (with standard deviation bands)



Source: Conference Board, Longview Economics, Reuters EcoWin

Householders' expectations for the stock market remain mid range

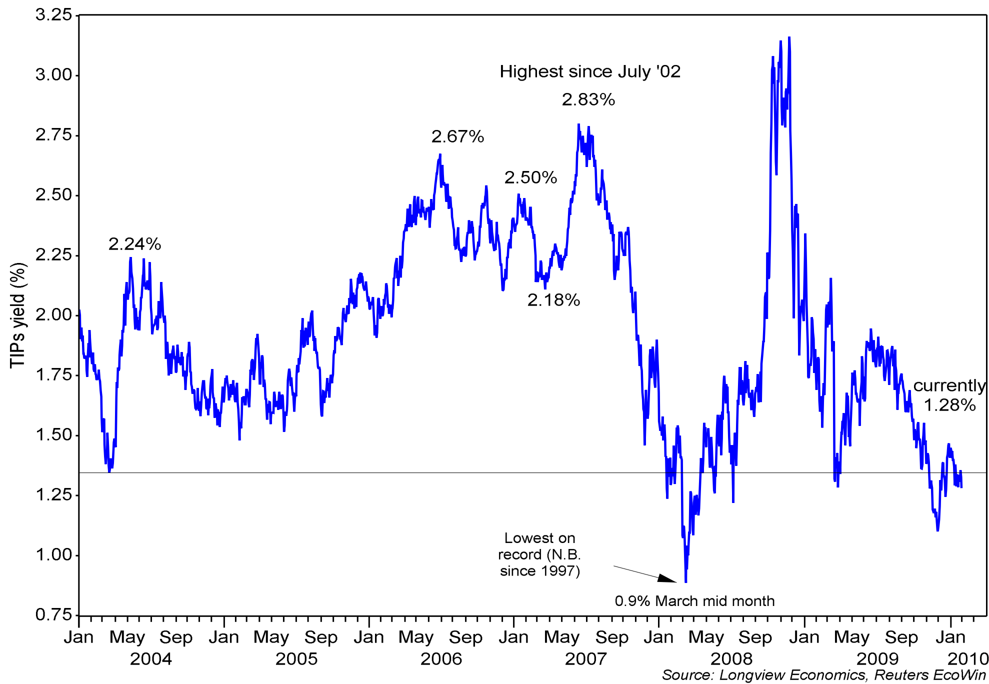
Hence score of zero

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

Section 7: US 10 yr bond yields (real and nominal) & other country real yields

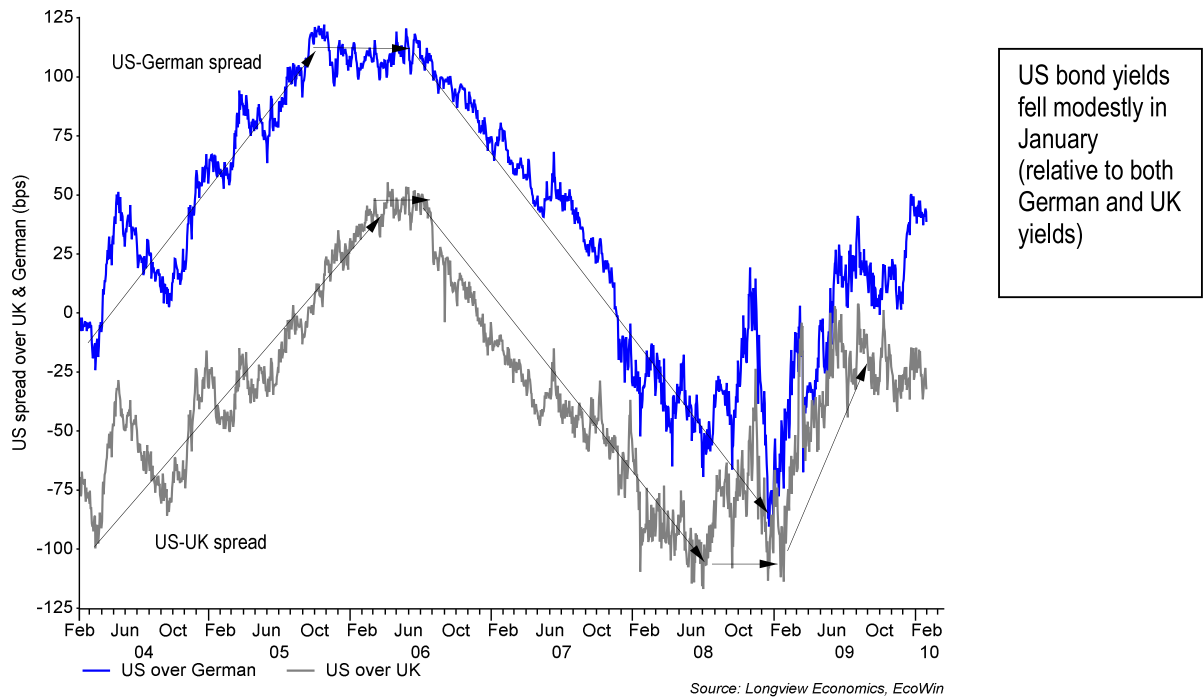
Fig 17: US 10 year bond yields

Fig 18: US 10 year real yields (TIPS, daily data)



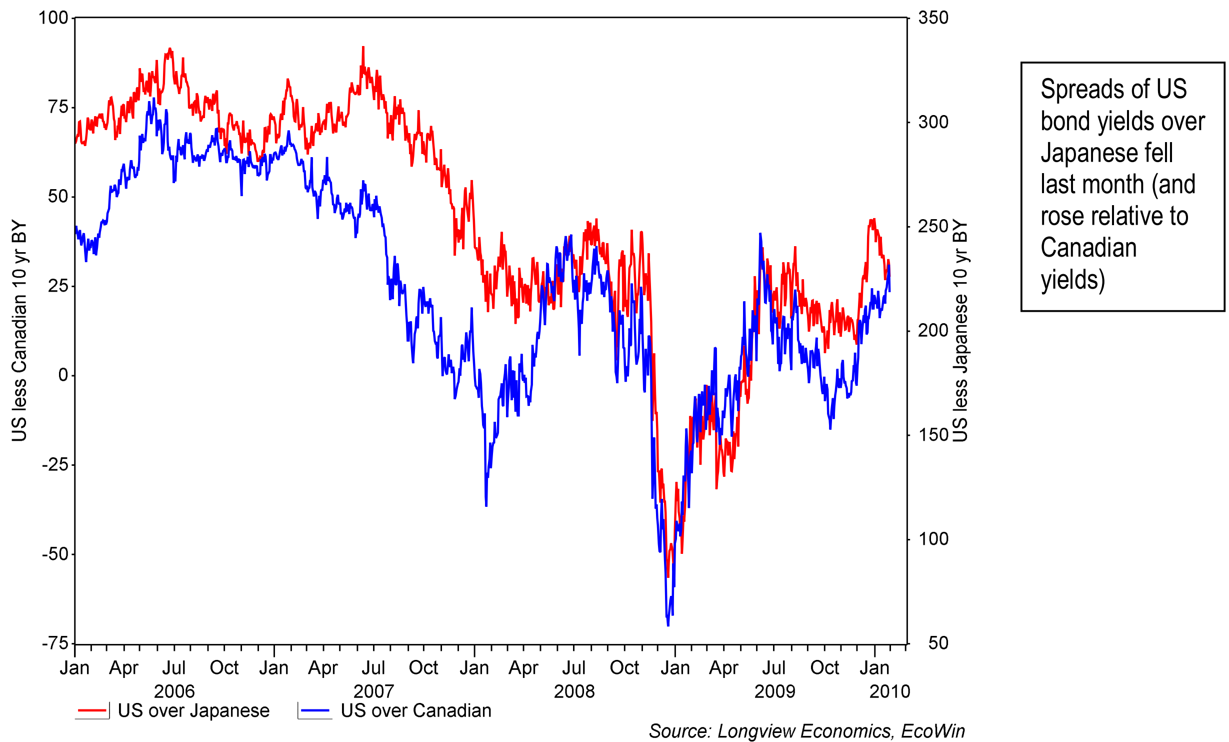
Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

Fig 19: Spreads of US 10 yr treasuries over UK & German bond yields



US bond yields fell modestly in January (relative to both German and UK yields)

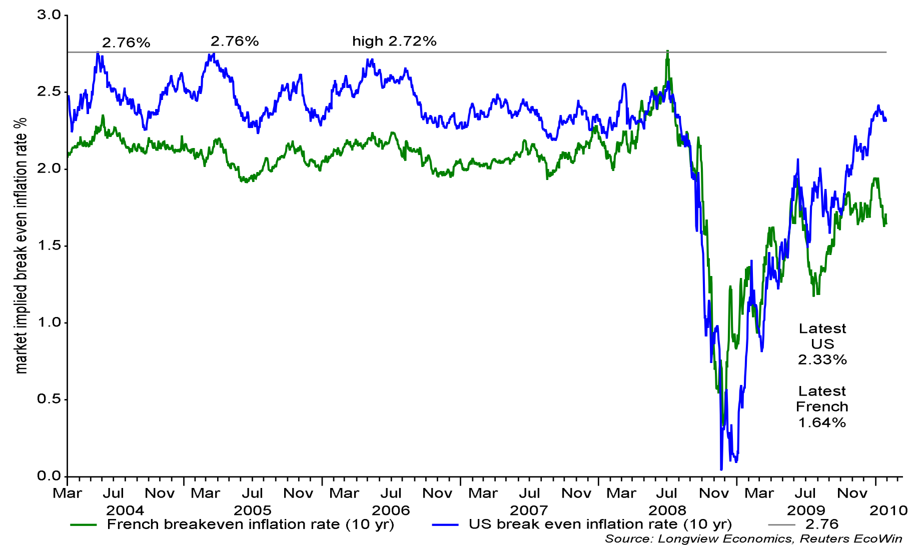
Fig 20: Spreads of US 10 yr treasuries over Canadian & Japanese bond yields



Spreads of US bond yields over Japanese fell last month (and rose relative to Canadian yields)

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

Fig 21: US & French Implied inflation (derived from 10 year nominal & real bond yields)



Both US and French implied inflation rates fell in January

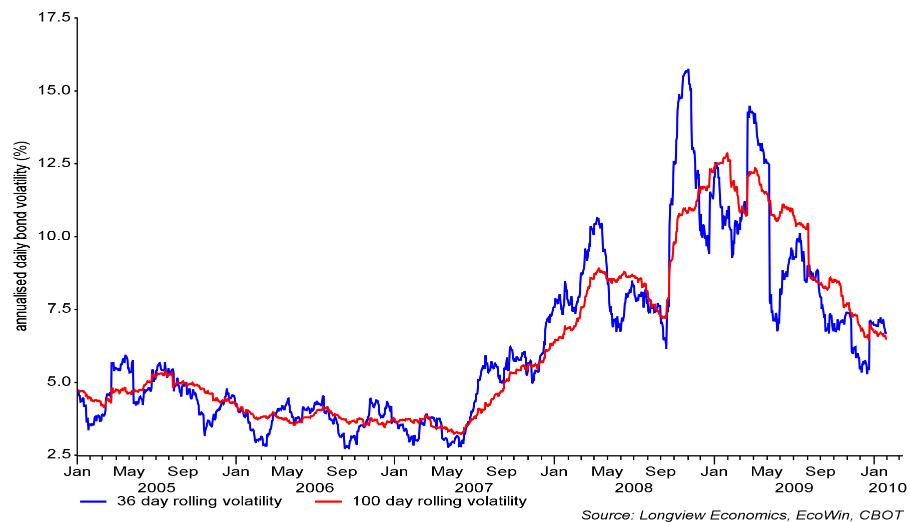
The rapid rise since November '08 in large part reflects the perceived credibility of central bank policy response in its fight against deflation

Table 8: 10 year real bond yields (various countries)

Country	Yield @ end Jan '10	Yield @ y-end '09	Yield @ y-end '08	Yield @ y-end '07	Type of Index linked bond
UK	0.53	0.70	1.81	1.53	2016 inflation indexed bond
USA	1.28	1.45	1.98	1.65	10 year TIPS
France	1.07	0.97	1.84	2.17	2017 index linked OATs
Australia	2.63	2.90	2.46	2.60	2020 index linked
New Zealand	2.80	2.76	3.60	4.31	2016 index linked
Japan	1.56	1.77	3.06	1.10	Jun 2017 index linked
Sweden	1.35	1.49	1.73	1.83	2020 Dec index linked

Source: *Longview Economics, Ecowin*

Fig 22: US 10 year bond daily volatility*

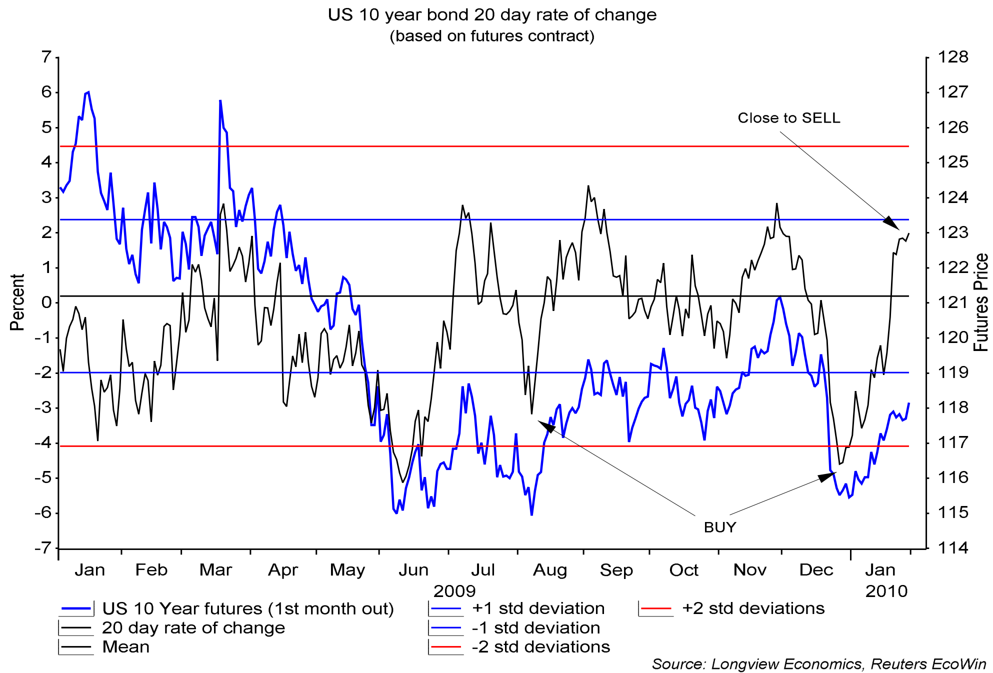


Both long and short term bond volatility edged lower last month

**calculated using the CBOT 10 year bond futures price series*

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

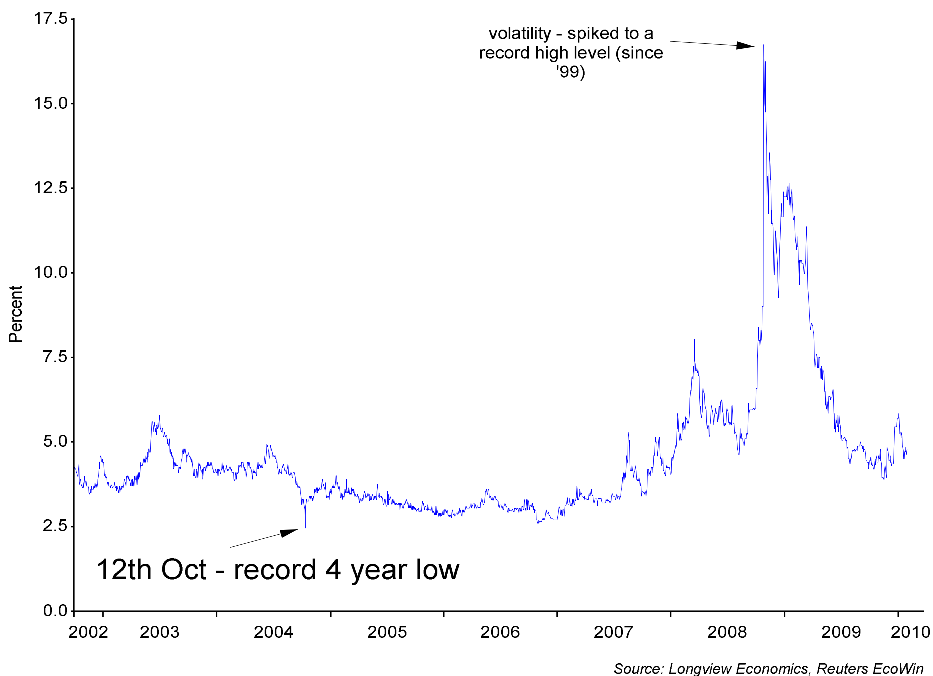
Fig 23: US 10 year bond 20 day rate of change (shown with standard deviations)



This bond indicator is now close to SELL levels

Section 8: Other key volatility measures

Fig 24: Euro - Swiss Franc implied currency option volatility



Swiss Franc CCY volatility has fallen considerably from its highs, and fell notably last month (0.9 pps)…

CHF-Euro implied option volatility is an indicator of actual or perceived global risk (e.g. see reaction in volatility to 9/11).

Rationale: Swiss Franc is viewed as safe haven ccy reflecting both political neutrality as well as large current account surplus

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved

Detailed indicator scoring methodology

Scoring methodology: We have broken our indicators into 5 categories. Each category has between 1 and 5 scored indicators. Each indicator is scored at between +/-3 (using whole integers). The scoring of those indicators is, where possible, based on movement away from their long term means. The movement away from the mean is measured using standard deviations. Hence a move away from the mean that is more than one standard deviation but less than 2 standard deviations scores as either + or -1. Between 2 and 3 standard deviations is scored as +/-2 and so on. For each category (e.g. valuation, technical etc), we then scale the total to between +/-3. The category totals are then summed in the summary table (table 1) for a total equity market indicator. The signs on the indicators are organised such that a +ve reading is indicative of an unattractive market, a negative reading indicates an attractive market. Stronger signals are associated with larger positive or negative totals.

Since 2 and 3 standard deviation events occur only 5% and 1%, respectively, of the time, scores of +/-2 and +/-3 are, by definition, rare. Consequently the main range for the summed total is between +/-7.

The intention of the exercise is to provide a readily accessible method of summarising all our groups of indicators. It is by no means prescriptive with respect to our asset allocation but clearly exercises a major influence over our decision.

Disclosures: This report has been prepared for information purposes only and is not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. The information on which the report is based has been obtained from sources which we believe to be reliable, but we have not independently verified such information and we do not guarantee that it is accurate or complete. All expressions of opinion are subject to change without notice. This report has been prepared solely for the person to whom it is addressed and must not be relied upon by any other person for any purpose whatsoever. We accept no responsibility whatsoever for any investment or asset allocation decision taken on the back of any or all of the information and/or advice in this report.

Longview Economics Ltd is not authorised nor regulated by the Financial Services Authority.

Copyright © 2004 - 2010 Longview Economics. All Rights Reserved