RAM Capital
WEALTH WORKING

MARKET COMMENT

January 2010

The markets started the year in a positive mood because of the continuing up-trend from the previous year and the traditional rush of buying at the beginning of the year as fund managers build their portfolios. A good corporate earnings season also played some role in the up-trend. However, markets started to tumble in the latter half of the month as a mixed bag of economic data suggested that the recovery may be progressing at a slower pace than many expected and upon fears about China's effort to slow down its economy. Likewise, concerns about President Obama's proposal to restrict the securities activities of banks and uncertainty surrounding Ben Bernanke's confirmation for another term as chairman of the Federal Reserve did not help the markets much. All in all, The S&P 500 and DJ Industrial Avg. indices closed the first month by 3.70% and 3.46% decline, respectively.

According to initial estimates, the U.S. economy grew at an annualized rate of 5.7% in the last quarter of 2009. The robust growth was driven largely by stimulus packages launched by the government. However, the rate of growth is slowing in the first quarter of 2010 according to the recent data, and this situation still puts a pressure on the labor market. On the Eurozone side, the things were not so bright mostly because of the worries about the huge budget deficits of Greece, Spain and Portugal. Euro devalued around 2.75% against USD and 6.78% against Yen in January.

As we look out over the financial arena in the beginning of 2010, the primary issue facing markets is the strength of the economic recovery as the year evolves. It seems that global economies are likely to grow moderately this year, and companies may generate healthy revenue and earnings in the new year. Albeit possible good economic news, it is a question mark that how financial markets will respond, as a great amount of such expectations are already priced in the markets. Given the sharp rebound in global equity markets in 2009, it is possible that markets may more or less hang around current levels, at least in the first half of the year. On the other hand, if some bad economic data is received, the investors might take the pull backs as an opportunity to get into the markets.

We expect February not to be much different than January. We expect the Greece story to take traction, and have a contagion effect on the rest of the European economies with similar problems. In the list are Spain, Portugal, Italy and Ireland. This year could be the re-pricing of sovereign risk and debt, one that had already begun last year with the smaller European economies. We fear that this re-pricing will go all the way to the bigger economies (ie UK) and eventually finish with US. Therefore, our expectation is that the Euro will suffer against all major currencies, and could prove to be a good time to be long the EM currencies.