



Trader Vic's Market Outlook

January 2011

2010 Outlook Review

Recap of 2010 predictions set forth in our 2009 year-end letter:

- 1-2% GDP growth for 2010
- No “true” job growth
- Top in the equity markets in Jan 2010, with a test of those highs in April 2010
- Continued correlation between equities and commodities

These assumptions were based on several key facts and beliefs:

- Interest rates would remain at (or near) current levels
- Stimulus spending was over
- EU rules prohibited a bailout of its members, therefore Greece would not receive a bailout
- Deflationary threats would cause PE’s to decline – top line growth would need to supplant productivity gains

2011 Market Outlook

Outlook for 2011:

- World & marketplace will adjust for impending inflation
- Commodity futures are the place to be now
- Consensus for equities is far too bullish. Earnings comparisons for equities will become more difficult
- Bonds are “dead” investments
- Currency markets offer select opportunities
- Gold futures should have a core allocation
- While individual portfolio needs and circumstances will vary, I personally believe
 - Commodity futures should be over-weighted.
 - Equity index futures should be under-weighted.
 - Short-term U.S. Government note futures should have a very limited allocation (as there is no futures contract for corporate bonds).
 - Long Australian Dollar, Swiss Franc, and Canadian Dollar futures should have an allocation.
 - Gold futures should have a core asset allocation, but I would generally lower that allocation into strength, adding back to the allocation during sell-offs.

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