CCR
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MARKET OUTLOOK – June 2010

At we write, stocks are off some 12.5% from their April 26 highs (as measured by the S&P 500). As investors ourselves, we share the nauseating feeling with our clients at seeing recent 200, 300, and 700 point intra-day drops in the Dow—we've been here before, only too recently. However, as investment professionals, believe it or not we are somewhat *relieved* to finally see a meaningful correction of what has been an eleven month, virtually un-interrupted 70% climb for the US markets from their March 2009 lows.

To be sure, Europe's many woes have, and will continue to have a global impact—and as we are all global investors today, precise care must be taken in examining asset allocations and hedging strategies. Never-the-less, watching crises unfold on distant shores this time affords us the opportunity to dissect their implications in a more orderly fashion than the events we were presented with merely 24 months ago did.

In the shorter term, we suggest investors investigate and examine the reality and viability of the European economic model (in all aspects). Short term, the primary implications revolve around the viability of its nascent currency, the Euro. Used by 16 countries of the European Union (at this writing), the Euro was purported to be a major, credible counter-balance to the Dollar. However, as we are seeing, 16 different countries, with 16 different budgets, deficits, legislative bodies, and in reality, 16 different sovereign interests hardly present unified confidence to back this currency (Greece lied about it's budget deficit; Spain? Portugal?). While hedging on the currency, we would, however, remind investors that large, global equity concerns in Europe will at least reap *some* earnings concessions from a devalued euro.

Longer term, we can only reiterate our confidence in the Emerging markets investment category, and today's volatility is viewed by us as an opportunity. As the economies of China, Brazil and India (to name a few) develop, they stand in stark contrast to the Developed World's quagmire of burdensome social policies, and declining demographics. In fact, from a fiscal perspective, these are some of the "cleanest" balance sheets in the world today. To be sure, as wealth develops in these countries they are *planning* many of the social safety-networks we take for granted. However, they are decades away, and their populations (growth drivers) remain young. Consumer empowerment in many of these countries is only growing, while at home, consumerism has run into some likely long-tem hurdles.

Yes, we expect continued volatility in emerging markets equity and debt assets, but with bright horizons 5, 10, 20 years hence. In contrast, American and particularly European populations are aging and retiring—with fewer and fewer workers available to provide the tax revenues to pay for expensive and elaborate social security, medical care and pension systems.

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