

From: US GIO <[REDACTED]>

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Attachments: 03-10-11_-_EOTM_-_Printing_Press_Revisited.pdf

Inline-Images: image001.png

Please join us next Tuesday, March 15, at 11:00 am EST for a conference call on the "Ides of March" topics discussed last week (see box). Vali Nasr, Professor of International Politics at The Fletcher School of Law and Diplomacy, will join us. Mr. Nasr, a specialist on political and social developments in the Muslim world, is a Senior Advisor to the U.S. State Department on South Asia. You can get the dial-in information for the webcast from your coverage team.

As shown in the table below, as March began, the world was benefitting from a global recovery that was broadening and deepening. This recovery has run headlong into a series of events that were both foreseen and unforeseen. The eruption of political risk across the Arab world has been something of a surprise, although conditions leading to it were well understood for years. As for problems in the European Monetary Union and the impact of tightening policy in Asia, they have been familiar refrains around here for months, and were central to our 2011 Outlook. The whole point of the cover of the 2011 *Eye on the Market* was that removal of the stimulus tsunami was **never** going to be that simple, that parts of the recovery were very stimulus-dependent; and that the tsunami itself led to a variety of disruptions (e.g. rapidly rising commodity prices, particularly in the wake of the Fed's August 2010 Jackson Hole speech) whose regressive consequences were troubling.

Instead of the traditional EoTM commentary, this week I wanted to share the attached charts on oil, Europe, China, equity markets and monetary policy that speak mostly for themselves (see attached PDF file). They are part of our rationale for holding less equity risk than what you might normally associate with a period of elevated profit margins, low P/E multiples in the developed world and a global rebound in both manufacturing and services. We continue to believe that certain styles of hedge funds (e.g., macro, merger arbitrage, credit), diversified commodity exposure and various forms of private lending (e.g. purchases of distressed European bank loans, well-collateralized loans to commercial property borrowers) are important complements to equities for the foreseeable future.

Global Recovery in the Works

% of Countries Growing Faster than 3 Months Prior

	3-Mar-11	Nov-10
World	79%	38%
Developed World	83%	17%
Asia	88%	50%
Central & Eastern Europe	75%	25%
Latin America	60%	60%

Source: Bridgewater Associates

The Ides of March

March 3	Protests in Qatif, East Province of Saudi Arabia
March 9	Irish Parliament reconvenes with mandate to revisit EU/IMF bailout
March 10	Moody's downgrades Spain to Aa2
March 11, 20	Days of Rage, Saudi Arabia
March 11	Eurozone summit (Heads of state)
March 14, 15	Eurogroup meeting (Ministers of Finance)
March 15	Federal Reserve Open Market Committee Meeting
March 17	Bundestag vote on consultation requirement
March 24, 25	Main EU leaders meeting to finalize a deal
March 1 - 30	Central Bank meetings in Brazil, Mexico, Norway, Indonesia, India, Taiwan, Korea, etc

Source: J.P. Morgan Private Bank

Michael Cembalest
Chief Investment Officer

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