Continuum Global Asset Mgt., LLC

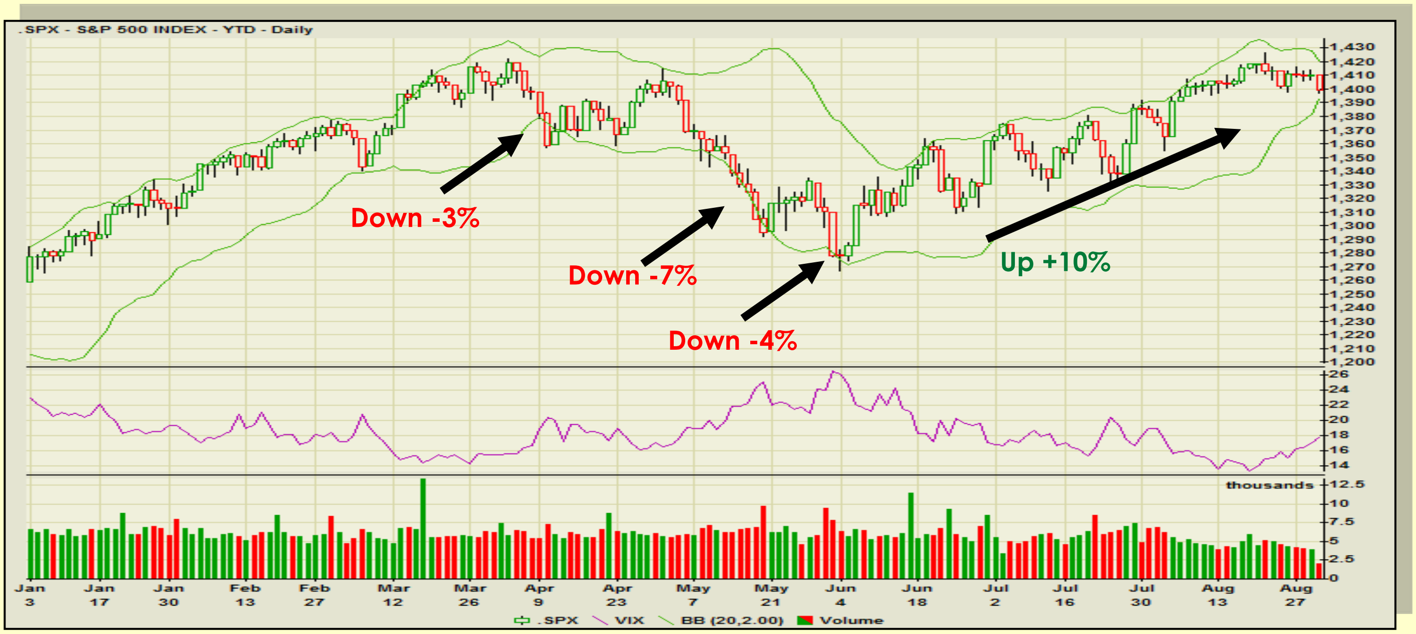
November 21, 2012

Where is the market headed!!!

We started our September-October 2012 Newsletter with…

"Our May-June 2012 Newsletter concluded with, **"Based on our market model illustrated on page 2 (Please review May-June 2012 Newsletter at www.cgamadvisor.com) and our macro thought process, we are bullish on the US equity markets over the next 12-18 months. We believe that this interim correction is a good point to initiate fresh investment positions or add to existing companies… Since, the broader markets have gained approximately 7, 10 and 12% for the Dow Jones Industriual Average, S&P 500 and the Nasdaq respectively. Following is the extension of the chart to date that we had initially illustrated in the May-June 2012 Newsletter."**

Chart 1[1]



We then continued with the following…

We believe that the markets were catalysed more by the belief that both the European and US Federal government is ready to provide liquidity in one form or another to help the economic recovery. In our view this market action seems to be based on make believe and speculation of increased liquidity being funnelled into the economy. **This is not sustainable and sooner rather than later, the investing community will start to focus on**

[1] Data Source: www.fidelity.com , CGAM's estimates

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economic fundamentals which include corporate earnings, unemployment and retail activity…

Even though the US economy has experienced positive developments on the corporate earning's front and the housing market, we can not ignore certain technical variables (pertaining to investor sentiment and behavior) that are clearly signaling an interim correction…"

We then concluded the September-October 2012 Newsletter with the following inference:

We believe that despite the improving fundamentals in the global economy, one can not completely ignore the behavioural side of the investor sentiment. **We therefore believe that the broader markets could experience an interim correction of approximately 5-7%.**

One of our team members emphasized the importance of understanding the magnitude of expected corrections within the framework of our market model. The exact downside in an interim correction can not be accurately predicted. A correction is expected primarily due to profit taking and emergence of caution in case the markets experiences negative news and hightened uncertainty from Europe, deceleration of growth in emerging economies and also US upcoming Presidential elections. Therefore, we would like to emphasize more conceptually on our belief of a correction in the near term rather than a specific number.

We therefore believe that based on the discussion mentioned above, it would be prudent to raise cash based on individual risk stances and wait for an opportune time to re-enter the markets.

Since the release of this information, the markets have lost approximately -6-7%. This may have been a coincidence but it reinforces our belief in the herd mentality and fickleness of aggregate investor sentiment.

We would therefore like to illustrate the importance of mean reversion and the importance of technicals (in other words; investor sentiment) in the movement of the overall capital markets. Following is our brief discussion on the basic reason for the correction and whether its an opportune time to start buying into this market.

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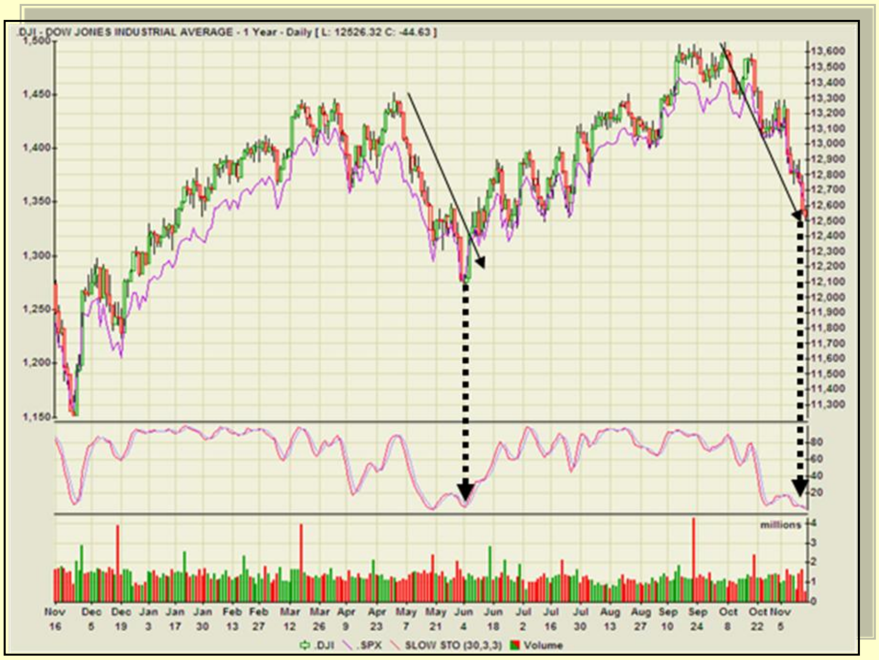
Chart 2[2]



The adjacent Chart 2 is an extention of Chart 1, which was initially exhibited in the September-October 2012 Newsletter.

We would like the reader to concentrate on the arrows that illustrate the two recent corrections and the dotted arrows pointing down towards the variable known as Stochastic; the pink line. Our intent is to recognize whether the markets are oversold and if this is an opportunity to start re-investing.

Table 1[3]

Change in S&P 500	*Change in Stochastic (Fast-Slow) since Oct 5th, 2012*[3]
-6.670%	*-93%*

Table 1 above, illustrates the change in the S&P 500 since the market's high on October 5th, 2012. We have used a technical parameter known as the Fast-Slow Stochastic, that attempts to understand the price movement of any security on a relative time horizon basis. It compares the short term movement of the security to a relatively longer term. The table clearly shows that the downward movement in the S&P 500 index has been accompanied by a significant movement in stochastic over the last few days. This signifies a relatively higher and quick movement of the index over the short term relative to the last four weeks. Even though this is not an exact science, it exhibits our belief that the market have corrected on a technical basis and are now in an oversold area.

We believe that the capital markets are in the mode of taking profits under the guise that US corporate environment may not be as robust and is being projected in lowered earnings expectations. In addition, the markets lost over 5% after the re-election of President Obama. This was primarily due to the concern that Mr. Obama and the House of Representative would be unable to come to an amicable agreement in solving the fiscal issues the US faces and the increased tax policies that Mr. Obama plans to enact.

[2] Data Source: www.fidelity.com ,

[3] Source: CGAM's estimates

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We are of the belief that Democrats and Republicans understand the importance of coming to an agreement on fiscal issues like the budget and tax policies which can impact the markets and ultimately the economy significantly.

We recommend that investors take advantage of this market correction and be prepared to start investing in companies that have shown strong earnings and are in the Healthcare, Energy, Financials, Basic Materials and Technology sector. We at CGAM believe that these sectors are poised to outperform the broader markets over the next 12-18 months.

PLEASE REMEMBER: Each investor is unique and should invest to compliment their respective financial conditions and objectives.

Please review the following disclaimer

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