Continuum Global Asset Mgt., LLC

April 2010

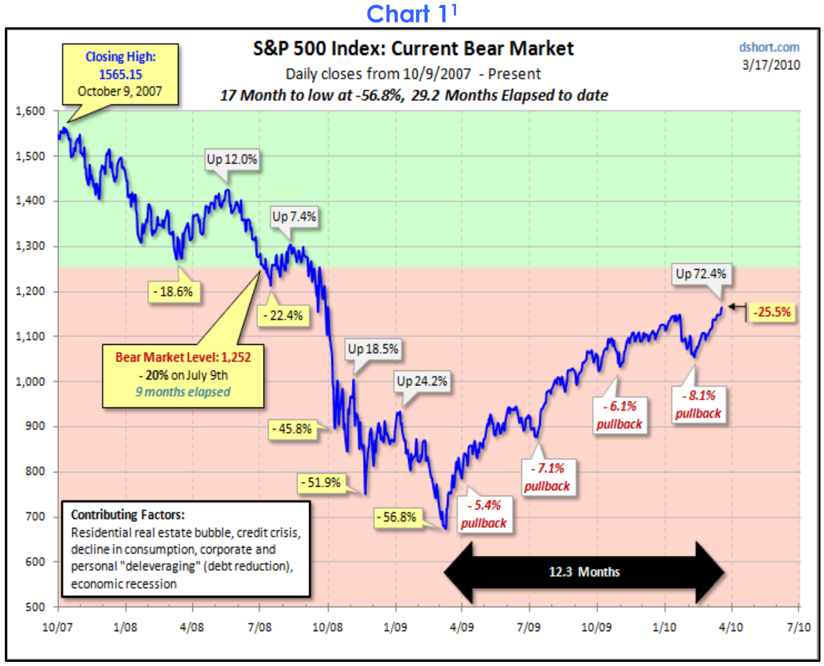
Newsletter

The markets have now been in a bullish phase for almost a year. How long can this go on!!!

Chart 1 below, clearly show how the S&P 500, a gauge of US broad based markets has made a V shaped recovery over the last 12 months (March 9th, 2009: Market Low). If we take a step back and view the market from a little longer perspective the picture changes. We would like to divert our reader's attention to the period between October 1st 2008 and March 31st 2010.

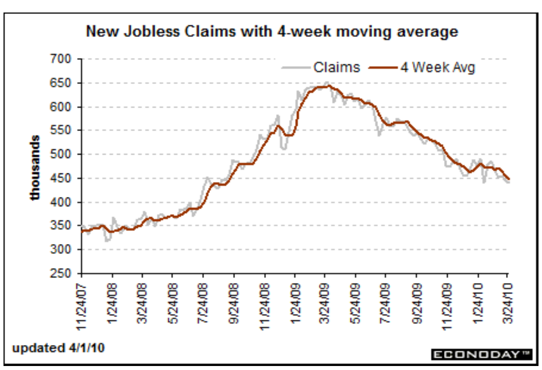
The S&P 500 index was at 1,161 on October 1st, 2008, which is virtually the same value as of March 31st 2010. In other words, if investors ignored the markets for the last 18 months, they would have experienced no change in the index between October 2008 and March 2010. We obviously know that that is not the case, and a lot happened during this tumultuous period.

Chart 1[1]



Our endeavor is to show the importance of investor perception and the role it plays in shaping markets. Before we demonstrate this, we would like to mention the two most important economic factors being monitored currently; unemployment and corporate earnings. We start with recent data on unemployment represented by jobless claims.

Chart 2[2]



"Fewer Americans are filing jobless claims in what is a key signal for underlying improvement in payrolls. Initial claims for the March 27 week came in at 439,000 vs. 445,000 in the prior week (revised from 442,000). The four-week average fell 6,750 to 447,250 and is down roughly 20,000 from levels in February." ***Source: www.bloomberg.com April 1, 2010.***

As observed from Chart 2, the jobless claims have been improving over the last few months. In addition, most US corporations have benefitted from cost cutting and retrenchments during the 2008-09 economic contraction.

Due to these developments, the actual earnings and future projections from US corporations have been improving over the last three quarters. Earnings have gone from $45-50 for 2008 for the S&P 500 companies to a range of $85-90 for the year 2011. If we use the average Price Earnings ratio of (Ref: CGAM December 2008 Newsletter) the last 25, 50 and 83 years respectively, we would infer the following valuation for the S&P 500 index:

[1,2] *Source:* *http://dshort.com/charts/SP-Composite-secular-bull-bear-markets.html?SP-Composite-secular-trend* s

17991 Lost Canyon Rd., Suite 138
Canyon Country, CA 91387

Manu Walia
Email: manuwalia@cgamadvisor.com
www.cgamadvisor.com

Office: 661-299-1920
Mobile: 661-312-2070

1. 25 year S&P 500 P/E average: 21.01 X $85 = 1,785 **(Gain of 56% from current levels)**
2. 50 year S&P 500 P/E average: 17.71 X $85 = 1,505 **(Gain of 31% from current levels)**
3. 83 year S&P 500 P/E average: 15.98 (1925-2008) = 1,358 **(Gain of 19% from current levels)**

As we view the market's ascent and believe in the economic recovery, it compels us as investors to follow the trend and believe in it till the trend reverses. History shows that these self fulfilling prophesies are the ones that take markets from one extreme to another.

As shown above from these simple calculations based on analyst's earnings projections and historic sentiment behavior, (P/E ratios are a measure of investor's valuation of the markets, or in other words their sentiment) the S&P 500 has the potential to move in a range of 1,358-1,785. In other words, a return of 16% to 53% based on historic P/E ranges. What does this mean???

As the economy contracted in 2008, the media led by major research analysts and economists, started to lower the S&P 500 company's earnings projections. At one time, the 2009 earnings estimates had been lowered to $45 for the fiscal year 2008. Actual earnings ended up being approximately $54-55, a 20% divergence from the lowest estimate. As the market sentiment has turned positive since the market low in March 2009, some analysts are now expecting the S&P 500 companies to earn approximately $80-85 for the year 2011. How much divergence do we expect this time and who is to say that these estimates will come to fruition? We believe that investors are buying into this bullish case and continue to believe in the economic expansion, despite the high unemployment rate (current unemployment rate 9.7%[3]) and heightened government intervention in the form of easy monetary policy.

We wanted to bring this to our reader's attention and illustrate the herd mentality in the market and the mean reversion process in all areas where human sentiment is involved. As the activity in the main street improves, most analysts start to raise their earnings estimates. There are two reasons for that. First, the overall economic activity is actually improving, but secondly and more importantly, these analysts do not want to be left alone or be too far from the industry mean estimates. In essence, this phenomenon continues till it reverses and it happens all over again on the downside.

We still believe that there is true recovery in the global economy, but increasing estimates and valuing major indexes is a fool's errand. There are a lot of variables that can and will change between now and 2011. We believe that investors should continue to search for major deviations in the market and invest gradually in the areas which they believe will show real growth over the foreseeable future. With the risk of sounding like a broken record, we believe that global companies involved in the healthcare, technology and financial sector shall do particularly well as the basic demand in these areas should consistently grow over the next 5-10 years.

We have mentioned umpteen times in the past and continue to believe that investors should sell when they feel happy and buy when they feel queasy...enough said!!!

NOTE: We are not providing any new recommendations in this issue.

[3] *Source:* www.bloomberg.com

17991 Lost Canyon Rd., Suite 138
Canyon Country, CA 91387
Manu Walia
Email: manuwalia@cgamadvisor.com
www.cgamadvisor.com
Office: 661-299-1920
Mobile: 661-312-2070

Table 1 illustrates the change in U.S. broad based equity indexes since the beginning of the year 2009. This is followed by the performance of the recommendations CGAM has provided via the monthly Newsletters for the same time frame.

Table 1[4]

Broad Based US Indexes	Dec 31st, 2008	March 31st, 2010	Gain/Loss (%)
Dow Jones Industrial Average	8,776.00	10,856.63	23.71%
NASDAQ COMPOSITE	1,577.00	2,397.96	52.06%
S&P 500 INDEX	903.00	1,169.43	29.50%
RUSSELL 2000 INDEX	499.51	678.64	35.86%
Average Return			35.28%

CGAM Recommendations Since December 31st, 2008	**Security Price at Recommendation Date ($)**	Jan 31st, 2010	Gain/Loss (%)
UltraShort 7-10 Year Treasury ProShares	52.66	51.56	-2.09%
Blackrock Corporate High Yield Fund Inc (Sell Recommendations Oct 2009)	4.08	6.77	65.93%
Eaton Vance California Municipal Income Trust (Sell Recommendations July 2009)	7.99	12.35	54.57%
Western Asset Managed Municipals Fund Inc	9.40	12.9	37.23%
Boulder Growth & Income Fund Inc	4.47	6.34	41.83%
Ultra Financials ProShares	3.28	6.79	107.01%
CGM Focus	25.56	30.72	20.19%
Bank of America Corp	6.82	17.85	161.73%
Caterpillar Inc	27.96	62.85	124.79%
Corning Inc	14.62	20.21	38.24%
Manitowoc Co Inc	5.95	13	118.49%
E TRADE Financial Corp	1.44	1.65	14.58%
Blue Nile Inc	45.90	55.02	-19.87%
Wendys/Arbys Group Ord Shs Class A	4.00	5	25.00%
Foster Wheeler Ltd	23.10	27.14	17.49%
Akamai Technologies Inc	16.44	31.42	91.12%
Immersion Corp	4.30	5	16.28%
United States Natural Gas	11.74	6.91	-41.14%
Progressive Corp	16.00	19.09	19.31%
Banco Santander ADR Rep 1 Ord Shs	16.11	13.27	-17.63%
Corning Inc	16.68	20.21	21.16%
AT&T Inc	26.94	25.84	-4.08%
Citigroup Inc	3.32	4.05	21.99%
Activision Blizzard Inc	11.39	12.05	5.79%
PowerShares DB Gold Double Short ETN	14.13	13.61	-3.68%
Goldman Sachs Group Inc	156.35	170.63	9.13%
Chimera Investment Corp	4.00	3.89	-2.75%
Average Return			**34.10%**

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

[4] *Source: CGAM, LLC., www.fidelity.com Note: The average return for the CGAM portfolio does not include dividends and interest income.*

17991 Lost Canyon Rd., Suite 138
Canyon Country, CA 91387
Manu Walia
Email: manuwalia@cgamadvisor.com
www.cgamadvisor.com
Office: 661-299-1920
Mobile: 661-312-2070

Please review the following disclaimer

This Newsletter has been prepared by Continuum Global Asset Management, LLC (CGAM), an independent Registered Investment Advisor. CGAM believes that the data contained is from reliable sources but cannot guarantee the accuracy of the data. None of the information provided constitutes a recommendation or solicitation of an offer to buy or sell any particular security. The investment strategies and or securities may not be suitable to all investors and past performance is not indicative, nor a guarantee, of future results. It should not be assumed that recommendations made in this Newsletter, and in the future, will be profitable or will equal the performance of the securities mentioned in this or previous Newsletters. Also, existing clients of CGAM and directors or employees may own shares of companies mentioned or recommended in this or previous Newsletters.

17991 Lost Canyon Rd., Suite 138
Canyon Country, CA 91387

Manu Walia
Email: manuwalia@cgamadvisor.com
www.cgamadvisor.com

Office: 661-299-1920
Mobile: 661-312-2070