Terranova Sees Four Tailwinds for 2011

Expectations Outperform Forecasts in 'Catch-Up' Year, Says Virtus Strategist

HARTFORD, Conn., Jan. 27, 2011 /PRNewswire/ -- Joe Terranova, chief market strategist at Virtus Investment Partners, urges investors to get off the sidelines and back into the equities market in 2011, which he labels a "catch up" year. In his quarterly commentary, Terranova suggests that the healing that has occurred since the credit crisis began in September 2008 will be the catalyst to higher prices for equities and other asset classes and expects the market to end higher in 2011 than it did in 2010.

A regular panelist on CNBC's Fast Money and frequent blogger, Terranova has identified four tailwinds for the market this year:

- **The resilient U.S. consumer** – The strong retail sales growth of 2010 will continue. Look for opportunities in consumer discretionary stocks.
- **Cash-rich corporate balance sheets** – Companies need to deploy cash through dividends, stock buybacks, and M&A. Equities in all sectors stand to benefit, especially small-caps buoyed by favorable tax legislation that encourages hiring and expansion. Higher-quality, high-yield bonds are also potential beneficiaries.
- **Industrialized emerging markets** – Commodities remain attractive, as demand from China and other emerging countries continues to grow. Multi-national corporations that serve emerging consumers also may benefit from this trend.
- **Germany's strength** – The success of the European Union rests on Germany, its largest economy and the world's second-larger exporter, which accounts for about 20% of the EU's GDP.

In terms of market challenges, Terranova reveals that the "lack of political will" is the one headwind with which he is most concerned, as it has the power to disrupt global markets. He cites potential volatility triggers ranging from the U.S. Treasury Department's reform report on the GSEs (government-sponsored enterprises) to untimely monetary policy actions taken by the EU and China.

Visit www.virtus.com for Terranova's calendar of key economic indicators, updated the first of each month, which provides insights into the data and events that he will be watching.

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