Four Potential Market 'Heroes' Could Power Second Half of 2011, Suggests Virtus Strategist Joe Terranova

HARTFORD, Conn., July 21, 2011 /PRNewswire/ -- Joe Terranova, chief market strategist at Virtus Investment Partners, believes four potential "heroes" could rescue the capital markets in the second half of the year. In his quarterly market commentary, Terranova does not foresee a third round of quantitative easing (QE3) by the Federal Reserve; rather, he is optimistic for the prospects presented by:

- **Manufacturing** – Recent increases in Japanese industrial production appear to have reversed global supply disruptions caused by the March earthquake, and surprise increases in U.S. manufacturing indices also support Terranova's expectation that growth will accelerate in the second half.
- **Corporate earnings** – Foreign sales, helped by the weaker U.S. dollar, have contributed to strong U.S. corporate growth, and equity valuations of many consumer discretionary companies recently hit new 52-week highs. Terranova anticipates an increase in IT enterprise spending in the second half, which should boost sales and profitability of tech companies.
- **U.S. fiscal policy** – In the absence of further monetary policy such as QE3, some type of fiscal policy will likely be a second-half hero. Among the candidates: an extension of the employee payroll tax cut or a new employer-side payroll tax cut; a repatriation holiday, giving U.S. companies a tax break on profits held overseas; or a deficit-reduction agreement from Capitol Hill.
- **China** – For the remainder of 2011, Terranova expects no further rate hikes from China's central bank, continued modest appreciation of the yuan currency but at a slower pace, and a reacceleration of China's contribution to global growth in the fall.

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Terranova's commentary also provides insights into his view on global currencies, the European debt crisis, gold, energy, and oil, along with his expectations for sectors that could outperform in the second half.

A regular panelist on CNBC's Fast Money, Terranova offers his latest views on market events in both his blog and monthly calendar of key economic indicators at www.virtus.com.

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