The 'New Normal' Includes a V-Shaped Recovery of Capital Markets, Virtus Strategist Says

Terranova sees opportunities in corporate bonds, currencies, commodities

PRNewswire
HARTFORD, Conn.
(NASDAQ-NMS:VRTS)

HARTFORD, Conn., Oct. 26 /PRNewswire-FirstCall/ -- A year after the equity and credit markets were frozen in the wake of the collapse of Lehman Brothers, both markets are back to normal, says Joe Terranova, chief market strategist at Virtus Investment Partners (NASDAQ: VRTS), and panelist on CNBC's Fast Money. In his most recent market commentary, Let's See How Far We've Come, Terranova says most investors did not expect or accept that the Armageddon scenario would be removed so quickly.

(Logo: http://www.newscom.com/cgi-bin/prnh/20090105/NEM020LOGO)

"There will always be concerns, which will be priced-in accordingly, but there is nothing overwhelmingly bearish out there right now," says Terranova. Despite all of the chatter about "new normal," the prospect of continued rising unemployment through 2010, looming regulation from Washington, and the fundamentals of the economy, the capital markets are back to normal.

Terranova emphasizes that a market recovery this year is similar to the recovery in 2003, which means, among other things, that there may be more upside to come.

The last six months of balance-sheet analysis, stress testing, interpreting unemployment reports, and checking regional price comparisons in the housing market boil down to one thing: "The recovery is clearly V-shaped and many investors have only recently realized this it is very difficult to position for a recovery that moves this fast."

In his first- and second-quarter commentaries of this year, Terranova emphasized the historic opportunities available to investors as a result of compelling market valuations. Investors who may have been sitting on the sidelines for the past six months missed out on the recovery in the markets. Terranova suggests that near-term opportunities will be in the same investible themes that worked in the second and third quarters:

- **Corporate Bonds** - Default rates will peak in the 12-15 percent range this fall, well below the 18

- **Corporate Bonds** - Default rates will peak in the 12-15 percent range this fall, well below the 18-percent range priced-in this past summer; this is a good chance to get ahead of the eventual upgrade cycle of the rating agencies.
- **Currencies** - "We're entering a period at the end of the year when those who did not heed the call to invest into currencies will be disappointed," says Terranova, singling out commodity currencies such as the Australian and Canadian dollars.
- **Commodities** - Terranova, a trader who specializes in commodities markets, believes that "massive liquidity, low interest rates, and a resurrection of emerging market demand is the perfect storm for commodities. This is the time to be positioned for rising commodity prices."

About Virtus Investment Partners, Inc.

Virtus Investment Partners (NASDAQ: VRTS) is a distinctive partnership of boutique investment managers singularly committed to the long-term success of individual and institutional investors. The company provides investment management products and services through its affiliated managers and select subadvisers, each with a distinct investment style, autonomous investment process and individual brand. Virtus Investment Partners offers access to a variety of investment styles across multiple disciplines to meet a wide array of investor needs. Additional information can be found at www.virtus.com.

Photo: http://www.newscom.com/cgi-bin/prnh/20090105/NEM020LOGO
AP Archive: http://photoarchive.ap.org
PRN Photo Desk, photodesk@prnewswire.com

SOURCE: Virtus Investment Partners, Inc.

Web site: http://www.virtus.com/