Cyclical Recovery from the 'Great Recession' But Secular Issues Remain, Virtus Strategist Says

Bublitz sees need for active portfolio management as trends take hold

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SAN FRANCISCO and HARTFORD, Conn., Oct. 22 /PRNewswire-FirstCall/ -- There are two prevailing schools of thought emerging from the global economic recovery, according to the latest commentary from Max Bublitz, chief strategist and portfolio manager at SCM Advisors LLC, an affiliated investment manager of Virtus Investment Partners (NASDAQ: VRTS). One side is convinced that global markets and economies have successfully transitioned into a sustainable recovery; the other camp believes that the foundations of the current recovery are illusory and the recent bounce is little more than a natural snapback from unsustainable extremes.

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Which side is right? The answer to that question, Bublitz writes in his latest quarterly market commentary, There's Battle Lines Being Drawn, may depend on one's belief in the government's role in policy stimulus.

Bublitz notes that hardliners expect the economy to self-correct without government "meddling," while others believe the "constant tinkering by enlightened policymakers" is needed to save the economy. But

neither theory is supported by history, he says, noting that "recovery from the damage inflicted by what some have taken to calling the Great Recession will take a lot more time."

"Nevertheless, we can be certain of one thing: this is an environment that will provide plenty of opportunity for active managers."

Bublitz expects the GDP in the second half of 2009 to reflect "measurable, if only temporary impact on domestic demand" from the stimulus efforts and from a rebuilding of recession-depleted inventories and net exports. But, he warns that domestic consumption will be weighed down by the housing market and that the deteriorated U.S. job market will continue to be a drag on the recovery. Americans should brace for an unemployment rate that could approach 11 percent by mid-2010.

Bublitz also cautions that the economic benefits from the initial fiscal stimulus efforts will begin to wane in the fourth quarter and into 2010, which could lead to negative GDP by late next year. Additionally, the need for ongoing stimulus may require the Fed Open Market Committee to remain "accommodative until deep into 2010 or even in 2011."

"These changing times demand that our investment decisions be built on a solid foundation of fundamental research. They demand that we be prepared to take advantage of opportunities that inevitably arise when price deviates from fundamental value."

About SCM Advisors LLC

SCM Advisors LLC, an affiliated investment manager of Virtus Investment Partners, is an independently-managed investment firm, based in San Francisco, CA, that provides asset management services to corporate, government and multi-employer pension funds, as well as foundations, endowments and high net worth private clients. SCM Advisors specializes in fixed income and equity strategies for its diversified client base. Visit SCM Advisors at www.scmadv.com.

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.

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