As Predicted by Arbat Capital

The Beginning of the Crisis and the "Bottom"

- Due to problems in the US mortgage market, there could be a crisis in global markets in 2008. **FACT:** Following Lehman Brothers bankruptcy in September 2008, markets collapsed. The US fell by 50%, while Russia plummeted by 80%.
- The crisis will cause the Euro to collapse as investors flock to the US Dollar, particularly during the acute phase of the crisis. **FACT:** In the autumn of 2008, the Euro lost 20%.
- In the first half of 2009, markets will hit bottom and rally thereafter. **FACT:** The S & P 500 hit the low point in March 2009, and had recovered 70% by the end of the year. The US recession ended in the third quarter.

PIIGs and the Euro

- Due to worsening debt problems in Europe's peripheral countries in 2010, the Euro will decline sharply. **FACT:** In May 2010, the Euro plummeted by 20%, falling to under USD 1.20.
- The December 2011 LTRO-I will have a negative impact on the Euro in the near future, but thereafter actions by the ECB will push the Euro back up. **FACT:** In July 2012, the Euro fell to USD 1.20, but had climbed to more than USD 1.32 by December.

The S&P 500 after the Crisis

- 2010 should see economic recovery and a continuing rally in the markets due to stimulus program. **FACT:** The S&P 500 nearly doubled from the lows of 2009.
- A rally in the U.S. will continue through the first half of 2011. **FACT:** The spring rally ended in early May of 2011, with the S&P 500 reaching 1370.
- Due to the crisis in the EU, slowing growth in China and stagnation in the United States in the second quarter of 2012, the U.S. market will backtrack, but an election rally will push the market to new highs. **FACT:** The S&P was at its lowest on June 4th, at 1267, but rose to 1474 by mid-September.

A Cheaper Yen

- Due to weak economic growth, there will be an increase in political pressure on the Bank of Japan to combat an expensive yen (USD 500 billion in QE and forex intervention).

FACT: After the return to power of Abe and his LDP party in November 2012, there was a radical change in the Bank's policy, causing the yen to fall more than 30% against the USD.

Arbat Capital invests in a variety of asset classes (equity, fixed income, real estate and alternative energy) around the world (US, Europe and Asia). The group has 15 years of experience in successful investing, basing its investment strategy on a thorough knowledge of the markets, fundamental analysis, and a diversified product line. Offices are located in Moscow, London and Riga.

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