

# Premise Capital

## June 2013 Market Update

Many people have been asking about the current weakness in both the equity and fixed income markets, and how it relates to the current portfolios and recent trades. We recently reduced our exposure to inflation protected and intermediate fixed income in all portfolios. We had already reduced long bond exposure in January so the current moves further reduced the duration of the portfolios.

Interest rates remain clouded in uncertainty and no one knows exactly what will happen with the FED and the “tapering,” but the current positioning allows for less exposure to down moves in principal and quicker reinvestment into potentially rising interest rates. Rates could reverse this short term movement with a rebound in prices but since our portfolios try to protect downside and are willing to give up some upside the portfolios are positioned in a conservative fashion with respect to most fixed income classes .

For the equity side, I have included two charts to help everyone understand the nature of the trades in emerging markets. When looking at the difference between the SPY (SP 500) and the EEM (MSCI Emerging) ETF's you can see the dramatic weakness in emerging as well as the weakness in the domestic large cap space.

The SP 500 has only given back the gains it has achieved since April, while the Emerging Markets have reversed the entire uptrend that began last year. This helps explain why we would reduce exposure to Emerging, while still leaving Domestic large cap unchanged. It also is good to see what the current pull-back looks like in terms of the overall uptrend.

We will watch for deterioration in this and all other classes as we continue to manage the portfolios.



Source: TradeStation



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