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Market View
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The following summarises Stenham's view of global markets and potential future developments:

Outlook

- The Western economies of the US, UK and Europe are in recession due to the credit crisis and collapse of the financial sector;
- Waning consumer confidence in Western economies, caused by financial sector stress and falling property prices to slow demand for exports from Asian economies;
- Corporate earnings to suffer further downgrades with the earnings outlook deteriorating over the next 12 months. Corporate spending to fall as a result of a renewed focus on rebuilding of balance sheets and financing constraints;
- Commodity prices will stay weak until the economic outlook becomes clearer, but remain a good medium to long term investment;
- Global Central banks and governments to continue to focus on renewing growth in their economies and fighting deflation. These measures are expected to result in inflationary pressures in the long term, however further intervention is expected;
- Further deleveraging in the markets, particularly a move away from investments linked to leveraged or illiquid strategies. Volatility is expected to remain a feature of the early months in 2009 as markets react to economic data;
- Redemptions from the financial sector generally, including hedge funds, have been a feature of the last quarter of 2008, with the potential for this to continue in the coming months;

United States

- A recession to continue as a result of the falling prices in the property market and high levels of consumer indebtedness;
- Unemployment will continue to rise primarily due to worker lay-offs in the financial, property and consumer related sectors, and will likely spread to the broader economy;
- Further write-offs in the financial sector, requiring additional capital injections by government;

United Kingdom

- A continued fall in the property market, leading to greater pressure on consumers;
- Facing similar conditions to the US, with rising unemployment and further financial sector consolidation including the potential for full scale nationalisation of those institutions already bailed out by taxpayer money;

Europe

- Problems to potentially develop in the Eurozone as a result of idiosyncratic market and growth prospects within each country (e.g. Ireland, Italy and Spain suffering more than Germany and France);
- Deflationary environment to spur the European Central Bank ("ECB") and governments into introducing further monetary and fiscal stimulus packages;

Emerging Markets

- Growth across the emerging market countries, as a result of a growing middle-class and infrastructural spending, to be tempered by lower export demand;
- Emerging markets remain vulnerable to risk aversion outflows in times of volatility;

Currency / Interest Rates

- A strengthening of the Asian currencies versus the US Dollar, Euro and Sterling over the medium term. In the short term, Asian currencies may depreciate further due to risk aversion; and
- Rate cuts in the US are expected to end now that the Fed Funds Rate approaches zero. In Europe, further rate cuts only to be made after passing the rigid criterion set by the ECB's policymakers.