



POTOMAC
STRATEGIC INVESTMENT

CAPITOL MARKET REVIEW

In This Issue: European Policymakers Meet, Foreign Investors Asked to Help...US Earnings Good/Bad Continues

At Mid-Day: SPX 1240 US10Y 2.20 % Gold \$1721 Oil \$90.82 Oct. 26, 2011

CMR is beginning to believe that markets are so starved for good news, that even the absence of bad news is enough to instill a measure of confidence. There is no other explanation for today's equity action.

Global investors had been focused, *yet again*, on meetings in the Eurozone regarding a plan to solve the banking and credit crisis. Having tracked all the headlines and news leaks, CMR sees nothing new to celebrate. However, US stocks rallied today and while inflationary pressures continue to build, global credit markets and equity indexes also enjoyed a relatively stable day.

On the strength of earnings reports from Boeing and Lockheed Martin US stocks have largely reversed Tuesday's losses.

Yet the macro political economic issues plaguing the US and Europe continue. In spite another day of what is being called a "summit" virtually nothing of consequence was announced. In fact, the news continues to be cautious at best. President Sarkozy is planning to formally ask China to invest in EFSF bonds. This is the equivalent of China "cherry-picking" its Eurozone credit exposure as these loans will be AAA rated. There is no word that China will invest in Greek bonds, or Spanish bonds, or Italian bonds.

As has been reported, both China and Brazil are using the European credit crisis as a means to increase their involvement with the IMF. CMR expects additional funding from sovereign wealth funds and other countries will be required to solve the European crisis.

Markets are closed in the US. Global media sources remain transfixed on Europe. Many had expected some word today. It's now 11:00pm in central Europe and no statement has been issued. Another remarkable day considering the risks posed by European indecision.