The NIC Fund

Student-run Virtual Fund

April
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Nova Investment Club

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Market Outlook

The ECB rate move this month, although widely expected, is likely to have set the outlook for the upcoming quarters. As the first of the G3 central banks to formally signal the end of the post-crisis period of extended liquidity, this is a signal only but positive for the single currency, with the EURUSD trading indifferent to the cloud of uncertainty in peripheral markets with a target of 1.50 to be tested in the short-run. Despite signals of pass-through effects of food and energy to base prices and an increasingly louder chorus of hawkish comments from Fed officials, these are most from non-voting members, which together with the dual mandate of the Fed does not warrant, in our view, a change in monetary policy views. However, based on the good momentum of economic indicators for the US (ex-housing/labor) and the size of the Fed's balance-sheet itself, we do not expect a third round of QE after the end of the current plan in June, which in effect acts an withdrawal of stimulus. The BoJ will continue firmly on hold, as the economy balances the need for the government to engage in recovery programs with already extremely high levels of debt, pricing the next rate hike well into 2012.

Meanwhile there are strange, and fortunately for global growth, fenced economies in Europe, with Portugal joining the likes of Ireland and Greece in asking the EU for direct intervention. Preliminary details point to a EUR80bn plan, most likely with a duration of three years, with the caretaker government negotiating with the EFSF and coordinating with the opposition parties to ensure its post-electoral validity. The program is expected to include an earmark of EUR10bn to shore up confidence in the Portuguese financial system, along with stringent cuts in government spending (halting 1.96 s.d. white elephants such as the TGV) and ambitious privatization program. Unlike Ireland, where the banks' real estate exposure dragged the state into a bailout, Portugal's problem is a structural one, poised by several years of subpar growth and lack of political will to enact the needed measures (probably the unpopular ones) that would allow the country to compete effectively in an ever-changing and more dislocated world economy. It would be naive of us not to foresee hard times in the near-run. However, there is a long-run, where we hopefully will not be dead, neither for sure the future generations will, and for all these we think the trade-off is positive. Blame is on our side for saying we are looking forward to these prosper times.

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Commodities on the rise…still?!

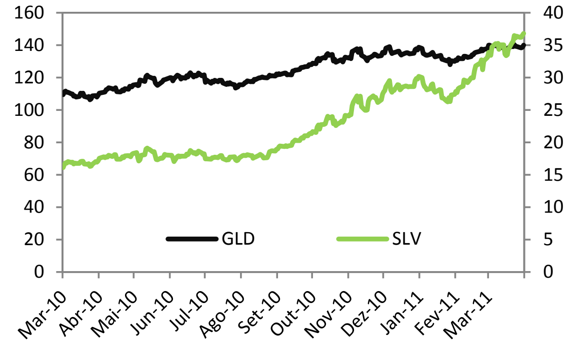
André Fernando

This month I will be completely bullish on Commodities. To be honest in the last months I was betting on a trend inflection in commodities. The reasoning was based on my belief that the effects of the financial crisis were almost over and also on my conviction that gold price was a bubble which would burst at any time. But time has shown me that the persistent appreciations in this asset class are not over and will probably last for some time. In my opinion the event underpinning this state of affairs is the quantitative easing policy that the Fed has been carrying out, which lead to historical devaluations of the dollar. Also, the high levels of debt in the US are also a serious concern that the Obama administration has not been able of solve properly. Moreover, the Middle East is in a state of chaos and the Japanese economy is falling apart as a result of the recent disasters. Thanks to this financial instability, investors have been seeking some place safe to put their money. For many investors, precious metals and commodities have been the answer.

Trade Summary

Long 25%: GLD
Long 25%: SLV
Long 25%: USO
Long 25%: DBC

Asset Class: Commodities
Region: Worldwide



Now Panic and Freak Out

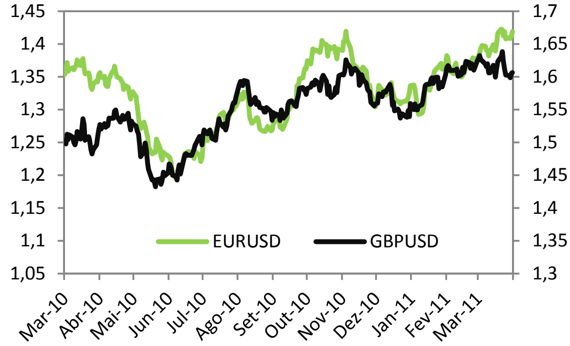
Diogo Lencastre

When in 1939 the UK was about to enter the second WW, the Ministry of Information thought it would be wise to spread around posters advising the population to "Keep calm and carry on". It sorted little or no effect.
Regarding the peripheral European countries, my view until recently has been in this sense. I truly believed that a quick international intervention, focusing on debt restructuring beyond deficit targeting, would be the solution for this apparently simple problem. I started being skeptical when the Irish bailout sorted little or no effect, resembling the British government poster, and over the past two weeks formed a radical opinion.
My advice for all investor is now to "Panic and freak out". The Portuguese political novel has been the cherry on top of the cake. As the last piece in the domino before Spain, Portugal was expected to gladly accept the bailout and assure this way investors that the risk of spreading across the Eurozone was under control. This refuse to do so will in my view keep on going for at least a couple more months, and that will not only pose some serious problems to the country's sustainability, but also play the role of triggering event for a strong attempt to collapse of the Euro. Let us just hope I am wrong.
My for this month thus trade shorts the Euro against the US dollar, and longs the proceedings in the sterling against the Euro.

Trade Summary

Short 100%: EUR/ USD
Long 100% : GBP/ EUR

Asset Class: Currency
Region: UK, US & Europe



Portugal and Spain must go their separate ways…

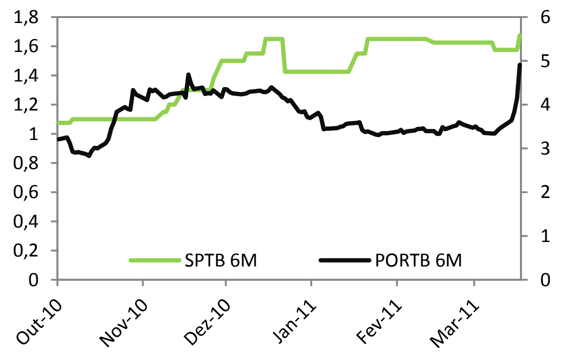
Filipe Sodagar

Trade Summary

Short 200%: PORTB 6M to 1Y
Long 100%: SPTB 6M to 1Y

Asset Class: Fixed Income
Region: Europe

For the upcoming month of April my trade proposal is based on my personal belief that Portugal will seek a bailout and Spain will re-assure its position as a much stronger European economy. This line of reasoning is based on the fact that Portugal will have a Treasury Bill auction on the 6 months and 1 year horizons and Spain will have an auction the day afterwards. My perception is that for this auction the Portuguese banks will demand a higher yield, mainly due to my expectation that Portuguese treasury yields will increase tremendously in the shorter maturities (since the 5 year maturity is already quite priced) until a bailout is requested. Once this happens, investors and the main European countries will see this as a turning point and Spain will be relieved (Spanish banks have more than 1/3 of Portuguese sovereign debt) to see the IMF and the EU backing the Portuguese government.



The next domino effect?

Jorge José de Mello

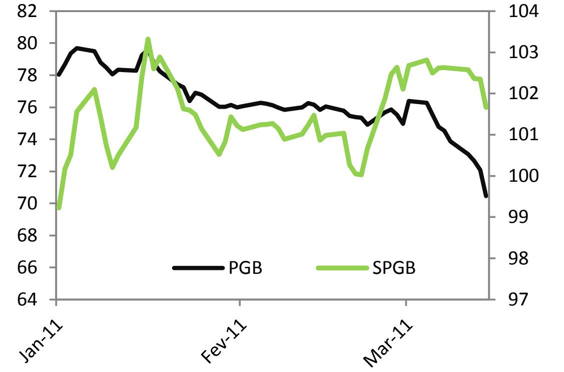
Trade Summary

Long 100%: AT&T, SL at 3%
Short 100%: IBEX 35

Asset Class: Index / Equity
Region: Spain and USA

Spain might be the next victim of the domino effect. On the one hand, the resignation of José Socrates as Portugal's prime minister is likely to lead not only to an early election but also to the next euro-zone bail-out. The high positive correlation between Portugal and Spain as well as the market perception of Iberian countries as "one", are prone to bring additional difficulties to Spain. It is likely that giving Portuguese current difficult situation, the markets will swiftly move on to attack Spain. On the other hand, the recent collapse of Banco Base merger deal is not helping enhancing Spain image of recovery and stable financial system. The Spanish banking system is still regarded as unhealthy and if the Bank of Spain says Spanish cajas and banks need an additional €15.15bn on top of the money already lent, some estimates from analysts are much higher.

AT&T's takeover of T-Mobile USA would create a dominant mobile-phone operator with a 39% market share in the US. The deal will speed up expansion of AT&T's 4G technology and enlarge its client portfolio, turning it into #1 in the industry in terms of market share.



The revival of credit markets

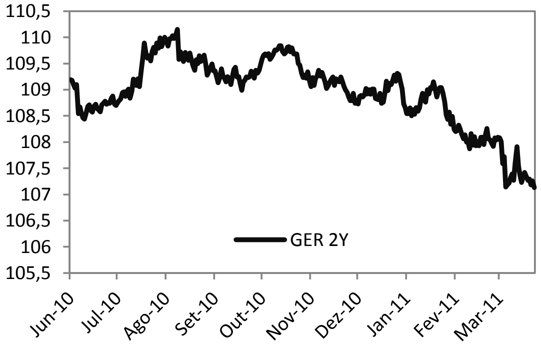
Nuno Luis

The start of the earnings season and the perspective of strong revenues for the majority of sectors will continue to add liquidity to riskier assets, of which I highlight non-Euro peripheral credit.
The decoupling of core-Euro fundamentals from the events in Portugal and the perspective of the normalization of the monetary policy is likely to push companies to resume their issuance activity in expectation of increased funding costs in the medium-run.
In this context I want to gain exposure to a major credit index of Western European companies, selling protection in the iTraxx Europe and hedging the position with a 50% long position on the Schatz (in the case of flight to quality moves).

Trade Summary

Short 100%: Markit iTraxx WE
Long 33%: Euro Schatz (2y)
Long 67%: Eonia

Asset Class: Credit
Region: Europe



No Government, no Fun

Tiago Lourenço

In the aftermath of the political opposition denying the Portuguese government the opportunity to apply their fourth set of austerity measures, our Prime-Minister has resigned.

Without an elected government until mid-June, Portugal will be facing the same pressures from the financial markets as it has been for the past few months. The yields on our bonds keep soaring and the trend on bond prices is still downwards.

For April and May, I bet against Portuguese bondholders, going short 5y and 10y. At the same time, I believe our equity markets are going to be outperformed by Europe's main growth driver, Germany.

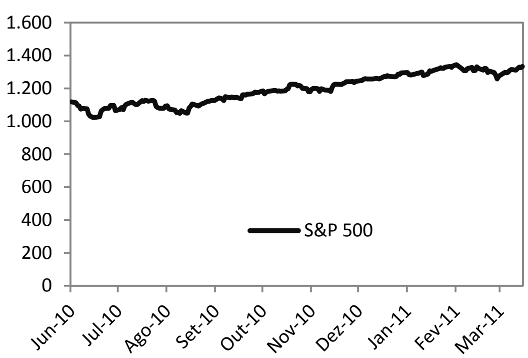
As a last note, for April I am long on the S&P500 in a bullish view for the earnings season. On the other hand, top investment banks' trading activity is going to be under expectations (short XLF 20%).

My stop losses are on 5% in every bet/spread.

Trade Summary

Short 100%: PGB 5Y and 10Y
Long 200%: DAX & S&P 500
Short 100%: PSI-20
Short 20%: XLF

Asset Class: Equity, Fixed Income
Region: US & Europe



Looking for Technical in small rising caps…

Tomás Gorgulho

This month I opt to align the fundamental market feeling with some technical and historical patterns of specific sectors.

Energy: Believing in global growth story, makes easy to infer that material and energy stocks will be a consistent growth story for many years. Still, you want to find good investments even in this high growth sector. A "Cup with a Handle" chart formation is thought to be one of the more powerful upward indicating formations in the market. Both BHP and WLT seem to have formed approximations of this formation recently, with strong buy indicators being highlighted by their moving averages performance.

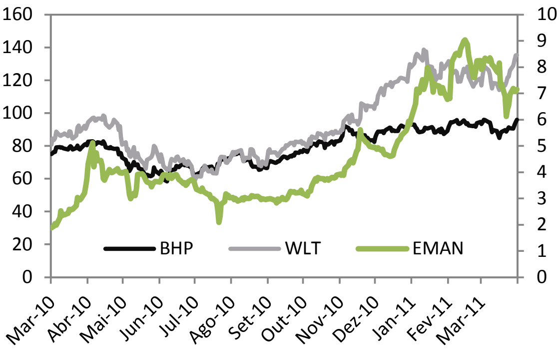
Techs: eMAGIN corporation stock is most known by its strong annual momentum historical performance. I bet that the rocking pattern that the company showed in the last half of March will be maintained, using as take profit the strong reference of 8,5, supported by a Fibonacci comparison. InterDigital Incorporated started trading at well above their 20 and 50 exponential moving averages.

Real state: The sector is widely recognized as unattractive and has likely enticed more short-selling than buying. The volume of companies such as, CBG and JLL has remained near five year lows while the stocks have made recent gains. After comparing 2008 highs with the recent stock behavior of these two companies I identified a high downturn pattern probability, inflated by an on-balance volume analysis based on cumulative total volume.

Trade Summary

Long 50%: BHP, WLT
Long 50%: EMAN, IDCC
Short 50%: CBG, JLL
(TP:10%; SL:350bp)

Asset Class: Equities
Region: US



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