

## Market Update

December 2009

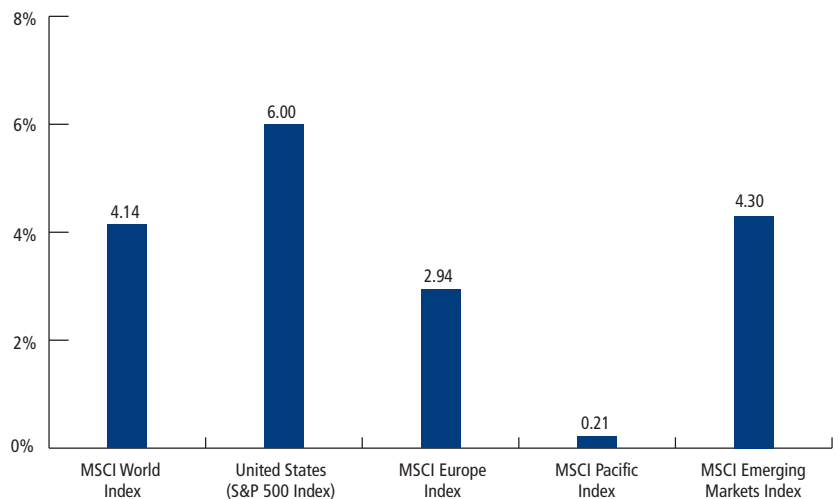
Going forward, we believe market action will be most affected by company fundamentals and tangible advances in economic indicators.

## Global Equities Strong in November

Global markets were strong in November as almost all major regions and countries posted positive returns. The MSCI World Index rose 4.14% and the MSCI EAFE Index, which represents non-U.S. developed markets, increased 2.03%. The MSCI Emerging Markets Index returned 4.30%.

The global economy continues to move ahead, albeit at a more cautionary pace. Since March, the markets have been propped up by government stimulus and relief. Going forward, we believe market action will be most affected by company fundamentals and tangible advances in economic indicators.

### November Global Equity Markets Returns



Source: MSCI Barra, Mellon Analytical Solutions, LLC

### United States

The S&P 500 Index climbed 6.00% in November. Investors have gained confidence through ample monetary and fiscal stimulus that has flooded the market along with surprisingly good corporate earnings. All sectors ended the month in positive territory, led by the materials, health care and industrial sectors. On a relative basis, the energy and consumer-staples sectors lagged the market.

### Europe

European shares advanced 2.94% during the month as measured by the MSCI Europe Index. Both the European Central Bank and the Bank of England kept rates steady during the month. The ECB announced steps to exit the liquidity programs applied during the credit crisis. However, the Bank of England is considering further efforts toward quantitative easing, including offers to buy and sell corporate debt. German equities rose 5.14% on continued improvements in unemployment. Norway (5.80%) performed the best and Greece (-16.11%) performed the worst.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice. All returns are in U.S. dollar terms unless otherwise noted.

**Past performance is no guarantee of future results. Current performance may be lower or higher than the performance quoted.**

## Asia Pacific

The MSCI Pacific Index returned a flat 0.21%. Singapore (4.87%) was the best performer and New Zealand (-5.01%) fared the worst. Japan's equity market decreased by 1.03% during the month and its government is undertaking new steps toward monetary easing, including a \$116 billion lending facility.

## Emerging Markets

Emerging markets performed in line with developed markets. The best performers were Peru (12.35%) and Mexico (10.03%). The worst performers were Turkey (-6.57%), the only emerging market country that posted a negative return, and Thailand (0.63%). Among the BRIC economies, India (8.41%) was the best performer.

## Currency

The U.S. Dollar Index, a measure of the performance of the U.S. dollar against a basket of six major world currencies, fell 1.9% in November. The dollar depreciated 4.08% against the yen, 1.91% against the euro and 2.05% against the Swiss franc. The dollar slightly appreciated 0.8% against the British pound.

## Positioning

We have been skeptical of government's ever-growing involvement because a true recovery based on market forces is typically more sustainable because of its reliance on the needs of consumers. We are often asked what we believe will mark an end to this volatile environment. Our answer is that we expect to see improved conditions when assets move from financially weak hands to financially strong. This can be evident in increased merger and acquisitions activity and when stronger institutions acquire their weaker peers.

Our investment focus continues to lead us to better businesses with healthier balance sheets, sustainable business models, and attractive valuations. We are prepared for a volatile market environment, but one which we believe should still present attractive long-term growth opportunities within areas such as technology, energy and materials.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. Investments in emerging markets may present additional risk due to the potential for greater economic and political instability in less developed countries.

### Index Definitions

The **MSCI World Index** is a market capitalization weighted index designed to measure the equity market performance of 23 economically developed markets. The **S&P 500 Index** is generally considered representative of the U.S. stock market. The **MSCI Europe Index** and **MSCI Pacific Index** are market capitalization weighted indexes designed to measure the equity market performance of 16 and 5 economically developed countries, respectively, in their named regions. The **MSCI Emerging Markets Index** is a market capitalization weighted index designed to measure the equity market performance of 23 emerging market country indexes. **Country Return Statistics:** Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed.

Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

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