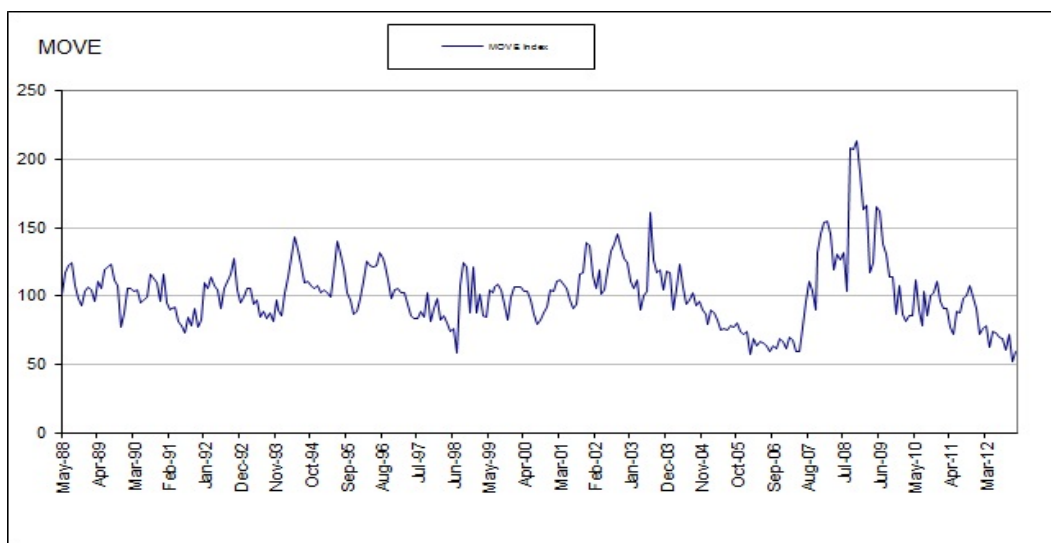


# Risk and Damage. Worry 2013

The VIX index has sunk to remarkably low levels, as has the MOVE index. Yields on bonds from treasuries to investment grade to junk have compressed significantly. The market is now more optimistic about the prospects for a recovery in China, a more robust US housing market and the ability of the Europeans to hold their common currency together. All is well.

Time to worry. Risk is highest in calm waters. Once the iceberg hits, its just damage. The best asset can be priced sufficiently highly to be a poor investment, and the worst asset can be priced sufficiently lowly to be a good investment.

## MOVE Index



## VIX Index

