AIS CAPITAL MANAGEMENT, LLC
FUTURES MANAGEMENT, LLC

187 Danbury Road t: 203.563.1180 info@aisgroup.com
Wilton, CT 06897 f: 203.563.1186 www.aisgroup.com

MAAP November Review December 1, 2009

MAAP experienced strong performance in November led by the long positions in metals and grains. Also contributing to the gain were the long positions in the Australian and Canadian dollars, the euro and the S&P 500. Small losses occurred in the long positions in energy and the partial short position in U.S. Treasury bonds.

As discussed last month, evidence continues to point to a global business recovery, led by the large population, developing nations, China, India, and Brazil. The growing middle class and infrastructure development in these three countries along with many other developing nations is the engine of growth in the current cycle. The developed world remains on financial life support and is likely to remain there for the next two years. However, exports to the developing world will assist the developed world's recovery.

The global economy is probably in a sweet spot for the next year. Beyond that, severe economic conflicts will confront policy makers. Surplus capacity still exists in all factors of production, as a result of the severe global recession. However within a year, supply tightness is likely to reappear in key commodities as it did in early 2008. At the same time financial problems in both commercial and residential real estate will still be a major issue. As long as the banking system is faced with these non-performing loans, policy makers will be forced to maintain the current overly aggressive monetary stimulus. As we stated last month, the amount of financial stimulus necessary to resuscitate the financial sector will prove excessive for the stronger sectors of the global economy. Energy and other key commodity markets never developed excess supplies before the 2008 financial storm hit. Bottlenecks will likely begin to appear in these markets by the end of 2010. These markets, while critical, are small compared to the financial markets. Excess liquidity will likely drive commodity and precious metals prices to significant new highs, well above their 2008 peaks.

Another conflict in the making is in the currency sphere. Many foreign governments are becoming increasingly uncomfortable with a weak dollar as it batters their export industries. The dollar needs to decline further to correct the imbalances that have built up for years. However, the U.S. is not some insignificant, third world country whose economy does not matter to the global economy. Therefore it is highly likely that currency intervention will become an important policy tool for many governments trying to support their exports. Dollar purchases by foreign governments will require them to accelerate their monetary growth. The net result will be greater global inflation. While profit opportunities will diminish in foreign currencies, if this intervention becomes significant, it will increase the opportunities in precious metals and commodities. Gold is rising, not only in U.S. dollar terms, but in terms of all currencies, including the strongest ones. If a dollar rally develops, a temporary correction in precious metals and commodities is possible. However if dollar strength is the result of intervention, precious metals and commodities will likely accelerate their move to the upside after a correction.

Investors are faced with new challenges as central banks and governments have heightened the level of intervention, as they attempt to induce economic growth. They will succeed in certain areas but create unintended consequences in other areas. Those unintended consequences are likely to include rising prices, particularly in the key commodity groups and in precious metals. MAAP, we believe, is structured to provide profit opportunities in these sectors.