



ALL STAR FINANCIAL

Contact Information: asf@allstarfinancial.com
Main Number 952-896-3820
 Bob Klefsaas 952-896-3816
 Maren Aipperspach 952-896-3817
 Bruce Bonner 952-896-3818
 Paul Sommerstad 952-896-3835
 Nick Hohn 952-896-3823
 Kris Collins 952-896-3829
 Evan Klefsaas 952-896-3815
 Valerie Moorhead 952-896-3826

Weekly Market Wrap April 19, 2010

Review - Week Ending 04/16/2010

Stocks were mixed and flat last week despite the sell-off on Friday. The selling was ignited by the Securities and Exchange Commission charges of civil fraud against the large investment bank Goldman Sachs. The charges caught the market and apparently Goldman Sachs off guard, despite ongoing investigations. Goldman Sachs announces earnings with conference call on Tuesday-will be interesting.

Commentary/Highlights

- SEC charges Goldman Sachs with Fraud:** In a blockbuster announcement on Friday, the SEC charged Goldman Sachs with defrauding investors in relation to a collateralized debt obligation (CDO) they created with sub-prime mortgages in 2007. The SEC alleges that Goldman Sachs structured and marketed a synthetic collateralized debt obligation (CDO) that hinged on the performance of subprime residential mortgage-backed securities (RMBS). Goldman Sachs failed to disclose to investors vital information about the CDO, in particular the role that a major hedge fund played in the portfolio selection process and the fact that the hedge fund had taken a short position against the CDO."The product was new and complex but the deception and conflicts are old and simple," said Robert Khuzami, Director of the Division of Enforcement. "Goldman wrongly permitted a client that was betting against the mortgage market to heavily influence which mortgage securities to include in an investment portfolio, while telling other investors that the securities were selected by an independent, objective third party." SEC complaint of 4/16/2010.
- Earnings-So Far So Good!** This week is the first full week of 1Q earnings reports, but last week 28 of 38 (73%) companies beat what were fairly optimistic earnings forecasts. Despite the Goldman led sell-off in financials, all three banks, including Citigroup beat earnings estimates on Monday.
- U.S. starting to flex muscle again?** The U.S. led the OECD's global leading economic indicators in February, rising a twelfth straight month to its highest level since October 2007. The OECD leading indicators showed clear signals of economic expansion in all seven major economies, including the U.S.
- Economic Review:** Economic data continues to strengthen. The Moody's Global Business Confidence Index is now as strong as it was in the summer of 2007-just before the "Great Recession" began. Government deficits continue to be a concern of clients, and we note that the deficit is down 8% from last year over the first half of the federal fiscal year, and could end up shrinking from last year-a positive trend. Mortgage delinquencies fell again in March, the second month in a row, and 17 states saw a fall in the unemployment rate in March. Finally, the Beige Book showed expansion in 11 of 12 Federal Reserve Districts in March.
- China and India:** China and India's central banks continue to fight speculation and inflation. China stopped mortgage lending for "third home" purchases and India's central bank expressed concern on inflation possibly signal more interest rate hikes. China and India have economies that are expected to grow by 8-10% in 2010.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays Aggregate Bond	+0.71%	+0.62%	+2.42%
Barclays High Yield	+1.12%	+1.80%	+6.51%
Dow Jones Industrial	+0.24%	+1.59%	+6.49%
S&P 500 Index	-0.15%	+2.03%	+7.55%
Russell 3000	+0.03%	+2.46%	+8.55%
MSCI EAFE Index	+0.24%	+1.88%	+2.77%
MSCI EAFE Small Cap	+0.53%	+3.53%	+8.47%
NASDAQ Composite	+1.11%	+3.47%	+9.35%
Russell 2000	+1.67%	+5.34%	+14.66%