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Weekly Market Wrap April 28, 2008

Review - Week Ending 04/25/2008

Stocks eked out modest gains last week as earnings ex-financials have generally been improved over the last two weeks. This week the focus will shift from earnings to the FOMC meeting on Tuesday and Wednesday. Expectations are for a smaller 25bp cut and a signal of a pause, largely due to increase inflation risk.

Commentary/Highlights

- **Oil was heading toward \$120/barrel on Monday due to short-term supply disruptions-political unrest in Nigeria and a strike at a main North Sea refinery in Scotland.** U. S. hybrid vehicle registrations were up 38% in 2007.
- **The Fed meeting this week is expected to begin a pause** in the monetary easing that began last year. The markets have stabilized considerably since the emergency rate cut on January 21st. The S&P 500 has gained 6% since that rate action. The Dow Jones Transportation Index, a traditional leading indicator has gained over 20% over that same time period.
- **Earnings** for roughly 40% of the S&P 500 companies are in, and with the exception of the battered financial sector have been sound. Tech, Industrials, Materials, Telecom, and Healthcare are all showing double-digit median Y/Y growth, while consumer sectors have been modestly positive. Utilities remain flat, while the financial sector is having another 35% quarterly decline, with write-offs, reserving, and capital raising continuing at a frantic pace.
- **The big guys are buying.** Mars announced a \$23 billion offer for Wrigley, assisted by investment from Warren Buffett. Kirk Kerkorian bid for a large position in Ford at a 14% premium to Friday's close.
- Higher oil prices result in pass through inflation for a variety of goods and services, primarily through higher transport and production costs. This is particularly being felt in **global agricultural and food prices**. Rice prices have doubled in the last few months and corn is up 23% YTD. The World Bank now reports 48 countries have imposed a combination of price controls, consumer subsidies, export restrictions, or lower tariffs.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Lehman Aggregate Bond	-0.24%	-0.98%	+1.17%
Lehman High Yield	+0.72%	+3.71%	+0.58%
Dow Jones Industrial	+0.28%	+5.24%	-1.92%
S&P 500 Index	+0.58%	+5.84%	-4.19%
Russell 3000	+0.54%	+5.88%	-4.20%
MSCI EAFE Index	+0.92%	+4.77%	-5.22%
MSCI EAFE Small Cap	+0.39%	+1.51%	-4.74%
NASDAQ Composite	+0.83%	+6.31%	-8.65%
Russell 2000	+0.12%	+4.99%	-5.40%