



# ALL STAR FINANCIAL

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## Weekly Market Wrap

April 7, 2008

### Review - Week Ending 04/04/2008

Stocks rallied on bargain hunting and positive reaction to fresh capital raisings by investment banks Lehman Brothers and UBS. Despite the gains, economic releases remain overwhelmingly negative and point to more weakness ahead for the economy. Earnings season kicks off this week with Alcoa and GE, and earnings reports will be critical to sustained rally.

### Commentary/Highlights

- **The U.S. economy lost another 80,000 in jobs in March, bringing the total jobs lost for the year to 232,000.**
- The commodity price pullback at quarter-end is proving to be short-lived, especially in agricultural commodities. Energy and fertilizer inputs are increasing rapidly, moving consumer prices higher. **Corn is up 27% YTD, with Wheat up 7%. Farmland acreage prices have increased 50-90% over the last five years across the farm belt.**
- **Financial stocks rallied strongly last week, but this too could prove to be short-lived.** Portfolio managers remain cautious on the sector, and there could be more asset write-downs ahead. **Citigroup's earnings report on April 18<sup>th</sup> is closely being watched.**
- **1Q earnings reports will be critical** to maintaining any positive momentum in the balance of the year. Financial stocks are expected to have another quarter of heavy losses.
- **Emerging market bond spreads have narrowed over the last few months.** Peru's bond ratings were raised to investment grade following 9 years of consecutive economic growth, and early retirement of debt. Chile's economy grew at 5.6%, well above expectations.
- **Bond managers at PIMCO, Loomis and Pioneer all see the end to the Treasury bond rally.** Managers are rotating selectively into agency debt, investment grade corporate and even high yield bonds as spreads have widened to previous recession levels.
- **Bankers not consumers are seeing relief from Fed rate cuts.** The Fed funds rate has been cut by 300bps since last year, while 1/year ARM mortgage rates have fallen by only 25bp. **Signs of consumer stress continue to mount with credit card, home equity loans, and auto loans all showing increased delinquency rates.**

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Lehman Aggregate Bond	+0.29%	+0.10%	+2.27%
Lehman High Yield	+1.23%	+1.48%	-1.58%
Dow Jones Industrial	+3.27%	+2.87%	-4.13%
S&P 500 Index	+4.24%	+3.64%	-6.18%
Russell 3000	+4.36%	+3.74%	-6.13%
MSCI EAFE Index	+3.63%	+3.98%	-5.93%
MSCI EAFE Small Cap	+2.12%	+1.68%	-4.67%
NASDAQ Composite	+4.86%	+4.03%	-10.61%
Russell 2000	+4.49%	+3.77%	-6.50%
ASF Income (Beta 0.40)	+1.77%	+1.64%	-1.73%
ASF Balanced (Beta 0.49)	+2.22%	+2.03%	-2.71%
ASF Cons Growth (Beta 0.60)	+2.51%	+2.36%	-3.43%
ASF Growth (Beta 0.70)	+3.03%	+2.82%	-4.37%