



# ALL STAR FINANCIAL

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## Weekly Market Wrap February 26, 2007

### Review - Week Ending 02/23/2007

Stocks closed the week mixed, with the Dow and S&P 500 down, and the NASDAQ slightly up for the week. Earnings reports have wound down and the market appeared jitterish after the core-CPI rate ticked up to 2.7%, well above the Fed's comfort zone.

### Commentary/Highlights

- **The Dow Jones Transportation Index**, an "old-school" leading indicator is up 12% YTD.
- **Global Day Trading:** E-Trade is going to offer non-US stocks to online traders. Schwab, TD, offer over phone only. Initially E-Trade will offer six countries but ultimately plans to expand to 42 countries with currencies.
- TXU Corp.'s Board of Directors on Sunday reportedly tentatively approved what would be **history's largest private-equity buyout, a \$44 billion** offer from a consortium led by Kohlberg Kravis Roberts & Co. and Texas Pacific Group. The deal surpasses KKR's \$25 billion acquisition of RJR/Nabisco in 1988.
- **Sub-Prime defaults** have risen and lenders are **tightening credit quality-too late** for some. HSBC fired several executives in mortgage unit; H&R Block is putting its Option One mortgage arm up for sale, and NovaStar Financial is going to change its REIT status due to forecast of losses for next several years.
- **A Call to Inaction-** The President's Working Group on financial markets announced that current regulations are working well and no additional regulations are required for the hedge fund industry.
- **4Q GDP** is expected to be revised downward from initial 3.5% estimate to 2.0% according to several investment strategists.
- **The Bank of Japan raised rates by 25 points** on the strength of their economy. **Germany's GDP rose by 3.7%** during the 4<sup>th</sup> quarter, **the best showing since 2000.**
- **Crude oil and natural gas prices have moved up as February is set to be one of the coldest months in the last 50 years.**

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Lehman Aggregate Bond	+0.15%	+0.96%	+0.96%
Lehman High Yield	+0.24%	+2.73%	+2.73%
Dow Jones Industrial	-0.90%	+1.93%	+1.93%
S&P 500 Index	-0.27%	+2.57%	+2.57%
Russell 3000	-0.06%	+3.43%	+3.43%
MSCI EAFE Index	+0.51%	+4.71%	+4.71%
MSCI EAFE Small Cap	+1.39%	+7.55%	+7.55%
NASDAQ Composite	+0.75%	+4.13%	+4.13%
Russell 2000	+1.05%	+5.08%	+5.08%