



# ALL STAR FINANCIAL

Contact Information: [asf@allstarfinancial.com](mailto: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  
 Valerie Moorhead 952-896-3826  
 Teri Neff 952-896-3820

## Weekly Market Wrap January 28, 2008

### Review - Week Ending 01/25/2008

Stocks recovered after steep sell-offs during Monday to post modest gains for the week. The Fed's 75bp emergency rate cut on Tuesday and generally improving corporate earnings reports both provided underpinnings for the gains. This week brings more earnings, more economic data, and the regularly scheduled Fed meeting. Hold tight!

### Commentary/Highlights

- **Banks, investment banks, and insurance companies continued to write-off billions and the entire financial sector has guaranteed another quarter of negative earnings growth.** The Fed action will help speed along the "re-capitalization" of banks going forward, along with several announced investments from Sovereign Wealth Funds.
- **Excluding the financial sector, earnings have held up well, though you may have missed it in all the volatility. Ex-financial earnings are up 16% Y/Y and have improved from initial reports.**
- **Was Ben duped?** European and Asian markets sold off broadly on Monday while markets were closed for the MLK holiday. Then on Tuesday, as markets again sold off overnight, the Fed decided to "react" with a 75bp rate cut to stabilize the markets. We learned later in the week that Societe Generale, a major French bank had a rouge trader who created \$7.4 billion in losses. The positions, in the amount of \$73 billion were unwound earlier in the week on Monday and Tuesday.
- **The market is looking for another cut on Wednesday, consensus 50bp, possible 25bp cut.**
- **More recession signs?** Harley Davidson earnings decline 23%, and the motorcycle market has shrunk for the first time in 15 years. Meanwhile, a pawnbroker trade association reports that loans are up 15-20% since October.
- **A mild recession, limited to the United States, will enable emerging markets to weather the current storm and grow** robustly in 2008, allowing stock valuations to remain attractive, according to HSBC Asset Management. Earnings in the developed world will show little or no growth at all this year while emerging markets should be able to generate close to 18 per cent earnings growth this year, HSBC said, citing data from the Institutional Brokers Estimate System, a service that monitors earnings estimate. Morgan Stanley MacroVision 2008 themes: US contagion spreads, Europe recouples, Emerging Markets eventually decouple.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Lehman Aggregate Bond	+0.17%	+1.86%	+1.86%
Lehman High Yield	+0.76%	-1.73%	-1.73%
Dow Jones Industrial	+0.94%	-7.69%	-7.69%
S&P 500 Index	+0.44%	-9.26%	-9.26%
Russell 3000	+0.77%	-9.43%	-9.43%
MSCI EAFE Index	-0.61%	-9.55%	-9.55%
MSCI EAFE Small Cap	+0.47%	-10.80%	-10.80%
NASDAQ Composite	-0.59%	-12.29%	-12.29%
Russell 2000	+2.29%	-10.07%	-10.07%