



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
Valerie Moorhead 952-896-3826
Teri Neff 952-896-3820

Weekly Market Wrap July 21, 2008

Review - Week Ending 07/18/2008

Stocks staged a rally last week on bargain hunting(?) in the financial sector and generally better than expected earnings reports for several companies. This week brings another full slate of earnings with an eye to incoming economic data. The bond market is split as to whether the Fed will choose to fight inflation or growth in the coming months.

Commentary/Highlights

- **Another cross-border merger** was announced over the weekend, with Swiss pharma giant proposing to buy Genentech, the US biotech leader for \$44 billion, acquiring the remaining stock it does not own.
- **China's growth is slowing, with 2Q GDP coming in at 10%, and inflation slowing to 7%.** Their currency is slowing rising as well, indicating the government is making good progress on all economic fronts.
- **Financial earnings are declining sharply as expected,** down 82% from last year. But several reports have been better than expected, leading to a more positive attitude toward the key sector in the last few weeks. Leading earnings growth to date have been: Energy +21%, Tech +21%, Materials +14%, and Health +13%.
- **Oil dropped \$16.20 /barrel last week, its largest weekly drop ever.**
- **The SEC issued an emergency order requiring stock to be held in inventory when shorting a list of 19 key financial stocks.** Several banks not on the list and the ABA have complained that shorts are now focusing on stocks not on the list. The emergency order will last for only 30 days but brings up several questions. Is this a bear-market, short-covering rally in financials? We have not seen bottom yet in housing and capital raises will cause dilution going forward. Consider the stocks on the SEC list with greater than 10% of shares sold short: Lehman up 44% since last week, Fannie up 75%, and Freddie up 90%. Is the SEC manipulating the stock market, the very thing its mission is designed to prevent?

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Lehman Aggregate Bond	-1.15%	-0.92%	+0.19%
Lehman High Yield	+0.42%	-1.19%	-2.49%
Dow Jones Industrial	+3.63%	+1.47%	-12.00%
S&P 500 Index	+1.75%	-1.40%	-13.18%
Russell 3000	+1.71%	-1.58%	-12.46%
MSCI EAFE Index	+1.21%	-3.54%	-15.79%
MSCI EAFE Small Cap	+0.87%	-5.23%	-14.89%
NASDAQ Composite	+1.95%	-0.44%	-13.93%
Russell 2000	+2.70%	+0.54%	-8.88%