



# ALL STAR FINANCIAL

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## Weekly Market Wrap

July 2, 2007

### Review - Week Ending 06/29/2007

Stocks managed small gains last week despite higher oil prices and rumblings of more trouble ahead in the sub-prime market. Buyout and stock buyback activity remains strong ahead of the 2<sup>nd</sup> quarter earnings reports due to begin next week. This week brings the July 4<sup>th</sup> holiday midweek and for this reason trading is expected to be very light all week.

### Commentary/Highlights

- **Hold your breath:** Bear Stearns ousted the head of its money management arm in the wake of the sub-prime mess at their hedge funds. The company is having trouble calculating the exact amount of losses and reported today they will not have current values available until July 16<sup>th</sup>.
- **Federal bank, thrift, and credit union regulators issued tighter underwriting standards last week** in an effort to stem tide of sub-prime problems. Consumer advocates welcomed changes while industry experts fear that credit will be adversely restricted.
- **The Fed remained on hold last week** and is expected to remain there for the balance of the year by most observers. The FOMC noted improvement in core inflation data but noted, "A sustained moderation in inflation pressures has yet to be convincingly demonstrated," according to the statement. Steady as she goes.
- **The ECRI Weekly Leading Index has leveled off** for the past four weeks, indicating flatter economic growth ahead.
- **The Bank of England (BOE) and the European Central Bank (ECB) both meet this week**, with the BOE expected to raise interest rates to 5.75%, with the ECB remaining on hold at 4.0%. Global yield differentials will be a major bond theme for the balance of the year.
- **The rapid growth of the assets and number of exchange-traded funds** has surpassed even the most optimistic estimates made just five years ago. At the end of May, there were 480 ETFs listed on U.S. exchanges holding assets of \$471.2 billion, according to Morgan Stanley. At that point, there had been 137 ETFs launched so far in 2007 and 342 new funds were in the works.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Lehman Aggregate Bond	+0.52%	-0.52%	+0.98%
Lehman High Yield	-0.41%	+0.22%	+2.87%
Dow Jones Industrial	+0.40%	+9.03%	+8.82%
S&P 500 Index	+0.09%	+6.24%	+6.99%
Russell 3000	+0.04%	+5.77%	+7.11%
MSCI EAFE Index	+0.56%	+5.34%	+9.05%
MSCI EAFE Small Cap	+0.34%	+4.37%	+11.88%
NASDAQ Composite	+0.55%	+7.50%	+7.18%
Russell 2000	-0.07%	+4.42%	+6.45%