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Weekly Market Wrap

June 30, 2008

Review - Week Ending 06/27/2008

Stocks sold off again last week as oil prices continue their skyward climb. The Fed stayed on hold, as expected, and this week the focus remains on economic data and oil. Energy was the only sector with gains for the week. This is a holiday shortened week and if trading resembles last week that will be a positive.

Commentary/Highlights

- **Job losses are mounting** and the market expects that June will show another 50K in job cuts, the sixth month in a row of losses, with unemployment remaining at 5.5%.
- **Mortgage rates are creeping up, currently at 6.45%, up from 5.48% in January.** Higher rates will prolong the housing market recovery even further.
- **Tax Rebates are working.** Personal Income rose 1.9% in May, well ahead of expectations, due to tax rebates which are expected to impact for the next few months. Consumer spending was up 0.8% as well.
- **Do not feed the bears!** The Dow entered bear market territory on Friday, trading 20.2% below its peak last October.
- **A Gloom fell across the land.** The U of Mich/Reuters consumer survey closed near its lowest level, last seen in May 1980. Expectations were the lowest since survey start in 1946. **Nine of ten consumers say we are in a recession.**
- OPEC President Khalil, who presumably knows something about oil prices, **blames the falling US dollar for the price of oil. The dollar has fallen again to a 3-week low against both the yen and euro, and has declined 16% against these major currencies in the last year.**
- **The European Central Bank is expected to raise interest rates this Thursday in attempt to halt inflation** which has hit 4% in the EuroZone. The **ECB is again proving to be the leading global central bank,** taking leadership in the inflation fight, as it did in the credit crisis. To be fair, the ECB mandate is price stability, while the Fed has a dual mandate of price stability and employment growth.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Lehman Aggregate Bond	+0.43%	-1.08%	+1.06%
Lehman High Yield	-1.94%	+1.76%	-1.31%
Dow Jones Industrial	-4.14%	-6.97%	-13.30%
S&P 500 Index	-2.96%	-2.87%	-12.07%
Russell 3000	-3.12%	-1.67%	-11.03%
MSCI EAFE Index	-1.74%	-3.99%	-13.14%
MSCI EAFE Small Cap	-1.95%	-4.29%	-10.18%
NASDAQ Composite	-3.76%	+1.60%	-12.69%
Russell 2000	-3.74%	+1.82%	-8.26%