



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
 Lee Clintsman 952-896-3829

Weekly Market Wrap March 12, 2007

Review - Week Ending 03/09/2007

Stocks recovered nicely from the previous week's sell-off as investors became encourage by generally positive economic news. Merger and buyout activity remains robust as well, despite the turmoil in the housing and mortgage markets. This week we get readings on inflation and industrial production which could lend more encouragement to the bulls.

Commentary/Highlights

- **Last week's employment report showed continued job gains**, though the worrisome 6.6% rise in labor costs took immediate interest rate cuts by the Fed off the table. Fed futures dropped the probability of a June Fed cut from 70% to 32%.
- **Halliburton is moving its top executives to Dubai, to be closer to the world's oil reserves and sources of their most lucrative contracts.**
- **Gasoline prices have risen again, 20 cents in the last two weeks.** Public transit ridership is also up nationally, to the highest level in 49 years; and not just in NY/CHI/LA but in cities such as Salt Lake City and Tulsa. Increased alternative fuels and public transit investment should eventually lessen demand for oil.
- **The Sub-prime meltdown continues.** New Century Financial has been cut-off by its lenders and faces certain bankruptcy. **Ten of the top 25 sub-prime lenders in 2006** have now been sold, closed, or facing substantial downsize or restructuring.
- **The small cap market could be subject to the whims of institutional money flows.** Steve DeSanctis of Prudential shows that 20-40% of trading volume in Russell 2000 stocks is from iShares Russell 2000 ETF products. During the recent tumble the Russell 2000 ETF saw outflows of \$2 billion, versus outflows of \$100 million from major funds.
- **Dueling views:** Greenspan and Bernanke may be playing a high finance version of good cop-bad cop, one assuring markets, the other cautioning against risks.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Lehman Aggregate Bond	-0.18%	+1.45%	+1.45%
Lehman High Yield	+0.47%	+2.65%	+2.65%
Dow Jones Industrial	+1.39%	-0.97%	-0.97%
S&P 500 Index	+1.17%	-0.78%	-0.78%
Russell 3000	+1.12%	-0.17%	-0.17%
MSCI EAFE Index	+0.91%	+0.96%	+0.96%
MSCI EAFE Small Cap	+0.82%	+4.00%	+4.00%
NASDAQ Composite	+0.83%	+0.83%	-1.15%
Russell 2000	+1.27%	-0.15%	-0.15%