



# ALL STAR FINANCIAL

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## Weekly Market Wrap October 29, 2007

### Review - Week Ending 10/26/2007

Stocks had a strong week, though earnings remained so-so and housing and oil risks seem to be rising. Financial stocks have been writing down their sub-prime related assets, while technology stocks have surprised to the upside. This week brings everything-lots more earnings, a Fed meeting, and key economic data.

### Commentary/Highlights

- **Oil has risen to \$93/barrel**, suggesting \$3/gallon gas is around the corner. Sustained prices at this level will add pressure to the already stressed consumer going into the holiday spending season.
- **Earnings update:** Roughly a third of reports are in and trends are developing. Telecom and Tech are having great quarters, Materials, Industrials, and Utilities are having solid quarters, Oil earnings are ok, but softer than previous periods, and consumer and financial stocks are experiencing negative earnings growth.
- **No Treats: The FOMC will be meeting on Tuesday and Wednesday**, and the market is expecting a 25bp interest rate cut. However, some economists are expecting that the Fed will remain on hold, citing the weaker dollar, market gains in recent months, and preliminary signs of housing bottom. **Best guess: Fed on Hold.**
- **This is a crossroads week for the markets.** Peak earnings releases, a Fed meeting, and lots of economic data, including Case-Shiller Housing Index, Advance GDP, plus personal income and spending, capped with a jobs report on Friday. **The economy could start gradually improving, or things could get ugly.**
- **The Fed is facing uncharted territory, rising commodity prices and a slowing economy; historically the two have not occurred together.**
- **Sovereign Wealth Funds are growing in importance and could be key factors in trade negotiations in coming years according to WSJ.** Currently they have \$2-3 trillion in assets, but could grow to \$10 trillion in the next decade. Largest funds are UAE, Saudi Arabia, China, and Russia.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Lehman Aggregate Bond	+0.13%	+1.24%	+5.14%
Lehman High Yield	+0.10%	+0.54%	+3.77%
Dow Jones Industrial	+2.15%	-0.46%	+12.65%
S&P 500 Index	+2.34%	+0.70%	+9.91%
Russell 3000	+2.29%	+0.85%	+9.70%
MSCI EAFE Index	+1.46%	+2.12%	+13.24%
MSCI EAFE Small Cap	+0.65%	+4.14%	+11.35%
NASDAQ Composite	+2.90%	+3.80%	+16.10%
Russell 2000	+2.84%	+2.02%	+5.24%
ASF Income (Beta 0.47)	+1.46%	<b>+1.31%</b>	+6.17%
ASF Balanced (Beta 0.65)	+2.26%	<b>+2.07%</b>	+8.99%
ASF Cons Growth (Beta 0.79)	<b>+2.76%</b>	<b>+2.52%</b>	<b>+11.06%</b>
ASF Growth (Beta 0.90)	<b>+3.14%</b>	<b>+3.00%</b>	<b>+13.35%</b>