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Weekly Market Wrap October 1, 2007

Review - Week Ending 09/28/2007

Stocks finished the quarter on a positive note with gains on everything except small cap stocks. This week brings more critical economic data which will determine if, when, and how much more Fed easing will occur. Markets could be ripe for a pull back ahead of 3rd quarter earnings reports in a few weeks.

Commentary/Highlights

- **Stock markets remained in a positive tone despite disclosure by UBS of \$3.4 billion in bond write-downs. The losses led to a wholesale management shakeup and the first quarterly loss in nine years at the leading investment bank.**
- WSJ cites problems facing ethanol producers-namely falling ethanol prices in the face of relatively higher corn price inputs. Wheat, a substitute food commodity, as approached **\$10/bushel** amid drought in major producing nations.
- **Investors seem to be looking ahead to a traditionally strong 4th quarter finish to the year** and hoping for more easing from the Fed. USA Today notes that 2000 was the only negative 4th quarter in the last ten years, with 4th quarter **gains averaging 7.6% over the period.**
- **Ex-Fed officials Larry Summers and Alan Greenspan** have been cautioning markets, pointing to weakening economic data and **both placing recession odds at 50/50.**
- **Net Bank, one of the pioneer internet banks, filed for bankruptcy, citing mortgage related losses as critical factor. ING will assume deposits.**
- **High yield and corporate bond spreads have almost doubled since their historic lows early in the year. Latest Lehman corporate bond spread is 145bp, with the Merrill Lynch High Yield spread over treasuries at 434bp.**
- **Key economic reports for the week will be employment reports due on Thursday and Friday.**

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Lehman Aggregate Bond	+0.35%	+2.84%	+3.85%
Lehman High Yield	+0.43%	+0.33%	+3.21%
Dow Jones Industrial	+0.59%	+4.18%	+13.37%
S&P 500 Index	+0.10%	+2.02%	+9.15%
Russell 3000	+0.13%	+1.55%	+8.77%
MSCI EAFE Index	+2.20%	+1.69%	+10.89%
MSCI EAFE Small Cap	+1.57%	-4.43%	+6.92%
NASDAQ Composite	+1.13%	+3.77%	+11.85%
Russell 2000	-0.88%	-3.09%	+3.16%