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AND THAT'S THE WEEK THAT WAS…
For the Week Ended October 10, 2008

Market Matters…

Market/Index	Year Close (2007)	Qtr Close (06/30/08)	Previous Week (10/03/08)	Current Week (10/10/08)	YTD Change
Dow Jones Industrial	13,264.82	11,350.01	10,325.38	**8,451.19**	**-36.29%**
NASDAQ	2,652.28	2,292.98	1,947.39	**1,649.51**	**-37.81%**
S&P 500	1,468.36	1,280.00	1,099.23	**899.22**	**-38.76%**
Russell 2000	766.03	689.66	619.40	**522.48**	**-31.79%**
Fed Funds	4.25%	2.00%	2.00%	**1.50%**	**-275 bps**
10 yr Treasury (Yield)	4.04%	3.98%	3.64%	**3.86%**	**-18 bps**

Intense market volatility, the never-ending downward spiral in stocks, the unsettling global economy, the "gloom and doom" talks about another Great Depression. Undoubtedly these are challenging times (and not for the faint of heart) as most investors are experiencing some form of the "*five stages of grief*" (often all in the same day). ***Denial***…Heck no, the market is not overpriced. Each selloff represents a great buying opportunity. ***Anger***… Those darn greedy Wall Streeters and politicos ruined it for Main Street folks like me. ***Bargaining***…If only this market would settle down, I promise not to speculate on securities I don't understand ever again. I know I said that after the dot.com meltdown, but I really mean it this time. ***Depression***…I can't quit staring at my online brokerage statement. I can't work. I can't eat. I can't even participate in my weekly golf game. ***Acceptance***…Since there is nothing we can do about it, is my portfolio allocated in the most suitable manner for me and my family? (By the way, can we find good bargains in the market carnage?) Sometimes one just has to laugh to keep from crying (or worse).

With the global financial markets in complete and utter collapse, President Bush took to the airwaves to remind the American people (and others) of the steps the Central Bankers, treasury department, and regulators are taking to instill confidence back into the economy. The bankers have acted in meaningful ways to inject liquidity into the financial system in an attempt to reignite the credit markets and provide businesses with access to much-needed cash. The fed also will purchase significant commercial paper to aid short-term corporate funding. The coordinated rate cuts proved that the central bankers will work together to solve this crisis rather than placing blame on the culprits (too many to name). The bailout plans across the globe may interfere with basic concepts of free market capitalism, but most experts agree they were needed in this time of panic and uncertainty. Perhaps W should have gone even further. He could have mentioned how oil prices have plummeted 45% in a few months and consumers should feel much needed relief at the pumps; shipping and travel costs also should drop in time for the holidays as gasoline follows in step. He could have noted the plunging commodities as manufacturers and farmers alike welcome lower agricultural (fertilizer) and metals costs they can pass along to consumers. Just a few short weeks ago, inflation was a huge concern. Why is no one talking about this?

Wells Fargo won the fight for **Wachovia** (against **Citigroup**) though legal issues continue. **IBM** announced better than anticipated earnings, while **Alcoa**, **GM**, and **GE** reported weak (but somewhat expected) numbers. The global indexes dropped in a freefall to levels not seen in years as fear overshadowed fundamentals and the concerns became self-fulfilling. The Dow moved below 9,000, then 8,000, as volatility was out of control and 100 point gyrations occurred by the minute (especially at Friday's close). Mass redemptions prevented hedge funds and mutual funds from bargain hunting and all proceeds seem to be going into short treasuries. By Friday's open, this year's losses on the Wilshire 5000 translated into a negative wealth effect of over $8 trillion. Eight days and counting means another 20+% losses on the Dow. No one is laughing (since it set an all-time high exactly one year ago). Sure seems like *depression*; please bring on *acceptance*.

Economically Speaking…

Weekly Economic Calendar

Date	**Release**	**Comments**
October 7	Fed Policy Meeting Minutes	Hinted at possible rate cut
	Consumer Credit (08/08)	1st decline in borrowing in 10 years
October 9	Initial Jobless Claims (10/04/08)	Decline in benefits claims as effects of hurricanes subside
October 10	Balance of Trade (08/08)	Slight decline though shortfall with China expanded
The Week Ahead		
October 15	PPI (09/08)	
	Retail Sales (09/08)	
	Fed Beige Book	
October 16	CPI (09/08)	
	Initial Jobless Claims (10/11/08)	
	Industrial Production (09/08)	
October 17	Housing Starts (09/08)	

A relatively quiet week for economic releases was far from quiet in terms of related activity by the Fed and its counterparts. In addition to adding liquidity via significant short-term financing, the Central Bankers (US, UK, European Central Bank, China, Hong Kong, Australia and others) acted in a coordinated effort to lower their key bank lending rates. The fed funds rate now stands at 1.5% and many economists expect an additional 25 to 50 bps cut at (or by) the October 28 policy meeting. Investors should take solace in the joint actions (though they didn't). The last time the Fed and ECB moved at the same time was in the aftermath of 9-11. The UK also announced its own bank bailout plan with hopes that businesses and consumers would be able to meet their borrowing needs again. With the Group of Seven 7 (G7) finance ministers scheduled to meet late this week in DC, analysts remained hopeful that more coordinated efforts will lead to some semblance of confidence over the weekend.

On the data front, retailers continued to struggle last month (as expected) as weak same-store September sales numbers reflected poorly on the upcoming holiday season. While **Wal-Mart** enjoyed some decent results, the news was far worse for the likes of **Target**, **JC Penney, Gap**, and **Abercrombie & Fitch**. Buried deep inside the weekly news were a few tidbits that should have been positively received by investors (if anyone was paying attention). Pending home sales in August surprisingly rose by 7.4%, the best showing since June 2007. Meanwhile, filings for new unemployment benefits actually declined in the latest reading, a positive sign for the slumping labor market. And, finally, the August trade deficit moved lower (though ever-so-slightly) as imports of foreign oil declined from recent record levels. (What say you, OPEC?)

On the Horizon…Is there any end in sight? Will the G7 provide strong actions (or statements of confidence) to support the global markets? Are these efforts by the Central Banks helping or simply scaring investors? Should more regulatory actions be taken? Should exchanges suspend trading temporarily (as some suggest) until calmer heads prevail? With **Lehman** gone, investor worry shifted to **Morgan Stanley** and **Goldman Sachs** and both stocks plunged accordingly. While Japan's **Mitsubishi UFJ** still claimed to be moving forward with a significant $9 billion capital infusion to Morgan, some fear that the terms may be revised (or worse) by the time the deal is expected to close on Tuesday. Is another bailout (or even nationalization) in the cards? Earnings season moves forward though, by now, investors should realize they will be weak and not (over-)react each time they are announced. **Intel**, **JP Morgan-Chase**, credit card issuer **Capital One**, and **Southwest Airlines** are among those reporting. Meanwhile, both inflation gauges (PPI and CPI) will be released in the coming week. As declining energy and commodity prices are reflected, hopefully investors realize businesses and consumers soon will reap some related benefits. Can you folks please take note of something positive for a change?