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AND THAT'S THE WEEK THAT WAS...

For the Week Ended March 28, 2008

Market Matters...

Market/Index	Year Close (2007)	Qtr Close (12/31/07)	Previous Week (03/20/08)	Current Week (03/28/08)	YTD Change
Dow Jones Industrial	13,264.82	13,264.82	12,361.32	12,216.40	-7.90%
NASDAQ	2,652.28	2,652.28	2,258.11	2,261.18	-14.75%
S&P 500	1,468.36	1,468.36	1,329.51	1,315.22	-10.43%
Russell 2000	766.03	766.03	681.42	683.18	-10.82%
Fed Funds	4.25%	4.25%	2.25%	2.25%	-200 bps
10 yr Treasury (Yield)	4.04%	4.04%	3.33%	3.47%	-57 bps

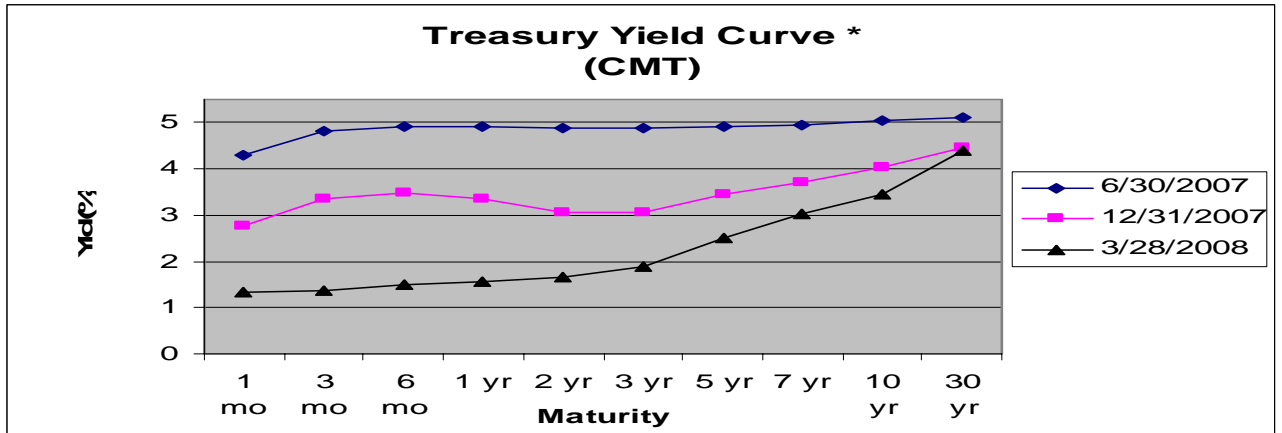
For years, certain advisors have touted “buy and hold” as an optimal investment strategy. After all, though short-term gyrations may cause temporary market set-backs, stocks always rise over the long haul. Or do they? Over the prior nine year period, the S&P 500 has traded essentially flat (which is akin to kissing your sister) as the index has averaged a 0.37% annual decline. By contrast, during the same timeframe, treasuries have climbed 4.7% per year and commodities and real estate have fared far better. *The Wall Street Journal* referred to this period as “The Lost Decade” for stocks. One possible lesson...don’t let “buy and hold” become “buy and forget.” Monitor portfolios for rebalancing opportunities and achieve greater diversification by considering allocations to non-traditional asset classes like commodities and real estate.

Financials again headlined the news of the week (so what else is new?), as **Bear Stearns’** investors reaped a nice financial windfall (OK...it’s all relative) when **J.P. Morgan Chase** upped its offer for the company by fivefold. Don’t think other institutions have not been watching the recent Fed’s “creative” moves (known in certain circles as “bailouts”). According to **Wells Fargo’s** CEO, “*I would not be averse to a Fed-assisted transaction...fixer-upper don’t bother us.*” Even the Bush administration set aside its long-standing policy of “less government” for the time being as Treasury Secretary Paulson admitted that the investment community would benefit from more regulation and greater oversight. Analysts took turns dissecting each other this week as **Lehman Brothers** reduced estimates on **Citibank** and **Bank of America**; **Oppenheimer** cut earnings forecasts on **Merrill Lynch**; and Citi increased its rating on Lehman after its stock plunged in light of rumors of ongoing (Bear Stearns-like) challenges. Of course, Lehman claims short-sellers were behind the nonsensical talk as they looked to profit from the wild price swings.

On the non-financial corporate front, news from the retail sector was mixed as **Tiffany’s** raised its estimates for the year and **Walgreens** reported stronger than expected second quarter earnings. On a sour note, **J.C. Penney’s** lowered its expectations for future sales and profitability as the economy has hindered consumer activity. Techs suffered some disturbing news this week as **Oracle** announced disappointing sales numbers and **Google’s** “paid click data” was lower than anticipated for the second month in a row. The jury is still out on the proposed \$19 billion **Clear Channel** privatization transaction as banks and private-equity firms haggle over funding terms.

Oil prices rose again this week as lower inventory levels brought renewed fears that the dwindling supply would be not keep up with summer demand. Additionally, an attack on a key pipeline in Iraq added more “fuel to the fire.” Then again, a slowing economy and \$105+ oil should serve to dampen demand. Investors welcomed word of the new (and improved) J.P. Morgan/Bear deal, but were disappointed by the continued sluggish economic data (see below) and the pessimistic announcements by a few tech giants. So, despite the market volatility, certain investors were busy “kissing their sisters” again as some major equity indexes ended the week not far from where they began. (Anyone trademarked the phrase “The Lost Week” yet?)

Economically Speaking...



* Reflects changes in interest rates over various time frames.

Weekly Economic Calendar

Date	Release	Comments
March 24	Existing Home Sales (02/08)	Surprising increase after 6 straight monthly declines
March 25	Consumer Confidence (03/08)	Worst confidence showing in 5 years
March 26	New Home Sales (02/08)	Lowest level of sales in 13 years
	Durable Goods Orders (02/08)	Larger than expected drop in orders for big-ticket items
March 27	Initial Jobless Claims (03/22/08)	Better than expected reading on labor market
	GDP (4 th qtr)	Confirmed the 0.6% growth rate
March 28	Personal Income/Spending (02/08)	Income rose while cautious consumers reduced spending
The Week Ahead		
April 1	Construction Spending (02/08)	
	ISM – Manu (03/08)	
April 2	Factory Orders (02/08)	
April 3	Initial Jobless Claims (03/29/08)	
	ISM – Services (03/08)	
April 4	Unemployment Rate (03/08)	
	Nonfarm Payroll Additions (03/08)	

So maybe a celebratory parade in honor of the February existing home sales data (best showing in a year) was a bit premature? While some analysts began proclaiming the “beginning of the end” of the housing slowdown, a few new releases dampened their moods considerably as the week progressed. A related report showed that new home sales in February dropped to the lowest level in 13 years. Further, the S&P/Case-Shiller index depicted the worst decline in home prices since 1987 (when the index was created). Likewise, the manufacturing sector took a hit this week as durable goods orders surprisingly fell more than expected, and consumers remained in hibernation with the confidence index suffering its poorest showing in five years.

The final reading of 4th quarter 2007 GDP again confirmed feeble (+0.6%) economic growth (at least it was positive), though most analysts believe the current quarter will prove to be even worse. With all the talk about recession, many are predicting negative growth for the 1st quarter 2008 (to be followed by more of the same over the next three months). Bear in mind, none of the current numbers reflect any of the recent creative moves the Fed has initiated over the past few weeks in an attempt to jumpstart the economy (or rather, prevent any further carnage among financial institutions). Perhaps, Bernanke can work some magic, the downturn (dare we say recession?) will be short-lived, and that celebratory parade will be in order soon.

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