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AND THAT'S THE WEEK THAT WAS...

For the Week Ended April 11, 2008

Market Matters...

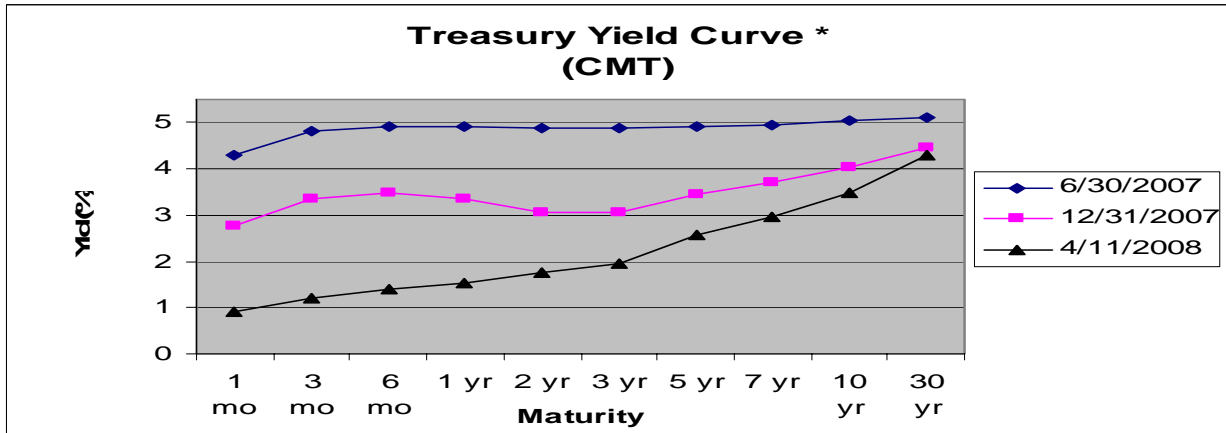
Market/Index	Year Close (2007)	Qtr Close (03/31/07)	Previous Week (04/04/08)	Current Week (04/11/08)	YTD Change
Dow Jones Industrial	13,264.82	12,262.89	12,609.42	12,325.42	-7.08%
NASDAQ	2,652.28	2,279.10	2,370.98	2,290.24	-13.65%
S&P 500	1,468.36	1,322.70	1,370.40	1,332.83	-9.23%
Russell 2000	766.03	687.97	713.73	688.16	-10.17%
Fed Funds	4.25%	2.25%	2.25%	2.25%	-200 bps
10 yr Treasury (Yield)	4.04%	3.43%	3.48%	3.47%	-57 bps

What happened to... *"We Earn our Wings Everyday"*... *"Fly the Friendly Skies"*... *"Something Special in the Air?"* This week, the more appropriate slogans may be *"We No Longer Overlook Safety"*... *"Enjoy your Stay in the Updated Airport Concourse"*... *"When the FAA Talks, We Now Listen."* As if the escalating gasoline prices have not caused enough hardships for the airlines, in recent weeks, they seemed to realize that they actually are required to abide by government safety regulations. This week, **American Airlines** canceled over 3,000 flights, thus, inconveniencing an estimated 250,000 travelers because a little faulty wiring "may" cause fires in certain aircrafts. While some analysts were astonished at the lapse in judgment exercised by airline management, others believed this to be classic bureaucratic overreaction due to previous lax oversight. In any case, the airlines undoubtedly will suffer in their future earnings announcements and customers will encounter extended delays (while they seek out the closest **Chili's** in their terminals). Speaking of escalating gasoline prices, how does \$4/gallon by summer sound? With crude surging past \$112/barrel on reports of declining oil supplies, grandstanding politicians on both sides of the aisle took the opportunity to bash each other's energy policies. (Must be an election year.) The weekly inventory report also showed that demand is waning as record gas prices now stand over 55 cents higher than last year's levels. (And no one wants to risk flying these days anyway.)

Earnings season began this week amid some pretty pessimistic expectations. **Thomson Financial** predicts S&P 500 companies will report lower profits by 12%, with financials leading the poor performance with average anticipated declines of 60%. On cue, **Alcoa** kicked off the depressing season with a worse-than-expected 52% skid, and chip-maker **AMD** revised (negatively, of course) its revenue projection and announced a cost-cutting measure in the form of layoffs. **UPS** also disappointed as higher fuel costs cut into its bottom line, while **GE** posted results well below even the most pessimistic of forecasts. On a positive note (for a change), **Dupont** issued favorable profit estimates on strong agricultural and overseas biz. On the transactional front, **Citigroup** turned to private equity firms as it tries to "unload" some underwater debt, while **Washington Mutual** is set to receive a \$7 billion capital infusion from **TPG**. The **Yahoo/Microsoft** saga continued as the one-time Internet darling looked to partner with rival **Google** and **Time Warner** (AOL) in an attempt to fend off hostile overtures from Bill Gates' crew and new buddy, Rupert Murdoch through his media giant, **News Corp**.

Initially, investors "generally" digested the disappointing news (oil/gas prices, airlines, earnings) quite well and seemed somewhat immune to the onslaught of negativity. Then again, soaring energy prices are now old news and the poor earnings season had been widely expected. The capital infusions at WAMU (and Citi) lent more credence to the belief that the credit crisis may be moving toward its final throes. **Goldman Sachs** upgraded some financial services companies this week (though **Merrill Lynch** warned of "the dangers of bottom-fishing"). By Friday, however, the bad news caught up with investors (thanks GE) and the markets sold off to end the week. In the meantime, *"We're Flying Better than Ever."* (Oops... **PanAm** is out of business.)

Economically Speaking...



* Reflects changes in interest rates over various time frames.

Weekly Economic Calendar

Date	Release	Comments
April 7	Consumer Credit (02/08)	Slower pace of borrowing
April 8	Fed Policy Meeting Minutes	Possibility of "prolonged and severe" business downturn
April 10	Initial Jobless Claims (04/05/08)	Worst 4 week showing in 2.5 years
	Trade Balance (02/08)	Surprising increase in the deficit
The Week Ahead		
April 14	Retail Sales (03/08)	
April 15	PPI (03/08)	
April 16	CPI (03/08)	
	Housing Starts (03/08)	
	Industrial Production (03/08)	
	Fed's Beige Book	
April 17	Initial Jobless Claims (04/12/08)	
	Leading Eco Indicators (03/08)	

How quickly they forget? With Fed Chair Bernanke basking in the glow of some well-placed praise for his creative moves in fighting off the economic downturn, Alan Greenspan returned to the limelight this week (and it wasn't pretty). Once deemed the "Maestro" for his oversight of the monetary system, Greenspan now has become the poster child for "incompetence" as investors, economists, and analysts alike criticized him for everything from the housing crisis to the subprime fiasco to a lax regulatory environment. (Any way the airlines can blame him as well?)

These days, everyone seems to be jumping on the dreaded "R" word bandwagon as the International Monetary Fund predicted an even more significant global credit crisis, and the National Bureau of Economic Research claimed that the recession actually began in January. The Fed released minutes from its last policy meeting which warned of a "prolonged and severe business downturn." Still, two voting members opposed the decision to cut the funds rate by 75 bps, citing growing inflationary concerns. On a related note, the Bank of England dropped its rate to 5% this week, its lowest level in almost a year-and-a-half (every little bit helps).

Retailers struggled through a weak March as same-store activity was reported at its slowest pace in 13 years. An early Easter hampered sales as consumers were not much in the mood to shop for spring/summer attire when snow was still on the ground. Discounters **Wal-Mart** and **Costco** benefited from the new cost-cutting mindset, while **J.C. Penney**, **Gap**, and **Limited** were among those that reported disappointing results. (When all else fails...blame Alan Greenspan.)

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