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AND THAT'S THE WEEK THAT WAS...

For the Week Ended April 18, 2008

Market Matters...

Market/Index	Year Close (2007)	Qtr Close (03/31/07)	Previous Week (04/11/08)	Current Week (04/18/08)	YTD Change
Dow Jones Industrial	13,264.82	12,262.89	12,325.42	12,849.36	-3.13%
NASDAQ	2,652.28	2,279.10	2,290.24	2,402.97	-9.40%
S&P 500	1,468.36	1,322.70	1,332.83	1,390.33	-5.31%
Russell 2000	766.03	687.97	688.16	721.07	-5.87%
Fed Funds	4.25%	2.25%	2.25%	2.25%	-200 bps
10 yr Treasury (Yield)	4.04%	3.43%	3.47%	3.74%	-30 bps

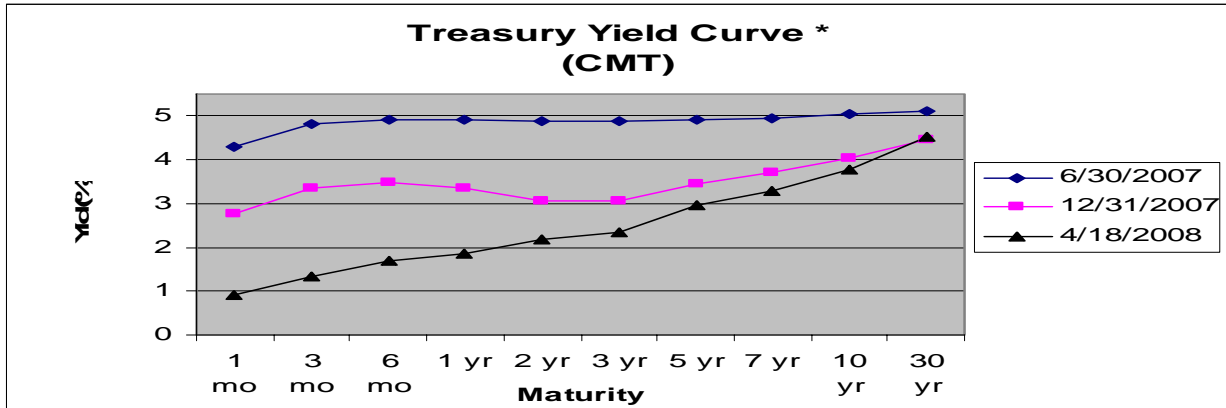
Another tax season is now in the books (except for procrastinators who requested extensions). For most individuals, tax planning occurs a few weeks before April 15th when they scramble to find 1099s, K1s, brokerage statements, receipts, and anything else that can help their trusted CPAs limit liabilities (within the letter of the law, of course). In reality, planning should begin on April 16th as folks have more time to learn about the “generous” opportunities Uncle Sam allows.

So while taxpayers were calculating the last of those capital losses for 2007 (down markets actually come in handy one day a year), earnings season plugged along and the results were not pretty. However, a funny thing happened amid the over-analysis of the corporate numbers. Investors seemed to brush aside the negativity (if only for a week) and seek out some opportunities in the market carnage of the past three months. **JP Morgan's** profits plunged by 50% last quarter...*excellent!!!* **Citigroup** announced a \$5.1 billion loss and another cutback of 9,000 jobs...*stupendous!!!* **Merrill Lynch** encountered its third consecutive quarterly shortfall...*outstanding!!!* **Intel** posted lower quarterly earnings even after issuing a warning a few weeks earlier...*fantastic!!!* **Coca Cola** experienced lackluster domestic results...*TGFGM (thank goodness for global markets)!!!* Perhaps, this week represented classic “sell the rumor, buy the fact.” Most investors realized that earnings season would be dismal; so when the results came in (somewhat) as expected, many found delight that the news (especially among financials) was not worse and went on a buying spree (see below). **IBM** and **Google** (and other techs) may help lead the way out of this downturn; fewer people seemed enamored with those colorful plastic shoes (and one-time fashion trend) known as **CROCS**; and **Continental**, **AMR**, and **Southwest** proved that airlines continue to suffer significant challenges (but, at least, most planes are flying again).

The \$17 bln **Delta/Northwest** merger may have been the first of many related transactions that will change the landscape of an industry struggling through high fuel costs and a weak economy. With oil surging beyond \$116/barrel and gas pushing closer to that dreaded \$4/gallon level on supply concerns, presidential hopeful John McCain proposed a “gas-tax holiday” that would suspend the 18+ cent federal gas tax for the summer months. (Did anyone even notice while the Dems were bickering in Pennsylvania?) Meanwhile, **Blockbuster** expressed confidence that consumers ultimately will move out of their doldrums and back to the malls as the company proceeded with its \$1+ bln bid for ailing electronics giant, **Circuit City**.

Equity investors digested the earnings data, disregarded the surging energy prices, put away their tax records for another year, and went bargain hunting for undervalued stocks. When the dust had settled, the major indexes each climbed over 1.75% on Friday alone, rose over 4% for the week, and hit levels not seen in two months (though still remain negative on a year-to-date basis). Of course, fixed income felt the brunt of the shift in asset allocation as the yield on the 10-year treasury climbed to around 3.75 percent. Better equity valuations...tax refunds on the way (for some)...gas price relief in time for summer (maybe)...not a bad way to start the weekend!

Economically Speaking...



* Reflects changes in interest rates over various time frames.

Weekly Economic Calendar

Date	Release	Comments
April 14	Retail Sales (03/08)	Slight gain primarily reflects higher gas prices
April 15	PPI (03/08)	Surge in oil prices downplayed by mild core release
April 16	CPI (03/08)	Energy increases offset by decline in clothing prices
	Housing Starts (03/08)	Lowest level of construction in 17 years
	Industrial Production (03/08)	Better than expected increase in output
	Fed's Beige Book	Deteriorating economic health
April 17	Initial Jobless Claims (04/12/08)	Higher weekly benefit claims
	Leading Eco Indicators (03/08)	Slight increase after poor showing in February
The Week Ahead		
April 23	Existing Home Sales (03/08)	
April 24	Durable Goods Orders (03/08)	
	Initial Jobless Claims (04/19/08)	
	New Home Sales (03/08)	

While investors had their hands full with a deluge of earnings releases, economists kept busy this week as an array of numbers painted a “not-so-rosy” picture (so, what else is new?). Then again, this week represented an opportunity for eternal optimism to shine through; so in the spirit of the political season, perhaps it was just time to put a positive spin on the news du jour.

Retail sales rebounded from a decline in February and SURGED by 0.2% in March. *Then again, rising gas prices accounted for most of the gains as sales at service stations climbed by 1.1%.* Core inflation rose by a MERE 0.2% within both the wholesale (PPI) and retail (CPI) readings. *Then again, the volatile food and energy components (and now airline tickets) continue to skyrocket and cannot be overlooked.* While most “experts” anticipated a decline, industrial production actually climbed by a WHOPPING 0.3% in March on greater output from utilities. *Then again, manufacturing production struggled on a weak auto sector.*

Housing moved a step closer to rebounding (every day is a step closer...how's that for spin?). *Then again, home foreclosures have now increased by 57% from last year's levels and housing starts reflected the lowest pace of construction in 17 years.* The Fed's Beige Book noted a “deteriorating” economy as manufacturers and other businesses struggled with skyrocketing energy and materials costs AND consumers continued to sit on their wallets, fearing they may become victim of the next round of layoffs. *Hmmm...any positive spin you can add to that Beige Book report, Dr. Bernanke?*

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