



It's that time of year again; Earnings season. You might have been thinking NFL playoffs, and you'd still be correct. While football fans are anxiously anticipating who is headed to the Super Bowl in Miami, corporate earnings have taken center stage on Wall Street. The rags to riches turnaround of the New Orleans Saints is the feel-good story of the century, coming off the devastation of Hurricane Katrina. The Saints have become America's team as a huge under-dog that has beaten all odds and revitalized the Crescent City. We'll see this weekend how the story plays out.

Speaking of winners, though not an under-dog by any standards, General Electric is widely perceived to be America's company. The seeds were laid by Thomas Edison over 100 years ago, and have blossomed into a global conglomerate that dominates virtually every industry it which it competes. With business lines ranging from light bulbs & appliances to jet engines & broadcast television, GE has become somewhat of a proxy for the American economy.

This morning, GE reported that 4th qtr earnings doubled from the previous year, which met our expectations. With many industrial business lines, GE benefited from the slide in energy prices. The company announced that earnings should grow from 10-12.5% for 2007. The stock sold off on the earnings news, which is not atypical behavior on Wall Street, where traders tend to buy the rumor of good earnings, then sell the stock when earnings are announced. You may recall GE's stock price has experienced a 15% run-up since August, outperforming the S&P 500, which gained 11% during that period.

GE has made 3 acquisitions in the last month, which should enhance the competitive position and advance profit growth for years to come. Like so many entities, both here and abroad, GE has a substantial cash position that needs to be deployed. We've discussed the excess liquidity environment many times and how it fueled the rally last year. This trend is continuing in early '07.

General Electric has been plowing money overseas to capitalize on the growth in emerging markets, particularly China and India. Revenues overseas have doubled since 2000, and now represent nearly half of the company's total sales. We expect this trend to continue.

So what do we make of all this? The economy is still growing, surprisingly faster than expected. There is a ton of capital that needs to be put to work, which is positive for the market. The mergers and acquisitions trend should continue. However, the "sell the news" activity this week indicates profit-taking after a strong rally in 2006, which will allow the markets to take a breather and re-evaluate the situation. This is pretty normal for this time of year.

Saints, Bears, Patriots, Colts—in the NFL only one will come out on top and only time will tell. As for winning companies, fortunately more than one will come out on top and at Bedell, we use vigilance and discipline, not time, to select which these will be.

By: Mike Frazier and Melanie Hoopes, CFA

	January 19, 2007	December 29, 2006	Percentage of Change
DOW JONES	12,565	12,463	+0.08%
S&P 500	1,430	1,418	+0.08%
NASDAQ	2,451	2,415	+1.49%
10-year Bond YIELD	4.77%	4.71%	+1.27%*

*When yield goes up, prices go down