

August 17, 2007

And the beat goes on. Psychology ruled Wall Street this week, and panic was the theme. With so much uncertainty, fear of an expanded credit crunch overseas had stocks spiraling lower with every trading session. The headlines were sensational, the hysteria was overblown, but the selling was indeed real.

Thursday was the pivot point with stocks eclipsing the well-documented 10% correction target from the July highs. Then, with 45 minutes to go in Thursday's session, we bounced off the lows, the same low from February's sell-off, and like a rubber ball off concrete, shot straight up. In feverish trading, not only did we erase a 300 point deficit on the DOW, we actually went positive in the last 2 minutes!

If that wasn't enough, The Fed intervened this morning by lowering its discount rate ½%. This is the rate the Fed charges banks to borrow money. This action ignited yet another rally. This step, relatively minor in nature, helped inject some more liquidity into a market that was on the verge of drying up. Despite this help from the Fed, it proved its priority is now balanced between fighting inflation and maintaining economic growth.

With psychology trumping fundamentals this week, the market was in dire need of leadership. Enter Chairman Bernanke on his white horse to calm investors. This Fed rate-cut is not a bail out, and shouldn't be viewed as the savior. What it does though, is help provide some stability in our capital markets. Stability has been noticeably absent in recent weeks, as investors have been grappling with all the uncertainty of mortgage defaults, credit risks and an economic sag. Despite the slowing US economic growth, the rest of the world still looks to the US for market leadership, safety and transparency.

Stay calm is our mantra. We are not alarmed nor should you be. The market is the best way to sort out excesses and inefficiencies. It's doing its job. **Remember, the Market was up 25% from last July to this July.** This correction has only trimmed those gains, and stocks are still up for the year. We remain positive about the global economic environment, and are seeking opportunities to put new money to work. We just want to have conviction that the worst is indeed over, and that we are on solid ground. It's still early, and this volatility is almost certain to persist. We are alert and on guard. By: Mike Frazier

INDEX	08.17.2007	12.31.2006	%Change
DOW JONES	13,079	12,463	+4.9%
S&P 500	1,446	1,418	+1.9%
NASDAQ	2,505	2,415	+3.7%
Bond YIELD	4.67%	4.71%	-1%*