

Thank God It's Friday!

November 2, 2007

Another one in the books. We finished a volatile week with some positive news heading into next week. Since the Fed basically said that the Market is on its own now, indicating that Wednesday's rate cut will be the last, strong economic news was needed. Scratch that, REQUIRED. We got it. Friday's Job Report showed the nation's payrolls GREW by 166,000 in October, doubling expectations. Hiring in schools, hospitals, restaurants, and accounting firms more than offset the job losses in the mortgage and construction industries. Equally important, Unemployment remains at 4.7%--historically very low.

This was critical in our estimation, supporting that economically we are in solid shape. Those looking for jobs are finding them. In addition, Gross Domestic Product for the summer months grew nearly 4%, much higher than expected. Despite all the bad news in housing, and all the inflationary pressures that high energy and food prices are bringing, the US economy is absorbing it all and still chugging along. The weak dollar has helped increase our exports which are going a long way to over-compensate for the real estate woes.

The Market took today's news in stride, but didn't rally. The uncertainty of the credit crunch is still affecting market psychology. Who exactly is holding the bad mortgages and just how many will end up delinquent? Derivative contracts and creative financial structures have greatly obscured the answers to these questions. One thing you can count on is the news is almost assured to get worse on this front.

A late stage rally sent the stock market higher to close in the green today. It was a far cry from erasing the losses from Thursday; however, the Market was only down 1.7% for the week and remains less than 3% from all time highs. We've mentioned time-and-again that this volatility should continue. Risks remain, but the soft-patch in the economy might be behind us. Where we go from here remains to be seen, but things are looking a little better.

| INDEX | 11.02.2007 | 12.31.2006 | %Change |
|------------|------------|------------|---------|
| DOW JONES | 13,595 | 12,463 | + 9.1% |
| S&P 500 | 1,510 | 1,418 | + 6.5% |
| NASDAQ | 2,810 | 2,415 | +16.4% |
| Bond YIELD | 4.29% | 4.71% | - 8.9%* |

Bond Prices



Bond Yield %

