

Black Friday, the ever-popular Friday after Thanksgiving, marks the official start of the Holiday shopping season. This is traditionally the day retailers begin to operate in the black.

This year a dark cloud is hanging over the normally festive day. Analysts will be scrutinizing weekend sales as they look for an indication of the strength of the consumer. Burdened with high energy prices and a troubled housing market, the resiliency of the American economy and its consumer base is being questioned. The Market correction has been led by fear of the unknown. The results of this shopping weekend will provide much needed data to help diagnose our economic well-being.

Retailers are not giving up without a fight. Early-bird deals have been widely publicized this year. JC Penny will open its doors at 4:00am a full 2 hours earlier than years past! Some retailers are using food to lure in shoppers. Sam's Club is promoting free continental breakfast and Best Buy managers will be handing out donuts. Costco, Amazon, Macys and others are offering special on-line deals for shoppers who do not want to venture out of the house. We are also seeing plenty of free shipping offers as retailers fight over the elusive consumer dollar this holiday season.

Thanksgiving comes early this year. Retailers are thankful to have 8 days of post-Thanksgiving shopping in November. Analysts are expecting November sales to be more robust than years past. Hanukkah begins at sundown on Tuesday, December 4<sup>th</sup>. This will add additional fuel to retailers' November numbers. The fear on the street is that December sales will suffer. We share this fear.

Over the last two weeks some analysts have adjusted their Holiday sales forecasts downward. Some cuts were up to 50% of retail expectations set just 8 weeks ago. The National Retail Federation is predicting weaker-than-average sales growth over the holiday season, as consumers may spend less due to high food and gas prices as well as ongoing mortgage concerns.

Holiday shopping is also highly correlated to Back to School shopping. 2007 was the weakest back-to-school season in 5 years, further predicting a less than stellar holiday spending season.

We remain optimistic about the future but recognize we are not out of the woods yet. The housing market will likely get worse and the pressures of high fuel and food prices will remain on the Consumer in the foreseeable future. The Market is expecting tepid black Friday sales, however we believe that there will be some bright spots. Stay tuned!

By Mere  
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*As a reminder our office will be closed for the holiday this Thursday and Friday. Have a happy and safe Thanksgiving!*

INDEX	11.21.2007	12.31.2006	%Change
DOW JONES	12,799	12,463	+2.62%
S&P 500	1,416	1,418	-0.001%
NASDAQ	2,562	2,415	+6.08%
Bond YIELD	4.02%	4.71%	-14.64%*

Bond Prices



Bond Yield %

