



Thank God It's Friday!

May 2, 2008

The old saying goes: April showers bring May flowers. This year Spring came early and the garden on Wall Street bloomed in April. Stocks had their best month since December of 2003. This is significant. Fear was replaced with Fact. Earnings season proved that, even though we still find ourselves in challenging times, things aren't nearly as bad as initially feared. Companies that are exposed to markets outside the US are not only holding up well, they're thriving. After the vigilant interest rate cuts by the Federal Reserve liquidity is returning as money is finally flowing to areas most in need: financial institutions. Quite simply, the news has become "less bad" and the outlook for the stock market appears positive.

That said, at current levels the Market reflects the renewed enthusiasm. We've seen nothing short of a stellar rally in 6 short weeks, taking the DOW and S&P 500 up 12%. We have stated a number of times that increased volatility is the new norm for now, and we don't see this changing. To put in perspective, we had intra-day surges of 220 and 120 points on the DOW this week, yet both failed to hold and actually closed negative for the day.

Bernanke & Co. gave what appears to be the last rate cut on Wednesday. Slowing growth and rising inflation appear to be balanced. In response, the US Dollar reversed its slide and rallied against foreign currencies. This took Crude and Gold down as well. A stronger Dollar and falling commodity prices are very positive for stocks as it signals that inflationary pressures are subsiding and speculative investors will likely be looking to the stock market for better returns. Corporate and Mun Bonds have benefited as well.

To be clear, we feel very comfortable with the current market. We continue to shy away from US economically sensitive areas, and focus on real growth abroad. Corporate earnings gave the first concrete evidence that the global economy remains healthy. Our feeling is that stocks have hit bottom, and the rest of the year looks promising. However, economic pressures remain, particularly in housing and consumer related areas, which could hold us back from further gains in the near-term. A pullback seems likely, but one that will be met with aggressive buying here at BIC.

Sell in May and go away? We'll be here, and we'll be active.

By Mike Frazier

INDEX	05.02.2008	12.31.2007	%Change
DOW JONES	13,058	13,265	-1.56%
S&P 500	1,413	1,468	-3.74%
NASDAQ	2,476	2,652	-6.63%
Bond YIELD	3.85%	4.03%	- 4.46%*

Bond Prices ↓ Bond Yield % ↑