



Thank God It's Friday!

June 20, 2008



Those of us born in June have a certain natural optimism. We exude sunshine. We crave simple pleasures. We thrive on change. So, what happened this June? Not too much to smile about on Wall Street. Stocks lost almost 6% in June. June babies of the world blame oil!

We have a trend in oil prices that won't quit. Whenever it rises to a higher-high, we gasp in disbelief. Consumers groan at the pump and avoid the malls. At this pace we could see oil at \$450 in a decade! Quick, find my bike and BART ticket. This weekend we will be glued to the tube awaiting some glimmer of relief as the Saudi Oil Summit convenes in Jeddah. Oil company executives and Saudi producers will discuss the UN's request to open-up the oil spigot to drive down oil prices around the world. We expect positive action resulting from that conference. This is bullish for stocks. The other half of the glass is half full for those of us who have over-weighted our portfolios with oil and gas investments. Alternative energy will be negatively correlated over the short-term but is a sound and logical investment in the future of meeting global energy demands.

Abby Joseph Cohen was also born in June. She is the renowned investment strategist for Goldman Sachs. This week she went public with a rosy outlook for stocks in 2008. She raised her target on the S&P-500 Index to 1,500... that equates to roughly 13,500 on the Dow. That's a good 14% higher than where we are now as you can see in the box-score below. Abby did the same thing last June but her target for 2007 overshoot by 2%, proving to be a bit more optimistic than practical. Hopefully, this year she is right on the money. Her top picks reflect a belief that the housing slump has yet to bottom-out but the financial crisis is working through its problems. NO BULL MARKET can survive without the financials participating. Therefore, we are carefully monitoring the banks which have been able to raise considerable capital thus spring despite the disruption in the credit markets. As long as investors are willing to buy bank bonds, we believe the crisis is nearly behind us. This proves liquidity is there and confidence in our nation's banking system has returned. Evidence of this trend is the enormity of new corporate bonds issued in May, making it the largest month in history. \$120 billion of new issue investment grade corporate bonds were gobbled-up by hungry investors seeking safety and solid cash flow.

We observed the penultimate rationale of these bond buyers was the credit worthiness of the issuer, not just the return on investment. There are billions of dollars of bonds coming due soon which will result in more new issues for investor appetites and 65% of these will be issued by banks and financial services companies. We'll be in line ready to accumulate some new bonds bearing superb yields.

INDEX	06.20.2008	12.31.2007	%Change
DOW JONES	11,842	13,265	- 10.7%
S&P 500	1,318	1,468	-10.2%
NASDAQ	2,406	2,652	-9.3%
Bond YIELD	4.14%	4.03%	+2.7 *

*Bond Prices

Bond Yield %

By Jude Bedell