



Thank God It's Friday!

January 18, 2008

Today, President Bush addressed the nation about the economy, 10 days before his State-of-the-Union formal address. Both the President and Congress are scrambling to take action as fears mount that a severe housing slump and painful credit crisis could cause consumers to close their wallets and businesses to put a lid on hiring, throwing the nation into its first recession since 2001.

Going into a 3-day holiday weekend, traders found little comfort. Too little too late? Main Streeters are already asking each other what they can buy with the rumored \$800 rebate. Hopefully, they will wisely decide to pay-down their credit cards like half of them they did last time the Fed sent them a check.

Professional investors seek companies that might be weathering the economic slowdown well -- like IBM and GE, both reporting great 4th quarter profits this week. Strong earnings reports are being obviated by the fear of recession as evidenced in the bond pits. Our bonds have soared since year-end as investors seek safety and SAFE CASH FLOW. Tax-free Munis have outperformed corporate bonds. Balanced portfolios featuring BOTH stocks and bonds fared best. Balance did its job.

PREFERRED stocks were the weakest last year when they got battered by the credit debacle, even though most were innocent of distressed debt or sub prime. They were financial organizations so they got punished along with the true reprobates. Fast forward to today, when our preferred stocks are UP more than 10% since year-end. Unbelievable.

Next week will be crucial anticipating if The Fed will act EARLY to lower interest rates...before its scheduled meeting on January 29-30. Investors are screaming for a cut in excess of the 50 bps they expect. If the FED lowers 75 bps and does it early, we expect a rally. The fact the Fed is exercising restraint could mean our economy is not as bad as many claim. Stay tuned!

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 On the brighter side, today, we are reporting to you from Apple Computer's version of the SuperBowl: MacWorld 2008 in San Francisco, CA. One word: WOW.

What we heard at MacWorld blew us away: iPhone sales hit 4 million in sales after only 6 months.... What we saw at MacWorld was the reality that APPLE is not just a superior computer company: It's a contemporary tech cult. Attendees were there for the WOW factor and were not disappointed; Product introductions were immaculately designed and intuitively engineered.

What we saw was the star of the show: the spanking new MacBook Air, a nano-thin laptop featuring a 13.3-inch screen and a full keyboard. It measures just 0.76 inches at its thickest point. That's THIN. We also viewed the all-new movie rental platform; updated wireless Apple TV; more content for iPhone and iPod Touch.

Technically, tech stock outperformed last year rising 10% on average while blue chips only returned 5%. Tech stocks led the market lower this year. We can envision AAPL shares reaching \$220 from current levels around of \$160. Historically, Apple shares have gained about 10% on the coattails of MacWorld.

Fundamentally, things never looked better. When earnings are announced Tuesday, we expect the company to report solid sales and earnings driven by strong Mac demand in the quarter, better-than-expected iPhone units probably surpassing 2.4 million units, and healthy Mac OS X Leopard sales of 5M copies, which should drive incremental gross margin up.
 By: Jude Bedell

INDEX	1.18.2008	12.31.2007	% Change
DOW JONES	12,099	13,265	-8.8%
S&P 500	1325	1,468	-9.7%
NASDAQ	2340	2,652	-13.3%
BOND YIELD	3.65%	4.03%	-9.4%*

Bond Prices  Bond Yield % 