

Thank God It's Friday!

March 14, 2008



The credit crunch debacle that has dominated financial news since last Summer has been tough on the US dollar. It's down 15% since last July. Today you have to pay \$1.55 to buy one Euro. You paid \$1.35 last July. The US Greenback used to be #1 but has been beaten badly by almost every other currency of the world. The dollar is at new lows versus the Euro, the Yen, the Chinese Yuan and even the Malaysian Ringgit. The dollar's slide began 3 years ago but has accelerated as our economy cools off. Worldwide fear and uncertainty rule the credit markets and the money pits.

Today, the political posse all-stars "talked" to investors about how they intend to turn around the situation.

- President Bush said he backs a strong dollar.
- Fed Chair Bernanke cannot back a strong dollar while he is lowering interest rates. He's dropped rates 5 times in as many months. Next week he is expected to lower interest rates by another 1%.
- Treasury Secretary Paulson reassured taxpayers that the refund "check is in the mail."

What has caused all this buck bashing? It's about interest rates!

Our enormous government debt and our refusal to balance the budget have made our currency suspect. The ridiculous real estate debt created by speculators driving-up house prices turned the American dream into a nightmare. Bursting of the real estate "bubble" was only ameliorated by predatory lending practices. Greed was the repeating theme. The real demons were greedy speculators trying to buy houses not homes; buying to sell, not to own. Disarray of the mortgage markets spilled onto Wall Street which typically sought to make some bucks itself from rising homes prices by bundling mortgages and reselling them to investors.

A weak dollar isn't all bad. It's good for our exports. A weaker dollar means that American-made goods like software, medical goods, Ipods, apple pie and Chevrolet are cheaper to the rest of the world. The downside is that goods from overseas, like TVs and clothing cost more here. Dollar-denominated assets like gold, oil, zinc, copper and silver cost more as the dollar sinks. That is why most commodities are at or near all time highs and could translate into higher inflation for the US later this year.

To counteract the weak dollar, we have accelerated our exposure to truly global companies like Coke, GE and DuPont which have significant overseas operations thus taking advantage of the currency valuation differences. We also allocate substantial capital to direct international markets by using Exchange Traded Funds for Australia, Singapore, China, India and Brazil. Even though the dollar is down, don't count it out. When the current credit debacle subsides and our economy perks-up, we will see the dollar recover from its doldrums.

| INDEX | 3.14.2008 | 12.31.2007 | %Change |
|------------|-----------|------------|---------|
| DOW JONES | 11,951 | 13,265 | -9.9% |
| S&P 500 | 1,288 | 1,468 | -12.3% |
| NASDAQ | 2,212 | 2,652 | -16.6% |
| Bond YIELD | 3.42% | 4.03% | -15.1%* |

By: Jude Bedell

PS Go Hoyas!