

# **MONEYLETTER** *Hotline*

## ***Welcome to the MONEYLETTER Hotline for April 30, 2008***

Although today is the end of the month, it actually marked the beginning of the next round of market-moving data that will bring us up-to-date on the economy's performance. But it was not the data that ultimately moved the market. Rather it was market internals. As for data, the preliminary growth number for last quarter showed the economy just squeaking by with a plus 0.6%. In other words the economy was flat last quarter (as if you didn't already know). Still it was better than the gloomsters projected. The other piece of data was that the Fed cut interest rates a bit, and its accompanying statement implied that the Fed is now in a wait-and-see position.

All of this is good news, relatively speaking, but in the end the market squashed the early positive reaction. We think this is fine. The market has had a good run this month—after a terrible run last month—and profit-taking was in order. We have had encouraging news on profits, on the economy, and on the credit crisis. Good news in the sense that the worst fears were grossly overdone. But the economy continues to face tough sledding. It is too early for a recovery rally to begin. We still look for an improving market as the clouds lighten, but a bull market is not yet in sight. What is most encouraging is that the bond market is also seeing better days. We remain positive on financial assets.

There is no change in our recommended allocations.

**New Fund Ratings** – For domestic stock funds, Fidelity Contrafund is now rated Hold. Hussman Strategic Growth is now rated Sell. For international stock

funds, Fidelity Emerging Markets is now rated Buy. There are no other changes.

**The Economy** – All the palaver over a recession or not is wasted breath. The issue is whether the slow period we are in will be mild or strong. We argued for mild, and we believe that is occurring. With mild the foreign markets can breathe easier, and that is what counts for our portfolios. With the help of the stimulus package we look for an improving economy.

**The Stock Market** – We believe the U.S. market outlook has improved relative to other markets. The dollar may now be a support for the U.S. market. We remain positive on equities.

**The Bond Market --**

**The Select Portfolio** – There is no change for this portfolio.

The next Hotline is scheduled for Wednesday, May 7th at 7pm.