

# **MONEYLETTER** *hotline*

## **Welcome To The *MONEYLETTER* Hotline For July 9, 2008**

The June selloff continues this first full week of July as traders take the gloomiest view of the earnings season that has just begun. We are at a very critical time for the short-term outlook for the market. The June selloff was the response to the dizzying rise of oil prices. But now that we have had a bit of relief on that front this week, the market sold off sharply again today without any news to drive the selling. We see today's selling as precautionary action as we move into earnings season. Earnings estimates have come down all during this quarter, and judging from today's action, Wall Street's bears are betting that they have not come down enough.

We simply have to wait and see whether the bears or the analysts have gotten it right. We will know soon enough. What we do know is that unless the analysts were way off base, the odds are that selling such as we have seen, and saw again today, has been overdone. The market is deeply oversold and today just added to that condition. The financial system is only just starting the long process of healing, and the economy will feel the effects for some months, but still healing has begun. The flight from equities is only setting up opportunities over the rest of this year. The last six weeks have been very painful, but patience will pay off.

There is no change in our recommended asset allocation

**New Fund Ratings** – For domestic stock funds, Westport Select Cap R is now rated Buy. Morningstar Mid Growth is now rated Hold. For international stock

funds, Royce Global Value is now rated Buy. Two funds are now rated Sell: Janus Global Research and Janus Overseas. There are no other changes.

**The Economy** – The June employment report was soft. What it tells us is that a slow economy has slowed some more. The economy will be very slow over this last half-year as the stimulus package wears off. We do not expect anything from the Fed, but another stimulus package is possible. Though very slow, we do expect growth to continue.

**The Stock Market** – Earnings have now taken over as the focus of the market. We remain skeptical that earnings have deteriorated as sharply as indicated by the market. If we are right we expect to see a recovery in the market over the next month.

**Bond Market** –

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

The next Hotline is scheduled for Wednesday, July 16th at 7pm.