

MONEYLETTER *Hotline*

Welcome To The *MONEYLETTER* Hotline For July 16, 2008

It took some time – a surprise fall in crude prices and two or three better-than-expected earnings reports – but the market today finally started to correct the deeply oversold condition we have been talking about for some weeks. The question now is whether today's action is the beginning of a meaningful correction or just a one or two day reversal. We lean to the view that this is more than a simple bout of short covering.

Market indicator after market indicator has been driven to extremes not seen since times of deep economic distress. The economy is in serious difficulties, but it is growing. Moreover, the global economy is growing, thanks mainly to China and India. None of this means that the market is out of woods. The shorts have done very well over the past month, and they are not about to give up. Expect further concentrated selling, but the SEC action yesterday to limit the shorts' armament was a step in the right direction. The ferocious selling in Fannie Mae and Freddie Mac that shook the markets last week was not something that just happened, in our opinion. We'll see when the SEC probe is over.

We do not see today as the beginning of a new bull market. But it is the start of the necessary calming process that will lead to a more rational market. As we have said, patience will pay off.

There is no change in our recommended asset allocation.

New Fund Ratings – For domestic stock funds, three funds are now rated Buy: Laudus Rosenberg Value L/S, Fidelity Growth Company (closed), and Brandywine Blue. For international stock funds, two funds are now rated Buy: Emerging Markets 50 ADR (ETF) and Fidelity Worldwide. Two funds are now rated Hold: Third Avenue International Value and T. Rowe Price Emerging Europe and Mediterranean. Two funds are now rated Sell: Harding Loevner Emerging Market and Fidelity Emerging Markets. There are no other changes.

Fidelity Emerging Markets is in the Fidelity family Venturesome and Moderate portfolios. In the Fidelity Venturesome portfolio we will switch Emerging Markets into Fidelity Global Balanced. In the Fidelity Moderate portfolio, the switch will be into Fidelity Worldwide.

The Economy – We have had a slew of economic reports this week. They confirm the economy is almost flat and the consumer is hurting. The Fed tells us that it is sticking with its view that growth (however slow) will continue. We see no reason to say no.

The Stock Market –

Bond Market –

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

The next Hotline is scheduled for Wednesday, July 23rd at 7pm.