

# **MONEYLETTER** *hotline*

## **Welcome To The *MONEYLETTER* Hotline For September 3, 2008**

Wall Street is very, very skeptical. As the economic numbers come in and do not show an economy falling out of bed, the reaction is to say, "just wait." Wall Street has a basis for its worries. Most compelling is the squeeze on the consumer's pocket book from wages that are not keeping up with inflation. It is logical to expect this squeeze to have an effect on spending, and it has.

But there are offsets occurring. And today we had two examples in new factory orders and new vehicle sales for August. Other numbers have been coming out, such as yesterday's report on manufacturing activity, which carry the same message: the economy is not great, but it is holding up. What we have now is a standoff in the market between those who say the slide has only been postponed and those who say things have held and some of the trouble spots are looking better.

We expect this push-pull to continue for a while. One big negative is the fading of the stimulus. But one big positive is the fall in oil prices. Another is exports, which clearly is influencing the continued sturdy rise in new factory orders, last month's included. Also the fading consumer isn't fading away entirely. Despite the headlines, last month's car sales actually rose smartly from July's miserable showing. The consumer is not dead yet. So far the economy has held up better than expected. We continue to favor stock funds.

There is no change in our recommended allocations

**New Fund Ratings** – There are no changes for domestic stock funds. For international stock funds, Janus Global Research is now rated Buy. USAA International is

once again rated Hold. There are no other changes.

**The Stock Market** – As we now know there has been large hedge fund liquidation, particularly in commodities. This is powerful, but limited. This partially explains the market's negative response to better economic news recently. There is also the skepticism discussed earlier. The market will struggle but we join those looking for higher prices by yearend.

**The Bond Market** –

**The Select Portfolio** – There are no changes for this portfolio.

The next Hotline is scheduled for Wednesday, September 10 at 7pm.