

# **MONEYLETTER** *Hotline*

## **Welcome to the *MONEYLETTER* Hotline for October 1, 2008**

It has been quite a three-day period. Whipsaw is not the word after Monday and Tuesday's markets. Among other things everyone connected with Wall Street is exhausted. We are back again to the bank rescue package when it comes to the short-term outlook for the stock market. Assuming that package is adopted in some form, the next hurdle for the market will be the elections. Only until the new President is picked will the market have a handle about the policy that will be followed to revive the economy.

But while we wait on fiscal policy, we do not believe that the Federal Reserve will sit on its hands. We think there is an even chance that we will see some action by the Fed over the next few weeks. The credit markets simply have to be unfrozen and passage of the package in itself will not do the job quickly.

Meanwhile, the first reports on September activity have not been pretty. No one expected them to be so. The manufacturing survey for September took a dive. We expect the numbers exaggerated the weakness. Last month Boeing suffered a strike and the country was hit by two hurricanes. There was certainly weakness, but not as bad as it looks. The same holds true for auto sales. The economy is in recession, but so far the numbers are consistent with mild. We continue to believe that the outlook will brighten some as we move out of this period of a nonfunctioning credit market.

There is no change in our recommended allocations

**New Fund Ratings** – For domestic stock funds, three funds are now rated Buy: S&P Smallcap 600 Value Index, Vanguard Small Cap Value ETF and Vanguard Small-Cap Value Index. Two funds are now rated Hold: Heartland Select Value and WHG Smidcap. For international stock funds, two funds are now rated Buy: MSCI Japan and Oakmark International. Two funds are now rated Hold: Royce Global Value and American Century Global Growth. Two funds are now rated Sell: Wintergreen Fund and Janus Global Research. There are no other changes.

**The Stock Market** – This week's volatility will discourage investors. We look for a trendless market over the immediate weeks ahead. A move to lower interest rates by the Federal Reserves should begin a new phase for the market.

**The Bond Market** –

**The Select Portfolio** – There is no change for this portfolio. As a reminder, last week we traded out of PowerShares Water Resources and bought Russell 2000 Value.

The next Hotline is scheduled for Wednesday, October 8th at 7pm.