



WARNER FINANCIAL SELECT, LLC

Global Financial Market Analysis – Money Manager Search

BEFORE THE NEWS

a Monthly Global Financial Markets Analysis

Volume 5 Edition 7

July 2008

- Price Momentum Ranking (1) -

<u>Asset Class</u>		<u>Short Term</u>	<u>Medium Term</u>	<u>Long Term</u>	<u>Combined Average</u>
Commodities	Hard	45.0%	80.0%	65.0%	65.5%
Commodities	Soft	50.0%	60.0%	60.0%	58.0%
Stock Markets		-51.9%	77.8%	53.7%	39.8%
Currencies vs. U.S. \$		18.2%	27.3%	4.5%	14.1%
Fixed Income	Money Market	58.3%	-33.3%	-25.0%	-10.8%
Fixed Income	Long Bonds	<u>50.0%</u>	<u>-100.0%</u>	<u>-100.0%</u>	<u>-70.0%</u>
	Averages	28.3%	18.6%	9.7%	16.1%

(1) Each as a % of best possible score within a range of -100% to +100%

Summary July 6, 2008

Asset Class Shifts –

Point 1 – It is hard to remember a time since the late 1970s when both hard and soft commodities took the top spots in investor favoritism, but the table above proves this is one. It is humorous to see economists backpedal to try to incorporate food and energy prices into their inflation prognostications without appearing too myopic. We've always wondered why these hugely important items weren't part of inflation's "core". Probably because although completely essential to human life, they have behaved and not acted as obviously significant to prices as now. [We could say that by ignoring the obvious it's the sub-prime thing all over again]

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Anyway, it ain't just oil that's driving the herd. It's just about everything. And while we dare not predict oil's future, the charts read that prices of foodstuffs are headed higher. So, too, it would appear are gold, palladium and silver....and maybe aluminum and copper.

Point 2 – Stocks have just been pronounced in the press to be in a bear market. We agree wholeheartedly. It is a global bear and one that is loaded with head and shoulders tops that have yet to be seen or felt. For starters, the DJIA has one that counts down to near 10,000. The Dow has also broken its main uptrend developed since 1982. The S&P has not yet broken that trend but is mighty close. Similar conditions appear in France, Germany and elsewhere. We refer readers to the stock market's section where the global details are outlined.

Because when they raid the brothel the cops take all the girls down to the pokey, our conviction is that conservative investors should seek to preserve assets by further reducing equity exposure. Aggressive investors should sell and rely on puts and short positions to make more money.

Point 3 – While it is far from clear that the U.S.\$ has had it, we are concerned about more inflation, which, according to Webster, means "An increase in the amount of [currency](#) in circulation, resulting in a relatively sharp and sudden fall in its value and rise in prices: it may be caused by an increase in the volume of paper [money](#) issued or of gold mined, or a relative increase in expenditures as when the supply of goods fails to meet the demand" and would recommend that some cash be put into gold and some hedged into other currencies as for among other reasons it now costs the government \$.02 to make a penny and there are already calls for a second Federal consumer bailout.

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COMMODITIES

(Continuous futures contracts...nearest month value)

-----**Momentum Rating**-----

Ranked from most to least attractive	30-Jun-08	Short (1)	Medium (2)	Long (3)		
Hard:	<u>Value</u>	<u>Term</u>	<u>Term</u>	<u>Term</u>	<u>Combined</u>	<u>Comment (4)</u>
Natural Gas [10,000MMBtu] \$/mmbtu.	\$13.353	2.0	3.0	5.0	10.0	Hold +
Aluminum \$ per lb.	\$1.4180	2.0	3.0	2.5	7.5	Neutral/buy if gets through old highs
Copper (High Grade) [25,000 lbs.] \$/lb.	\$3.896	2.0	3.0	2.5	7.5	Neutral/buy if gets through old highs
Palladium [Troy ounce]	\$464.75	2.0	3.0	2.5	7.5	Buy more
Gold [100 Troy Oz.] \$ per oz.	\$928.30	2.0	3.0	2.5	7.5	Buy more
Crude Oil (Light) [bbl.]	\$140.00	-1.0	3.0	5.0	7.0	Hold -
Gasoline (Unleaded) [42,000 gal] \$/gal.	\$3.510	-1.0	3.0	5.0	7.0	Reduce positions
Platinum [Troy ounce]	\$2,071.30	1.0	3.0	2.5	6.5	Hold/see comments on chart
Heating Oil [42,000 gal.] \$ per gal.	\$3.9310	-1.0	3.0	2.5	4.5	Hold -
Silver [Troy ounce]	\$17.42	<u>1.0</u>	<u>-3.0</u>	<u>2.5</u>	<u>0.5</u>	Buy some
	Today's Average	<u>0.9</u>	<u>2.4</u>	<u>3.3</u>	<u>6.6</u>	
	Best Possible	<u>2.0</u>	<u>3.0</u>	<u>5.0</u>	<u>10.0</u>	
	Today's Average as % Best Possible	45.0%	80.0%	65.0%	65.5%	
Soft:						
Cattle (Live) [40,000 lbs.] Cents per lb.	103.43	2.0	3.0	5.0	10.0	Hold
Cocoa [10 metric tons] \$ per ton	3,201.00	2.0	3.0	5.0	10.0	Hold +
Soybeans [5,000 bushels] Cents per bu.	1,598.00	2.0	3.0	5.0	10.0	Hold/buy more
Coffee [37,500 lbs.] Cents per lb.	151.00	2.0	3.0	5.0	10.0	Buy more
Cotton [50,000 lbs.] Cents per lb.	75.48	2.0	3.0	5.0	10.0	Cover and buy
Orange Juice [15,000 lbs.] Cents per lb.	116.75	2.0	3.0	2.5	7.5	Cover and buy
Corn [5,000 bushels] Cents per bu.	737.75	-1.0	3.0	5.0	7.0	Hold
Sugar #11 Cents per lb.	13.14	2.0	3.0	-2.5	2.5	Buy
Hogs (Live) [40,000 lbs.] Cents per lb.	71.78	-2.0	-3.0	2.5	-2.5	Sell/avoid
Wheat [5,000 bushels] Cents per bu.	858.75	<u>-1.0</u>	<u>-3.0</u>	<u>-2.5</u>	<u>-6.5</u>	Neutral
	Today's Average	<u>1.0</u>	<u>1.8</u>	<u>3.0</u>	<u>5.8</u>	
	Best Possible	<u>2.0</u>	<u>3.0</u>	<u>5.0</u>	<u>10.0</u>	
	Today's Average as % Best Possible	50.0%	60.0%	60.0%	58.0%	

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Goldman Sachs Composite Index	863.10	-1	3	5.0	7.0	Hold -
Best Possible		<u>2</u>	<u>3</u>	<u>5.0</u>	<u>10.0</u>	
Today's Rank as % Best Possible		-50.0%	100.0%	100.0%	70.0%	

Notes:

- (1) The shape and feel of the stochastic oscillator (Scale +2 to -2), a subjective observation
- (2) The BUY/S/SS(Sell Short) signal shown on chart (+3 or -3)
- (3) The value of WFS' LT Graded Bullish/Bearish signal as shown on the charts.
- (4) Most of the enclosed charts have more detailed comments on them. To find the charts, please click on the bookmark tab at left, click on the + signs to fully open the index, then click on the chart you would like to see. Once there a click on a yellow tab will open up the note.

Commentary: It is no secret: **Commodities in general this year “have been where it’s at”.**

Hard Commodities – Commodity price **momentum is still very strong, putting our list of hard commodities at the top of the heap of asset class momentum.**

No one can answer with any certainty what **crude oil** will do in the foreseeable future. At this point we can say it is overbought, but each month it has kept getting more so. Knowing that at some point it is likely to peak seems helpful in reducing risk; calling the top is beyond our ken. **Natural gas** still leads the list and continues to look good to us. **Gasoline prices** usually peak at about this time of year, and there is some evidence that demand is slowing; so we feel pretty comfortable suggesting reducing positions.

Aluminum and copper prices have firmed. We have been on the sidelines for some time. We would take positions if they break through old highs.

We have warmed up to the precious metals. Gold’s chart pattern and momentum look very supportive as does **palladium’s. Silver** may not be far behind.

Soft Commodities – It appears that we may get a good run in some of the softs. They have moved up to #2 in the asset class rankings. **We especially like the pictures of beans, coffee, cocoa, cotton, orange juice and sugar.**

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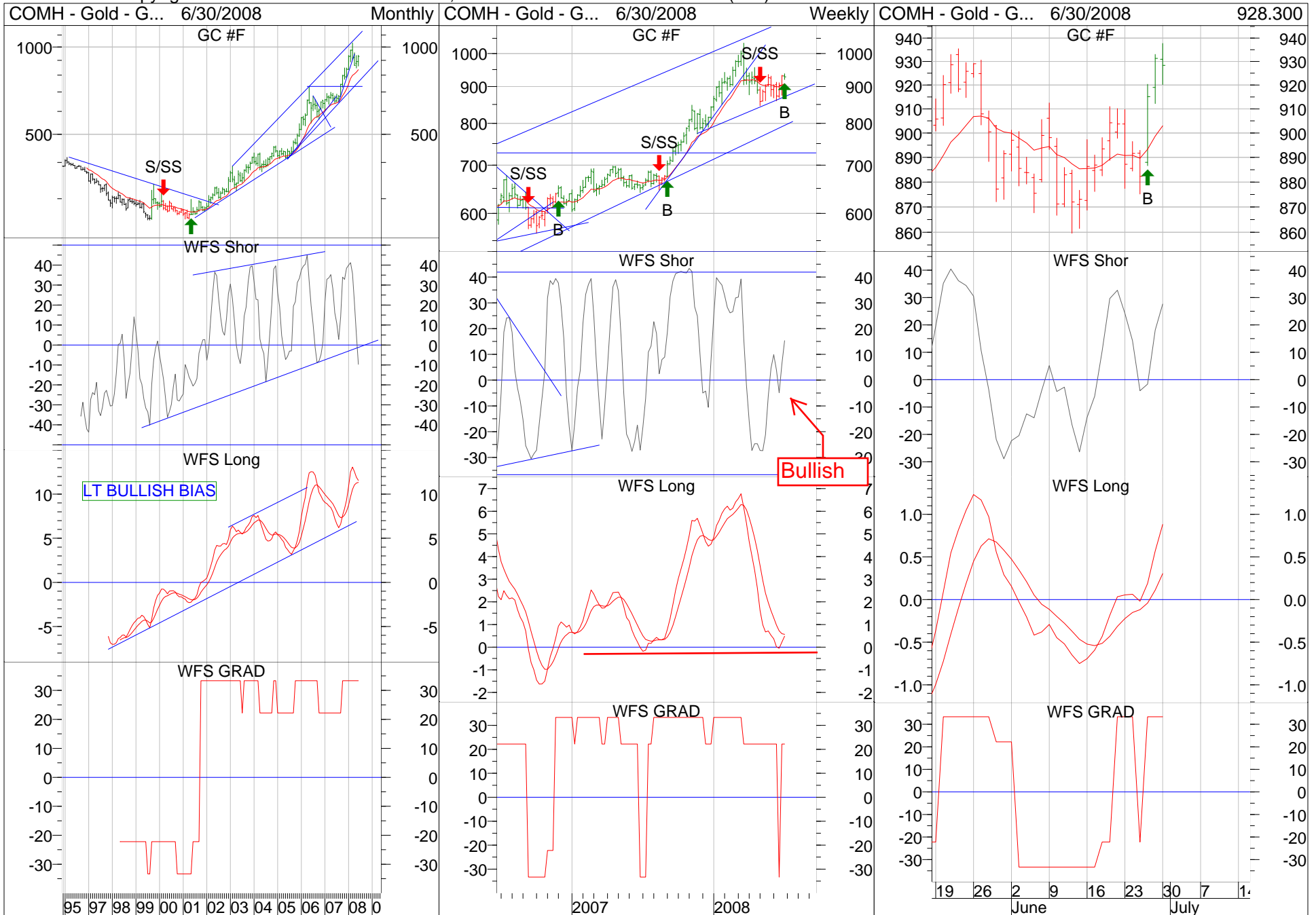
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Although the longer-term monthly charts at left look a bit overbought, the weekly and daily ones are quite bullish.

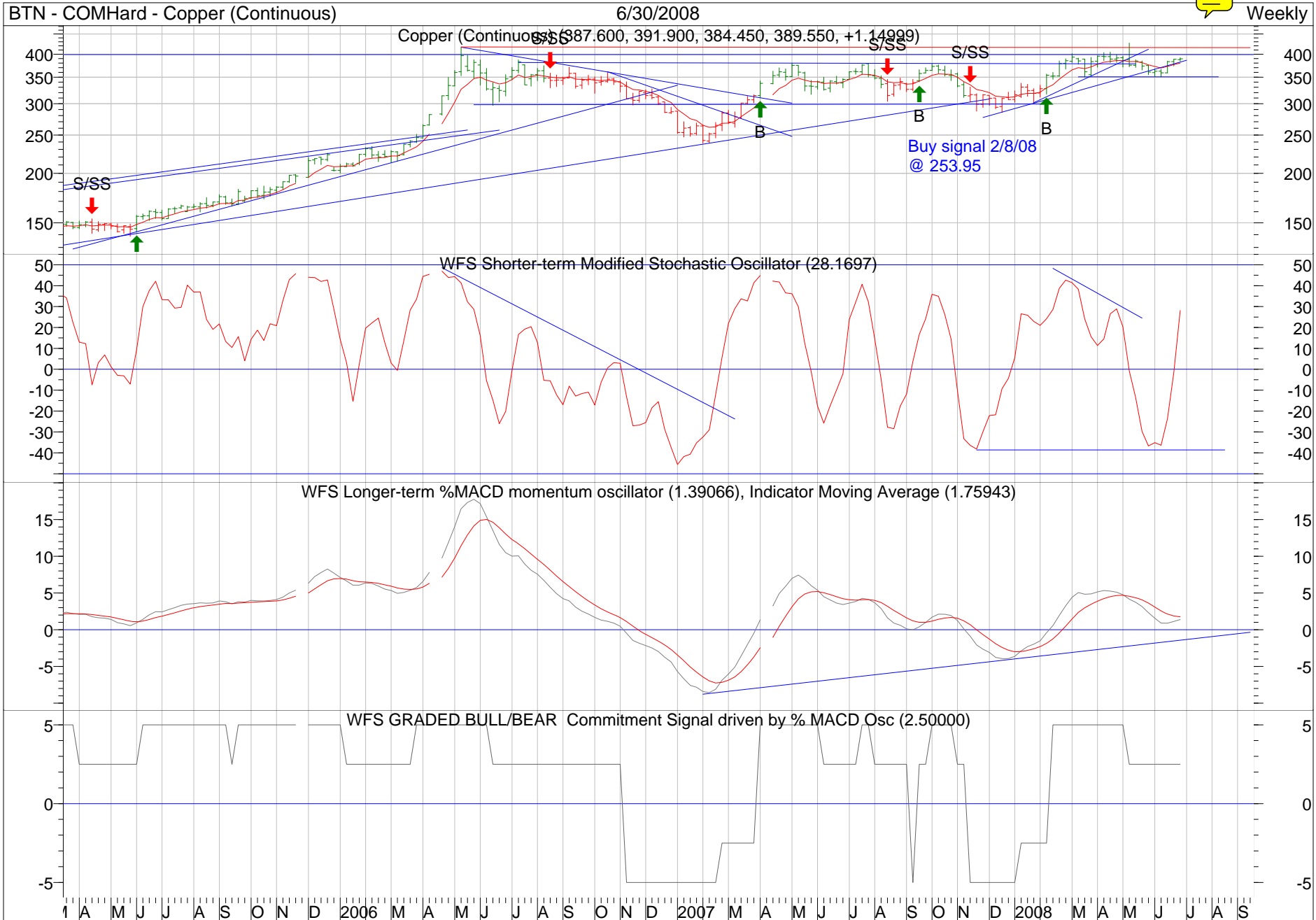
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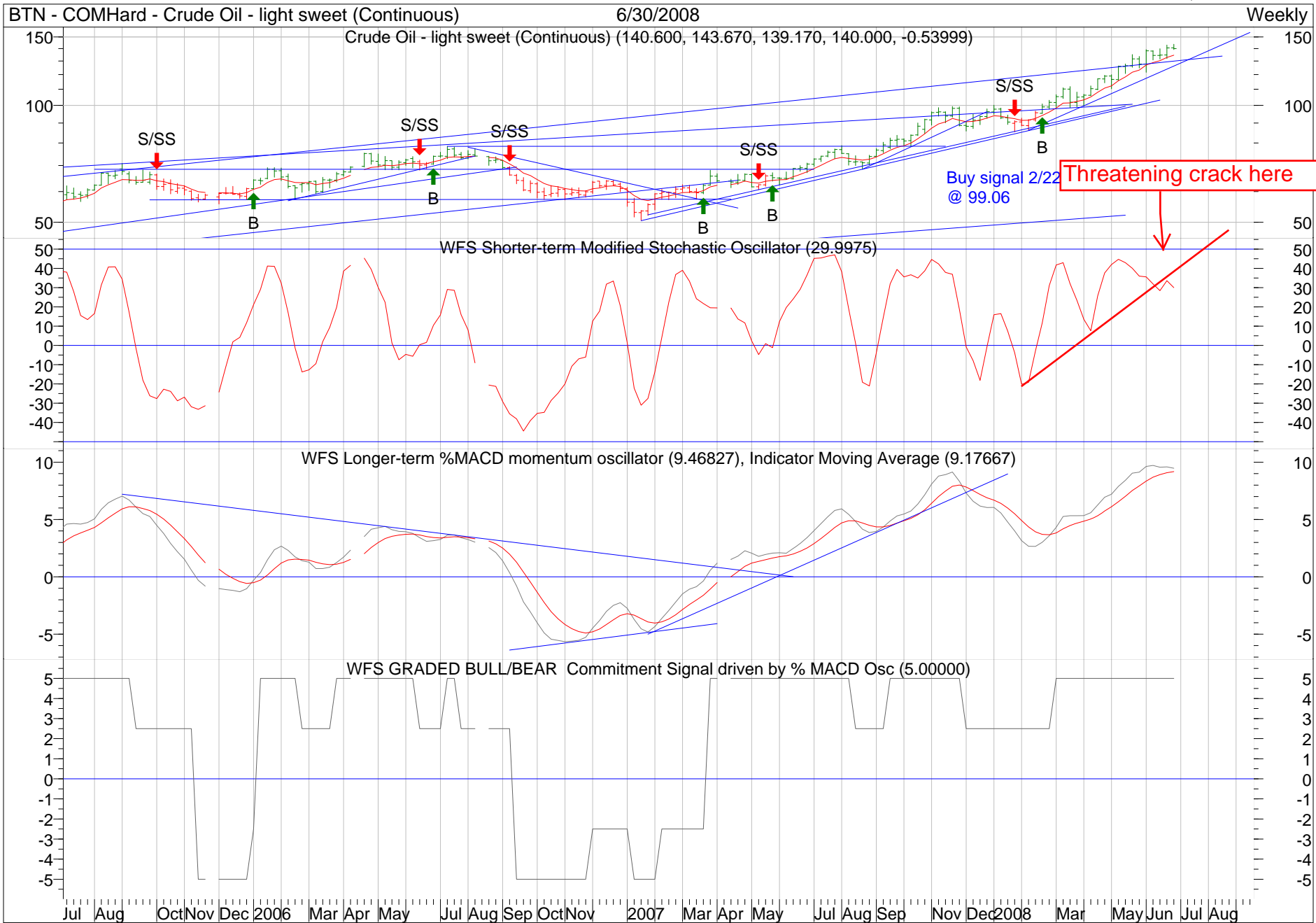
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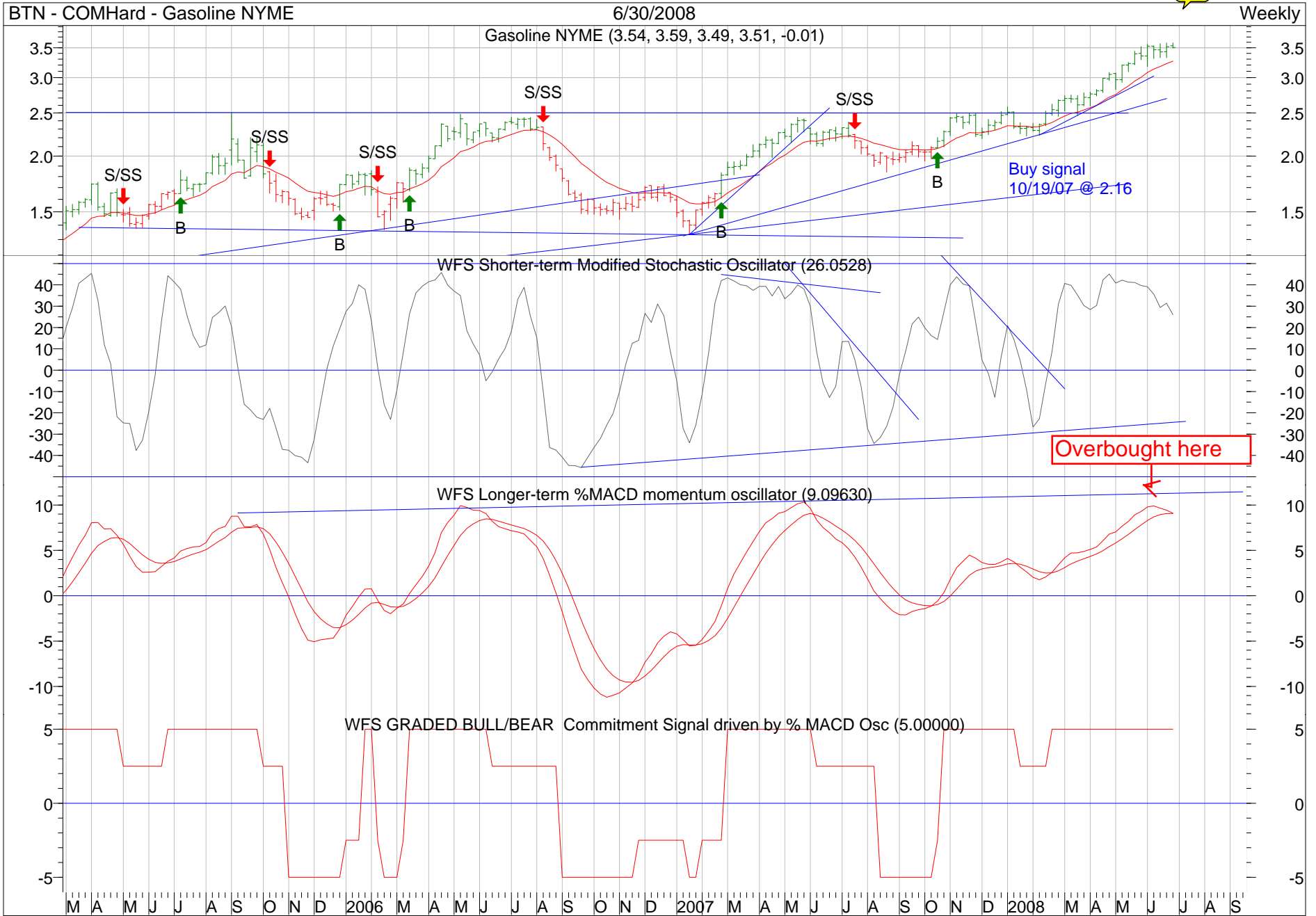
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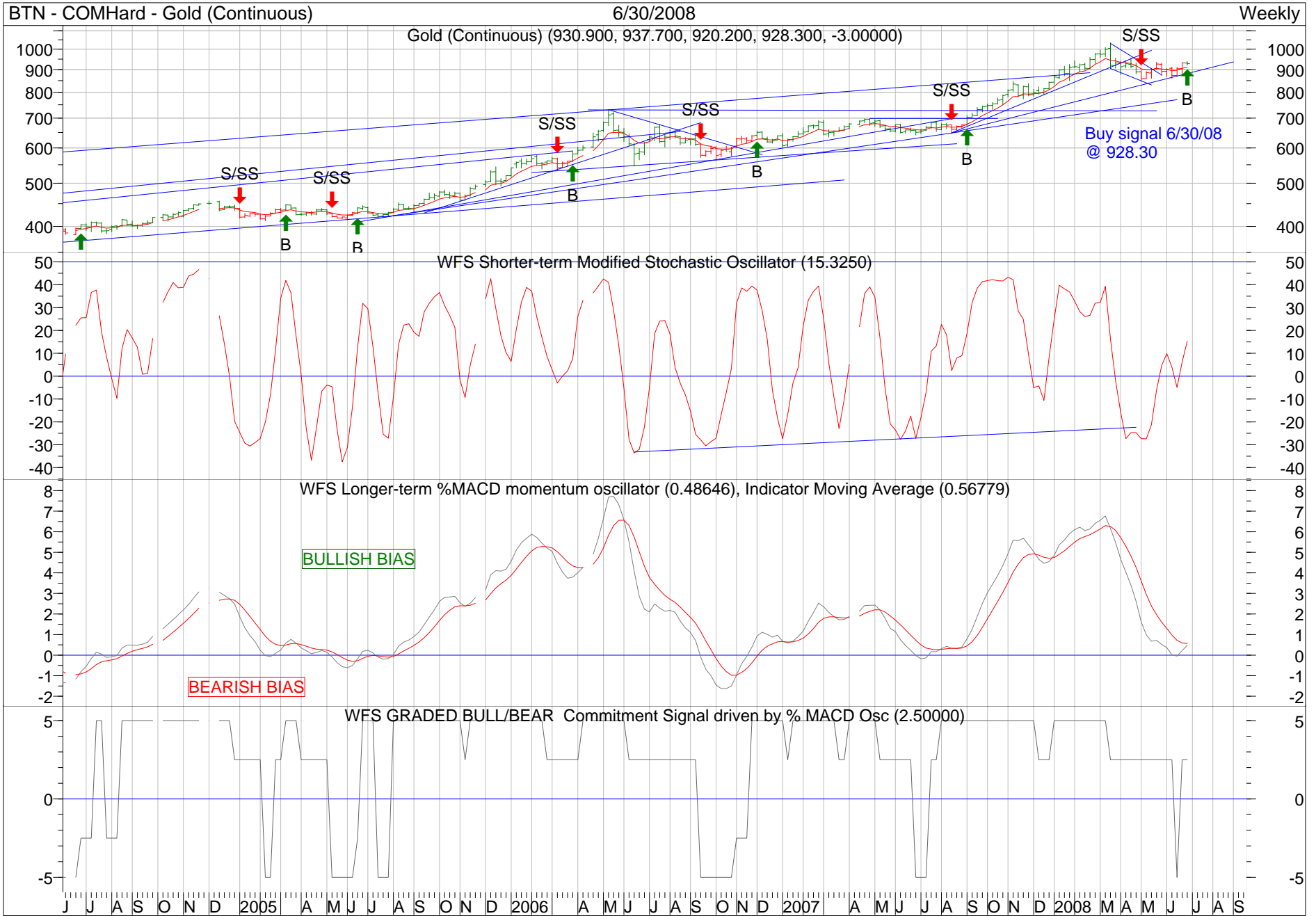
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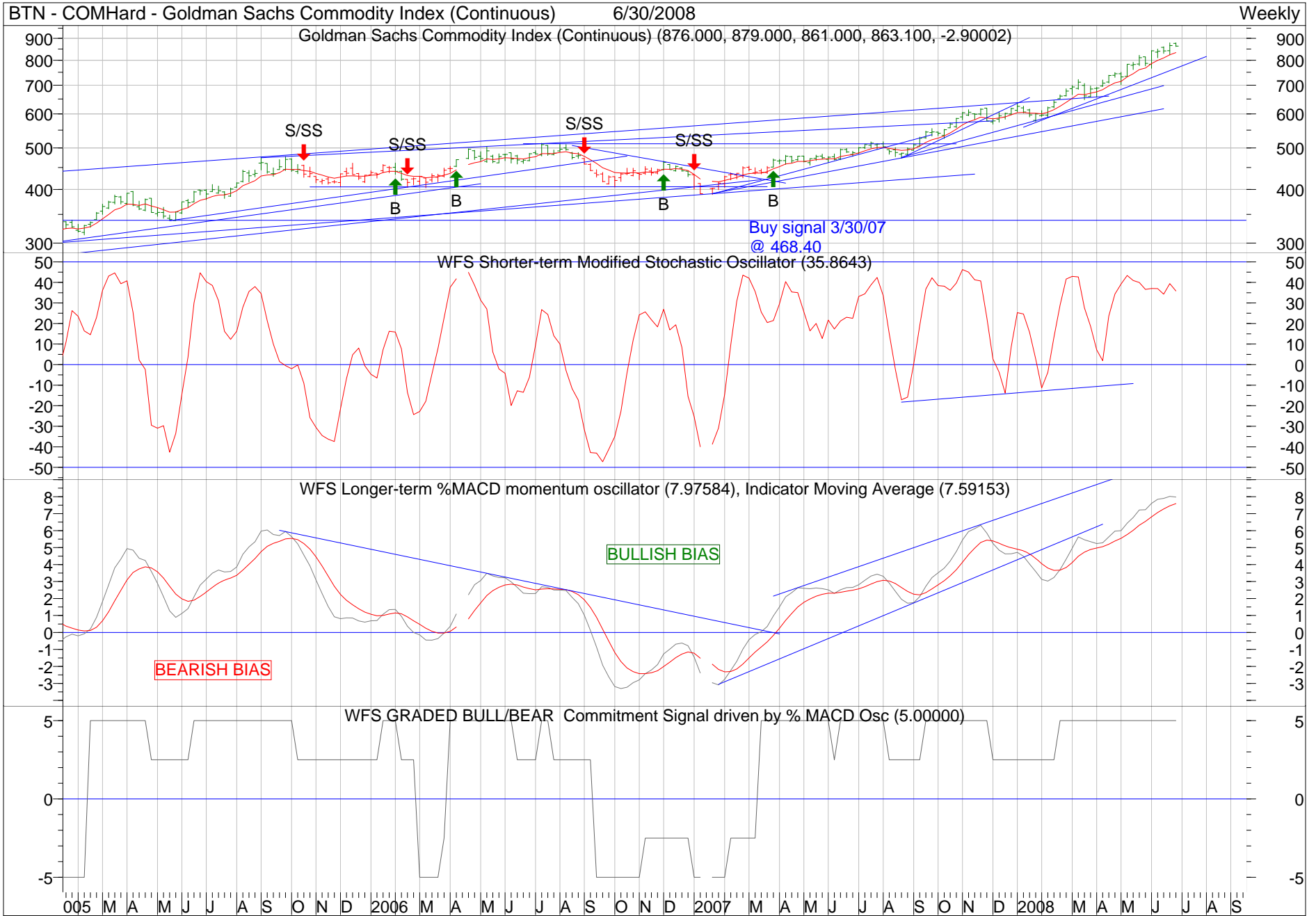
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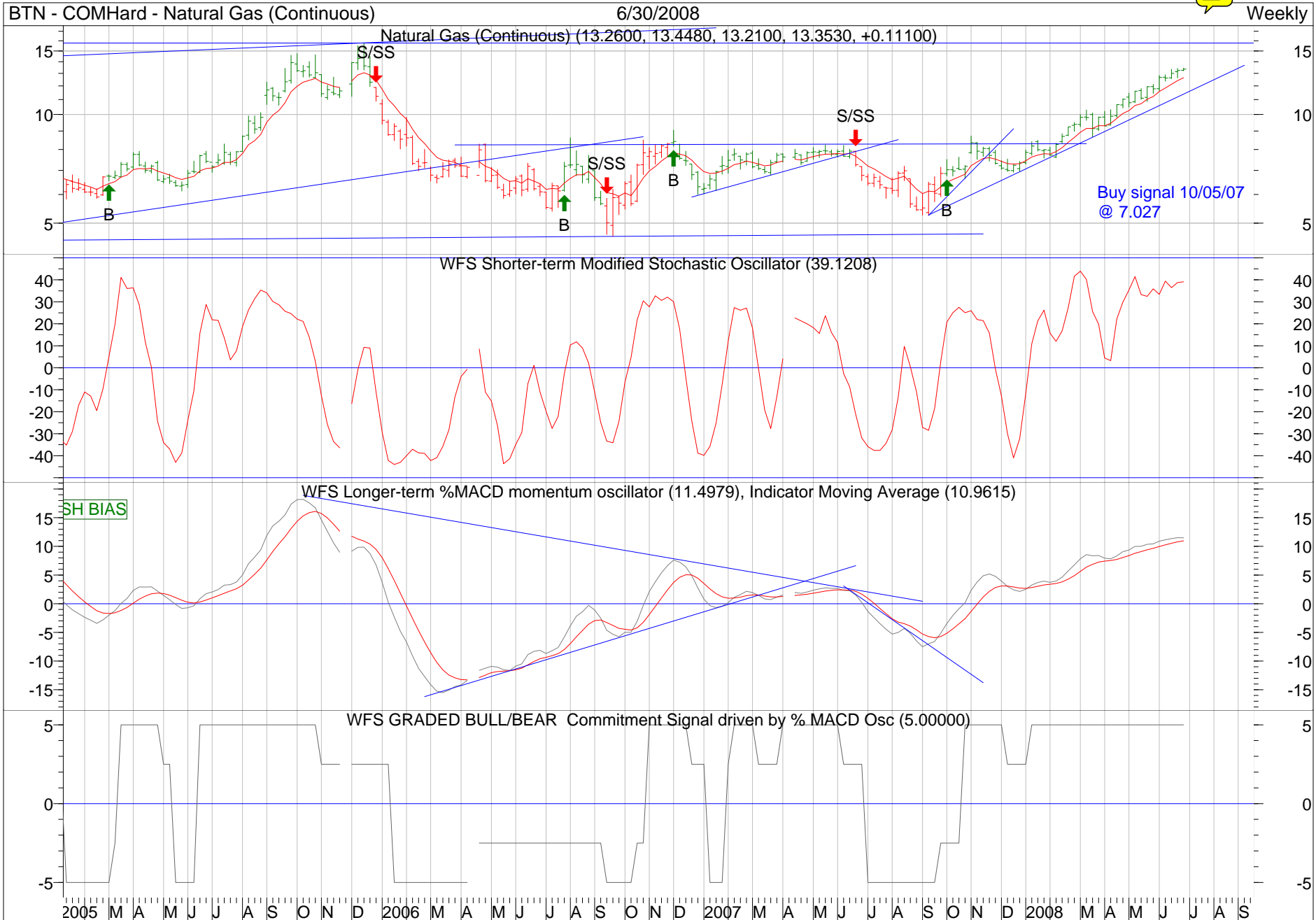


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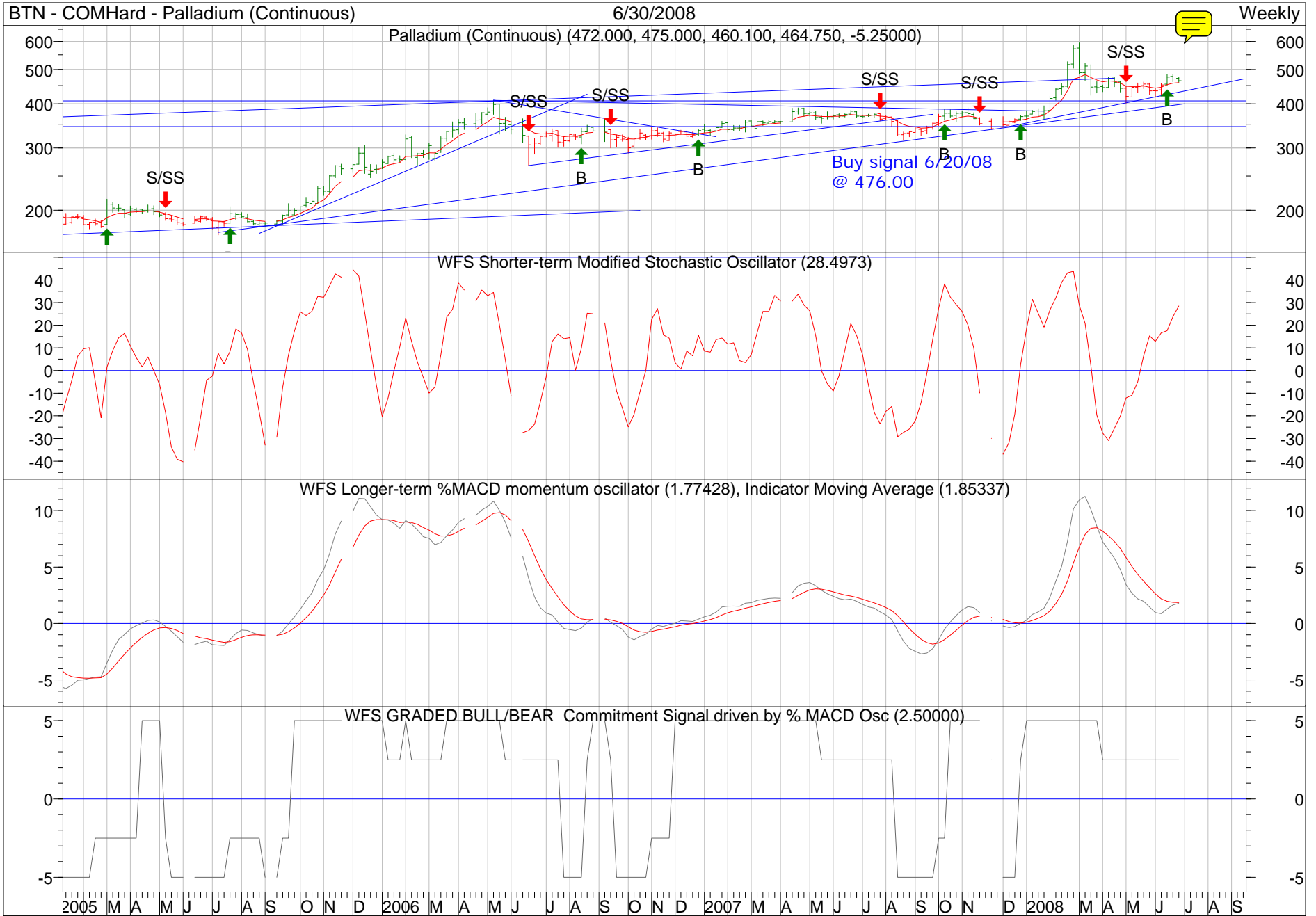


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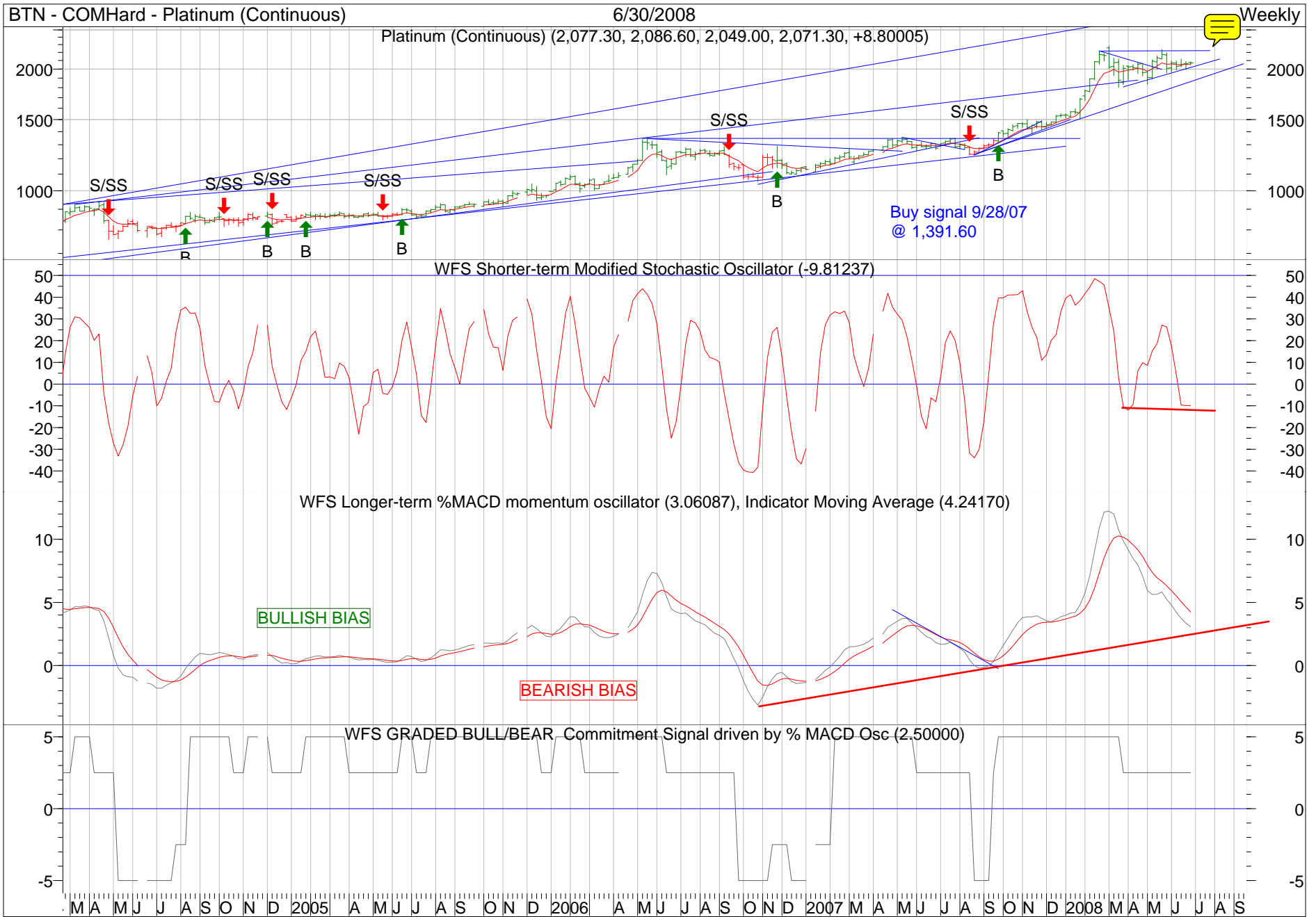




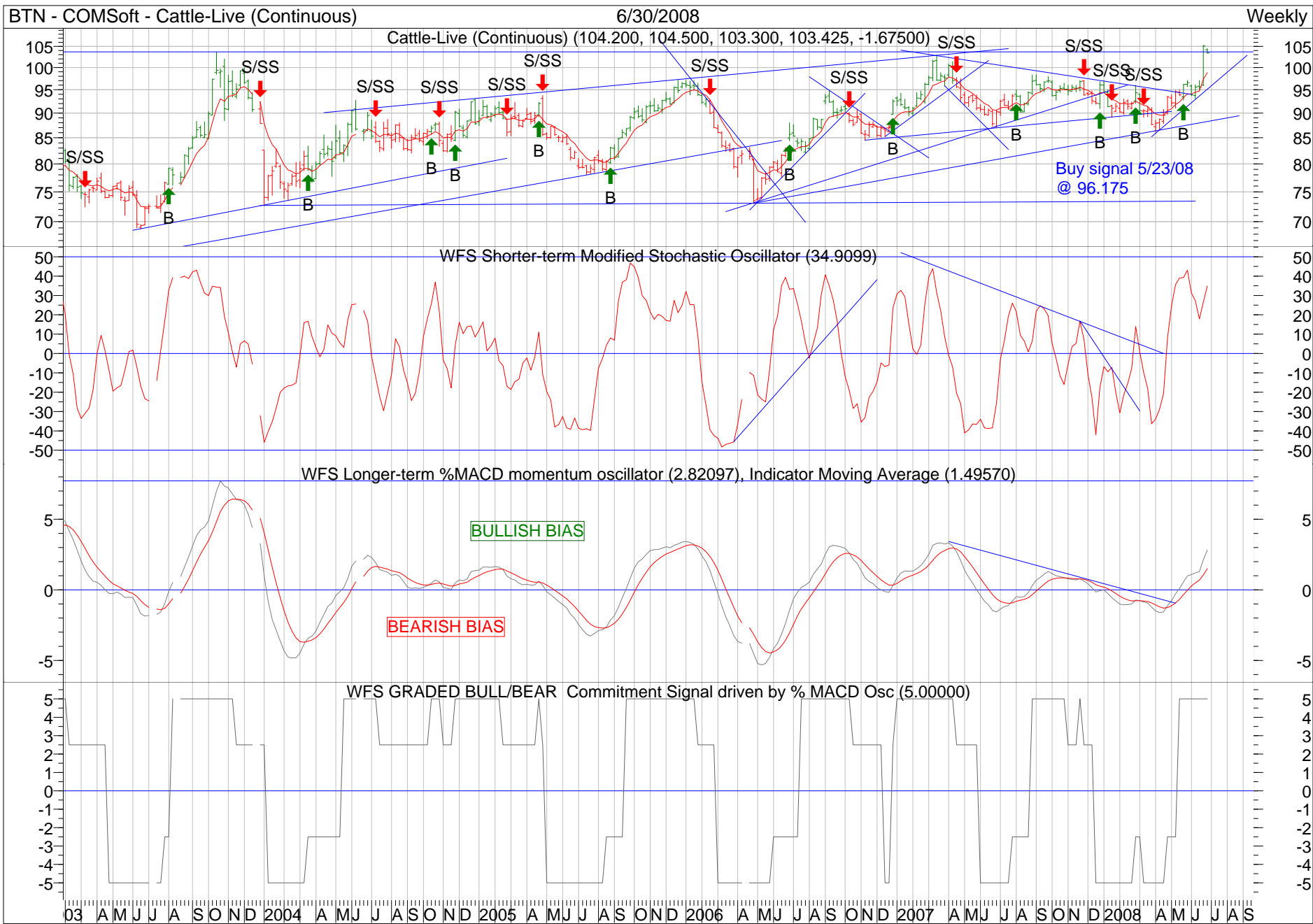
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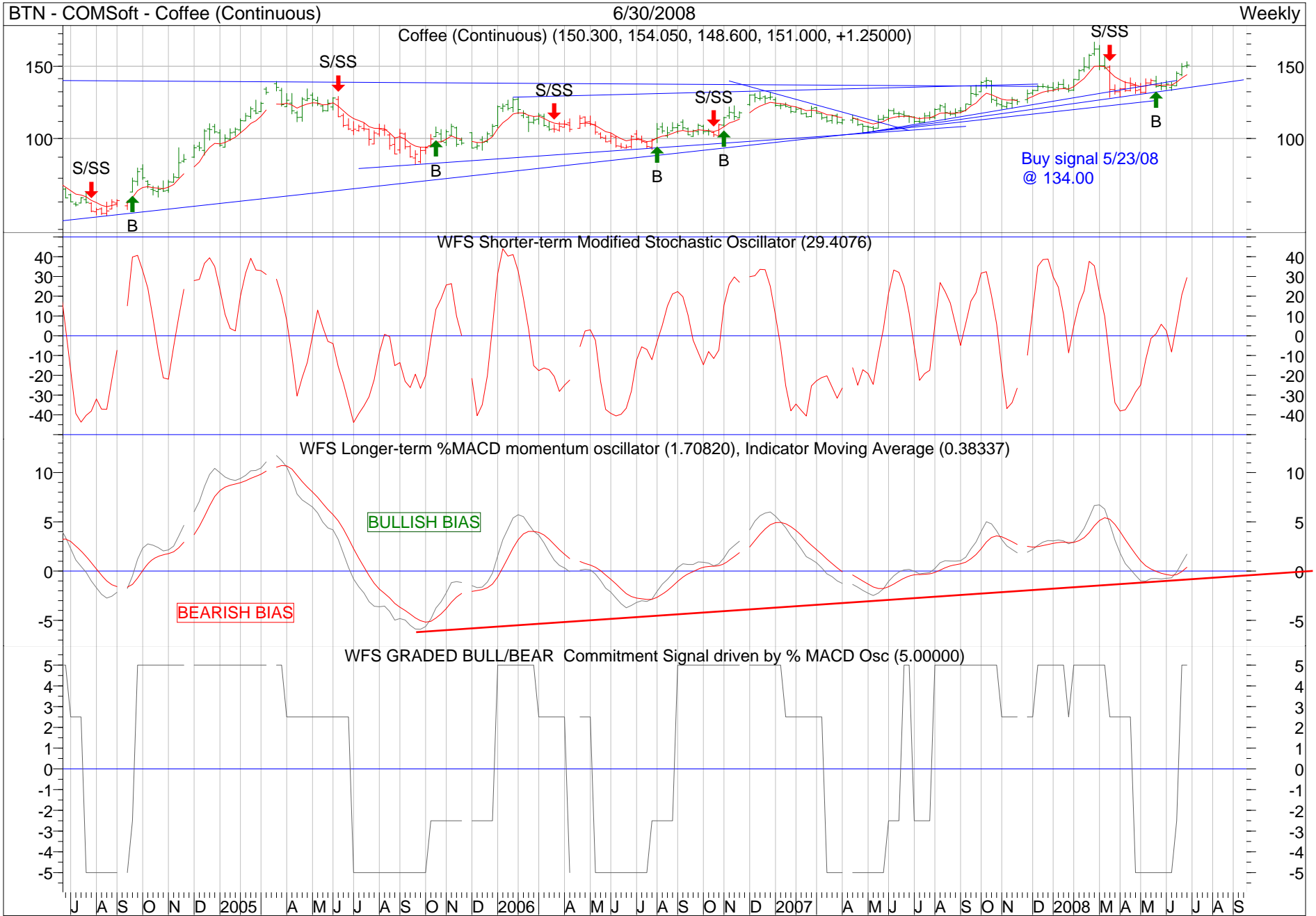
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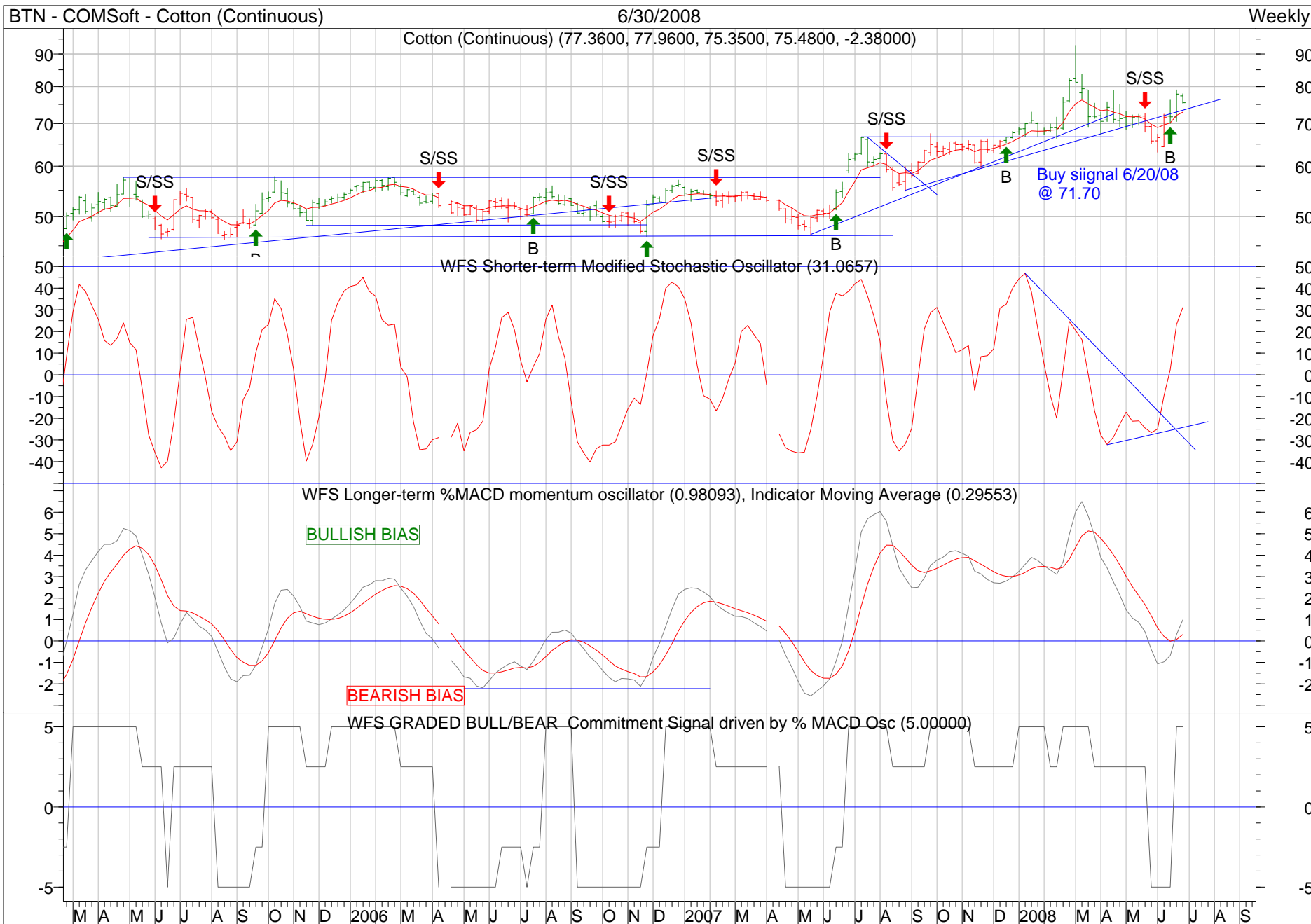
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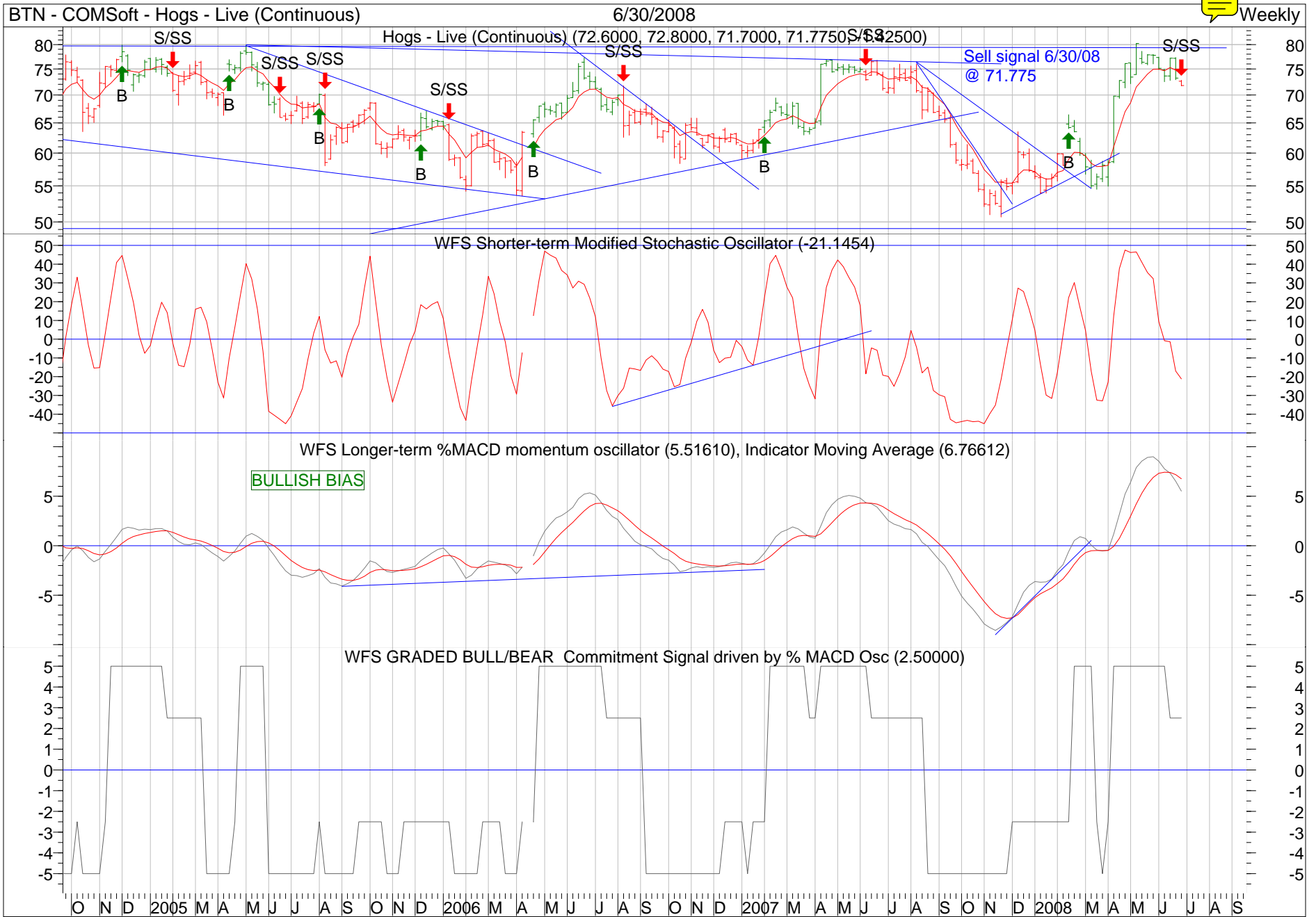
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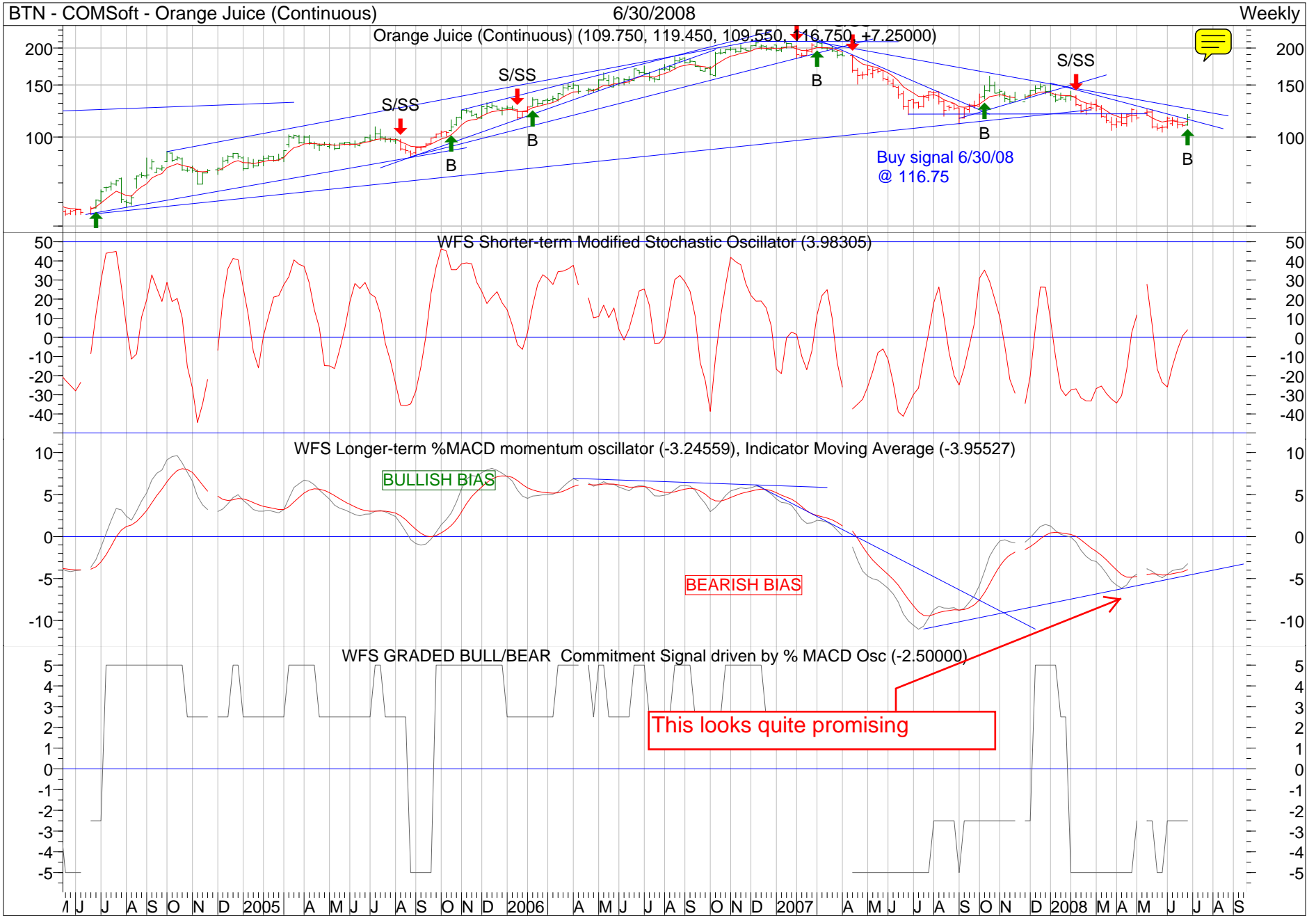
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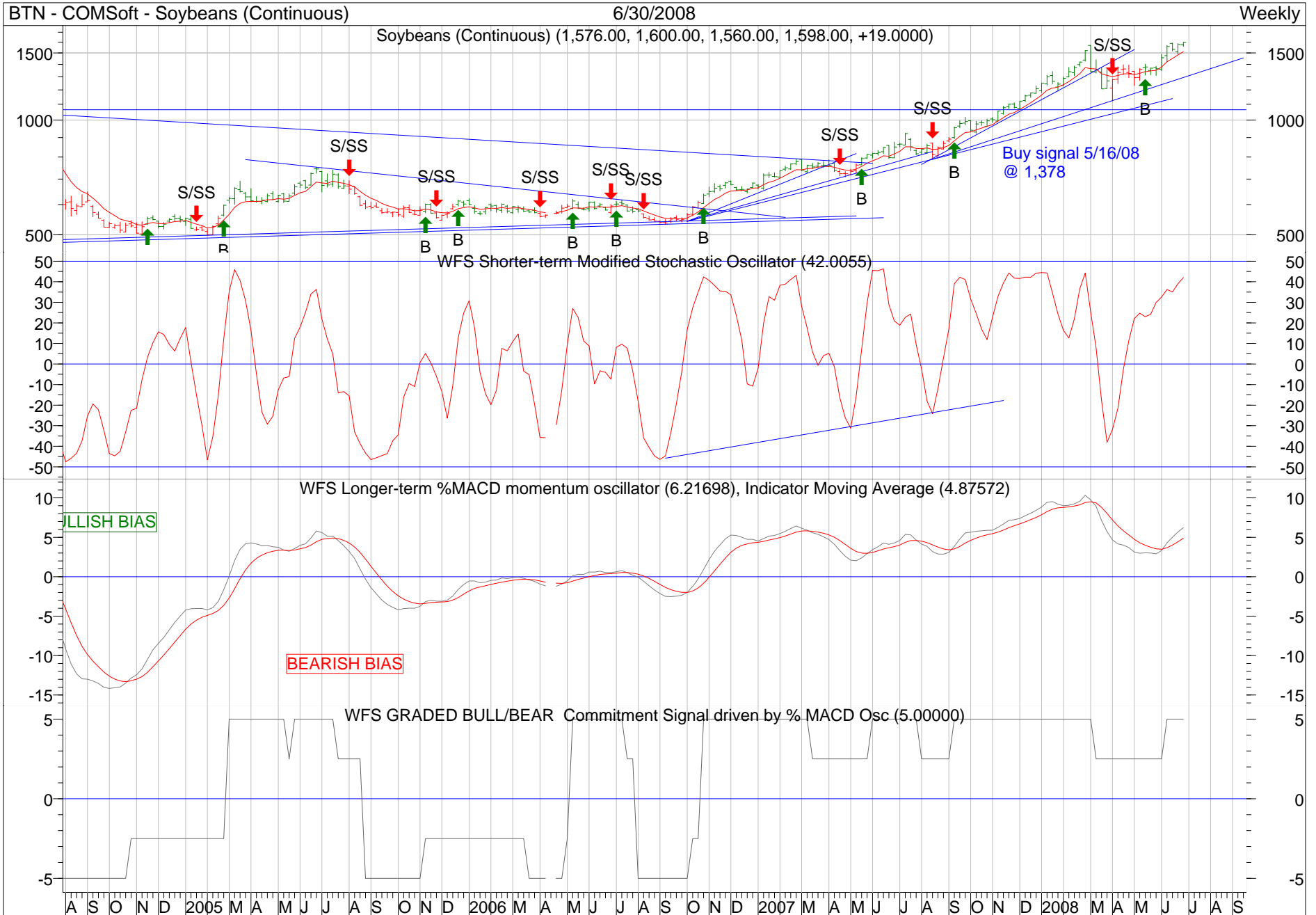
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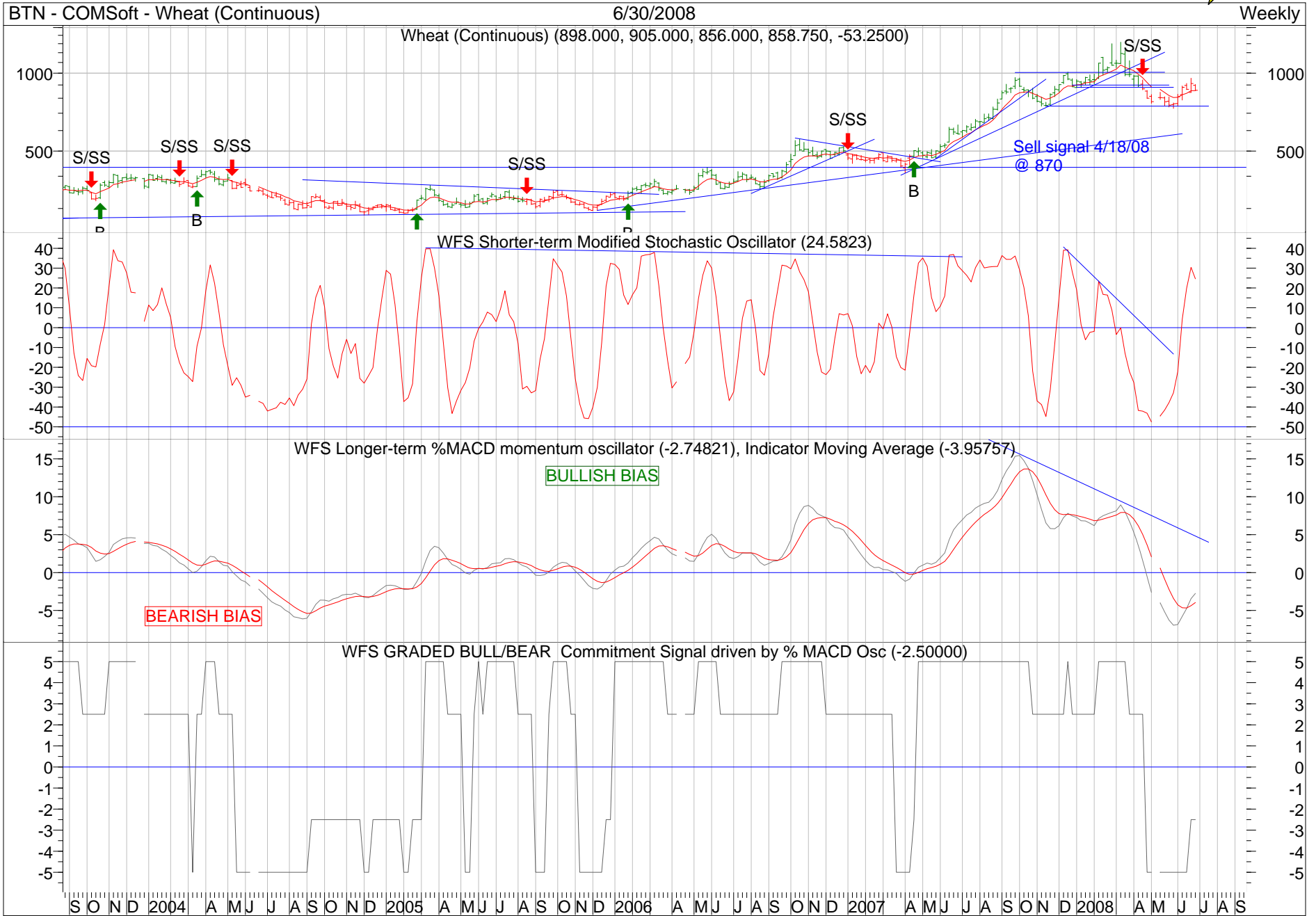
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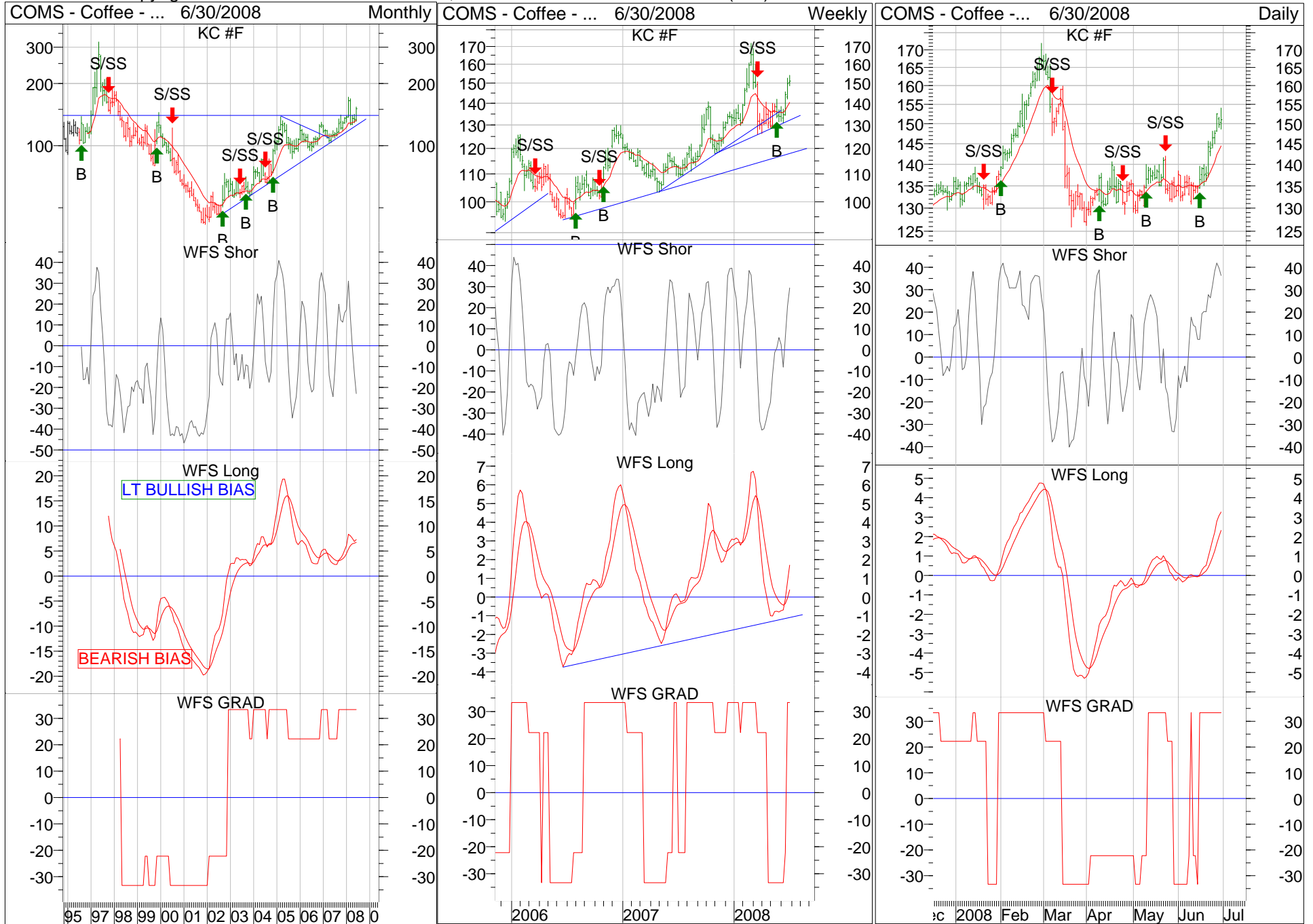
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This is a pretty bullish looking set of charts. Monthly shows a solid uptrend and weekly is supportive. Daily suggests that in the very short-term there may be a correction.

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MAJOR STOCK MARKETS

Please see note (4) below

Ranked from most to least attractive <u>Country Index & Symbol (4)</u>	30-Jun-08 <u>Value</u>	-----Momentum Rating-----			<u>Combined</u>	<u>Comment (5)</u>
		<u>Short (1)</u> <u>Term</u>	<u>Medium (2)</u> <u>Term</u>	<u>Long (3)</u> <u>Term</u>		
Austria - MSCIP iShare EWO	34.83	-2	3	2.5	3.5	Be a net seller - see chart
Brazil - MSCIP iShare EWZ	89.29	-2	3	2.5	3.5	Hold -
Canada - MSCIP iShare EWC	33.16	-2	3	2.5	3.5	Continue to reduce exposure
Denmark - Dow Jones Index \$	589.60	-2	3	2.5	3.5	Reduce positions---see comments on chart
Norway - Dow Jones Index \$	507.23	-2	3	2.5	3.5	Hold -
China - FTSE Xinhua 25 FXI	130.84	1	3	-5.0	-1.0	Sell more
Hong Kong - MSCIP iShare EWH	16.94	1	3	-5.0	-1.0	Sell/conditional sell short rec. on chart
Singapore - MSCIP iShare EWS	12.41	1	3	-5.0	-1.0	Hold/conditional sell on chart
Mexico - MSCIP iShare EWC	56.94	-2	-3	2.5	-2.5	Sell/avoid
Australia - MSCIP iShare EWA	26.47	-2	3	-5.0	-4.0	Avoid...see chart re selling short
Japan - MSCIP iShare EWJ	12.47	-2	3	-5.0	-4.0	Sell-conditional short-see comments on chart
United States (S&P 500)	1,280.00	-2	3	-5.0	-4.0	See comments on chart
Finland - Dow Jones Index \$	1,280.50	1	-3	-5.0	-7.0	May rally, but we'd avoid...see chart
Malaysia - MSCIP iShare EWM	10.40	1	-3	-5.0	-7.0	Stay short
United Kingdom - MSCIP iShare EWU	20.72	1	-3	-5.0	-7.0	Hold - with conditional sell/sell short recommendation
Belgium - MSCIP iShare EWK	18.96	-2	-3	-5.0	-10.0	Sell/sell short on further weakness
France - MSCIP iShare EWQ	32.22	-2	-3	-5.0	-10.0	Sell-conditional short-see comments on chart
Germany - MSCIP iShare EWG	29.50	-2	-3	-5.0	-10.0	Sell-conditional short-see comments on chart
Italy - MSCIP iShare EWI	26.91	-2	-3	-5.0	-10.0	Sell/sell short
Netherlands - MSCIP iShare EWN	24.89	-2	-3	-5.0	-10.0	Sell-conditional short-see comments on chart
New Zealand - Dow Jones Index \$US	193.39	-2	-3	-5.0	-10.0	Stay short/cover if downtrend broken
Portugal - Dow Jones Index \$	247.21	-2	-3	-5.0	-10.0	Stay short
South Korea - MSCIP iShare EWY	51.04	-2	-3	-5.0	-10.0	Hold - see comments re selling all and going short
Spain - MSCIP iShare EWP	54.15	-2	-3	-5.0	-10.0	Neutral
Sweden - MSCIP iShare EWD	25.63	-2	-3	-5.0	-10.0	Conditional sell and sell short rec. on chart
Switzerland - MSCIP iShare EWL	23.80	-2	-3	-5.0	-10.0	Hold - with conditional sell/sell short recs. On chart

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Taiwan - MSCIP iShare EWT	14.12	-2	-3	-5.0	-10.0	Continue to sell
Today's Averages		<u>-1.3</u>	<u>-0.6</u>	<u>-3.3</u>	<u>-5.2</u>	
Best Possible		<u>2.0</u>	<u>3.0</u>	<u>5.0</u>	<u>10.0</u>	
Today's Averages as % Best Possible		-66.7%	-18.5%	-66.7%	-52.2%	
Dow Jones World Index ex U.S.A.	241.87	<u>-2.0</u>	<u>3.0</u>	<u>-5.0</u>	<u>-4.0</u>	See comments on chart
% of Best Possible Rating		-100.0%	100.0%	-100.0%	-40.0%	

Notes:

- (1) The shape and feel of the stochastic oscillator (Scale +2 to - 2), a subjective view.
- (2) The BUY/S/SS(Sell Short) signal shown on chart (+3 or -3)
- (3) The value of WFS' LT Graded Bullish/Bearish signal as shown on the charts.
- (4) The bulk of the indices displayed here are ETF iShares designed by Barclays Global Investors to replicate the MSCIP index for each country. They are traded in U.S. \$ on the American Stock Exchange with symbols as shown. Extensive info about these is available at: http://www.ishares.com/home.jhtml?&_requestid=410727. Where no iShares exist, we use the Dow Jones Index in U.S.\$.
- (5) Most of the enclosed charts have more detailed comments on them. To find the charts, please click on the bookmark tab at left, click on the + signs to fully open the index, then click on the chart you would like to see. Once there a click on a yellow tab will open up the note.

Commentary:

Although at the beginning of May we had pointed out that markets were overbought and beginning to correct, we wish we had said **“sell in May and go away.”**

At the beginning of June we did recommend “taking some money off the equity market table”. We might have been more emphatic, but, frankly, we can see that markets were near their peaks and had not deteriorated sufficiently to make that other than a lucky technical call.

As we write this, the momentum of world stock markets is still headed south with a number of medium-term fractal sell signals having been given in the past week.

Now just as **many of our short-term stochastic indicators are nearing oversold conditions**, stock market commentators are saying that we are **in an official bear market**. O.K. We do not disagree. In fact, we wholeheartedly agree, for **we see** a number of markets which have **developed classic head and shoulders tops** (our favorite pattern) with prices now having just finished the right shoulder and about to (maybe) find a bit of support from the neckline. **We see these formations in the Dow Jones World Index, and also in Australia, France, Germany, Malaysia, the Netherlands and Switzerland....not to forget the Dow Jones Industrials. No place to hide. It is and will be a global bear market,**

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Given their oversold short-term conditions, **the markets may rally a bit near-term, but the odds seem very strong to us that before long they will break down for some much bigger losses.** In our opinion, **those with low risk tolerance should continue to raise cash or otherwise reduce exposure to equities; those with high risk tolerance should look toward trying to make money by buying puts and taking short positions.**

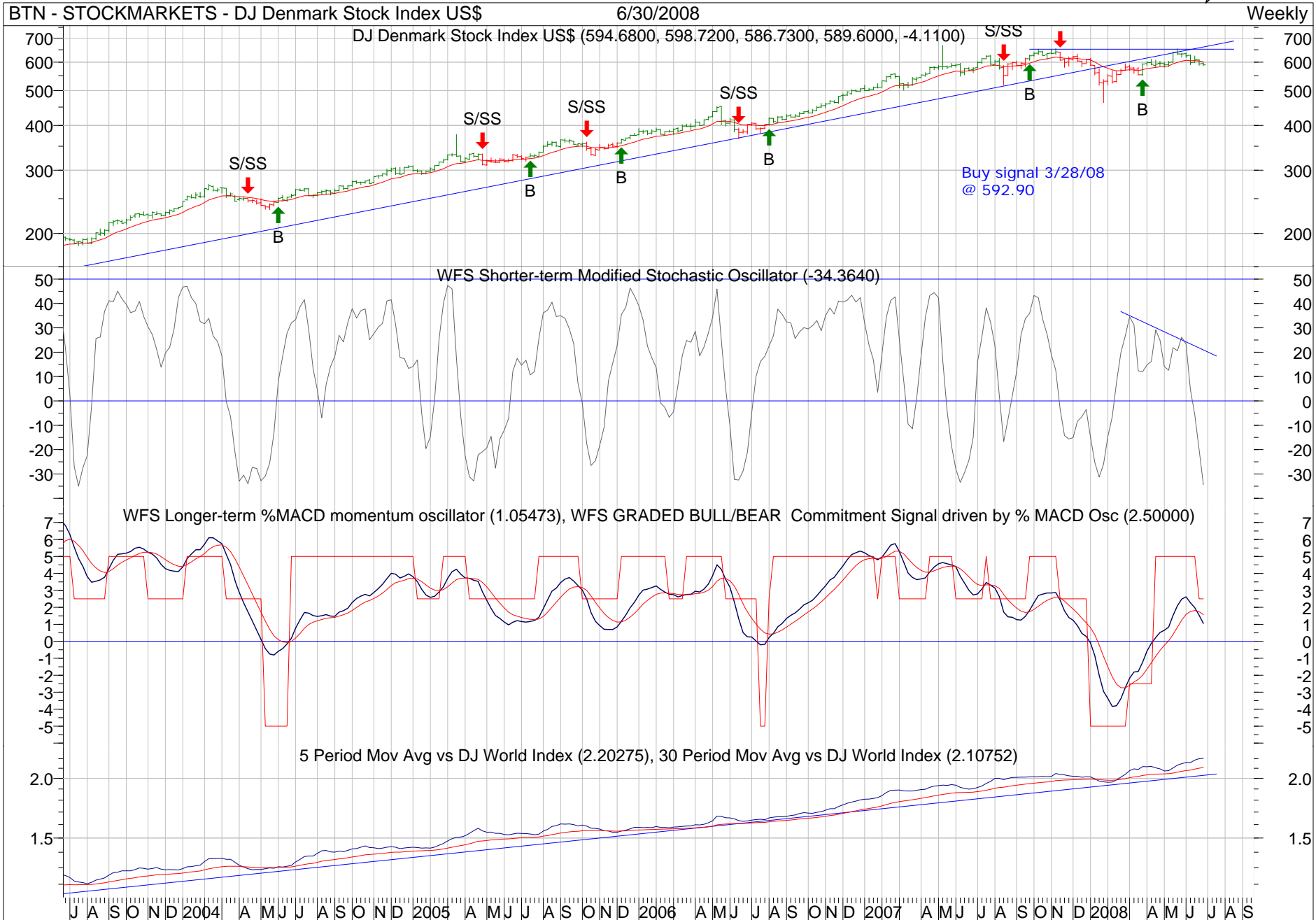
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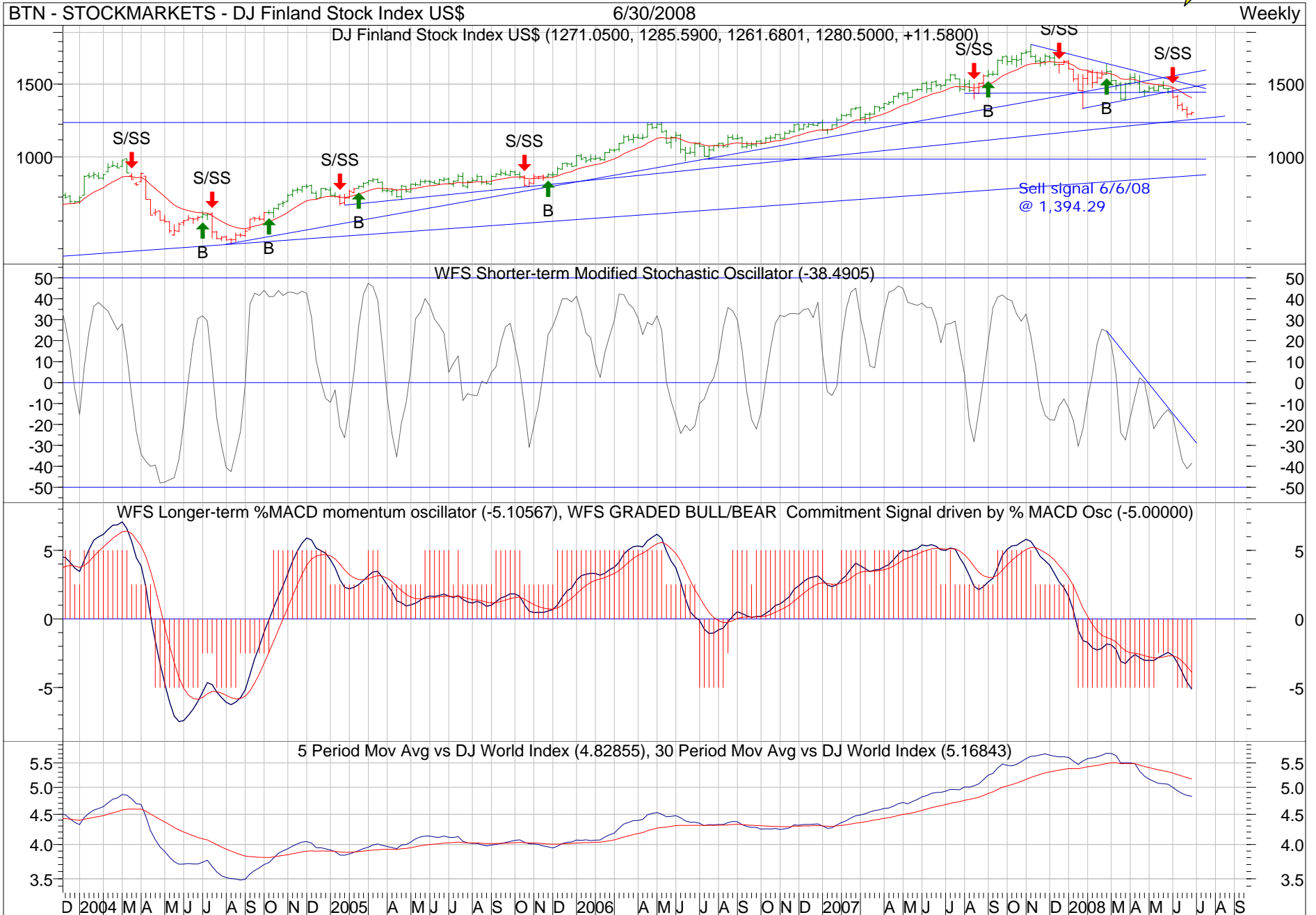
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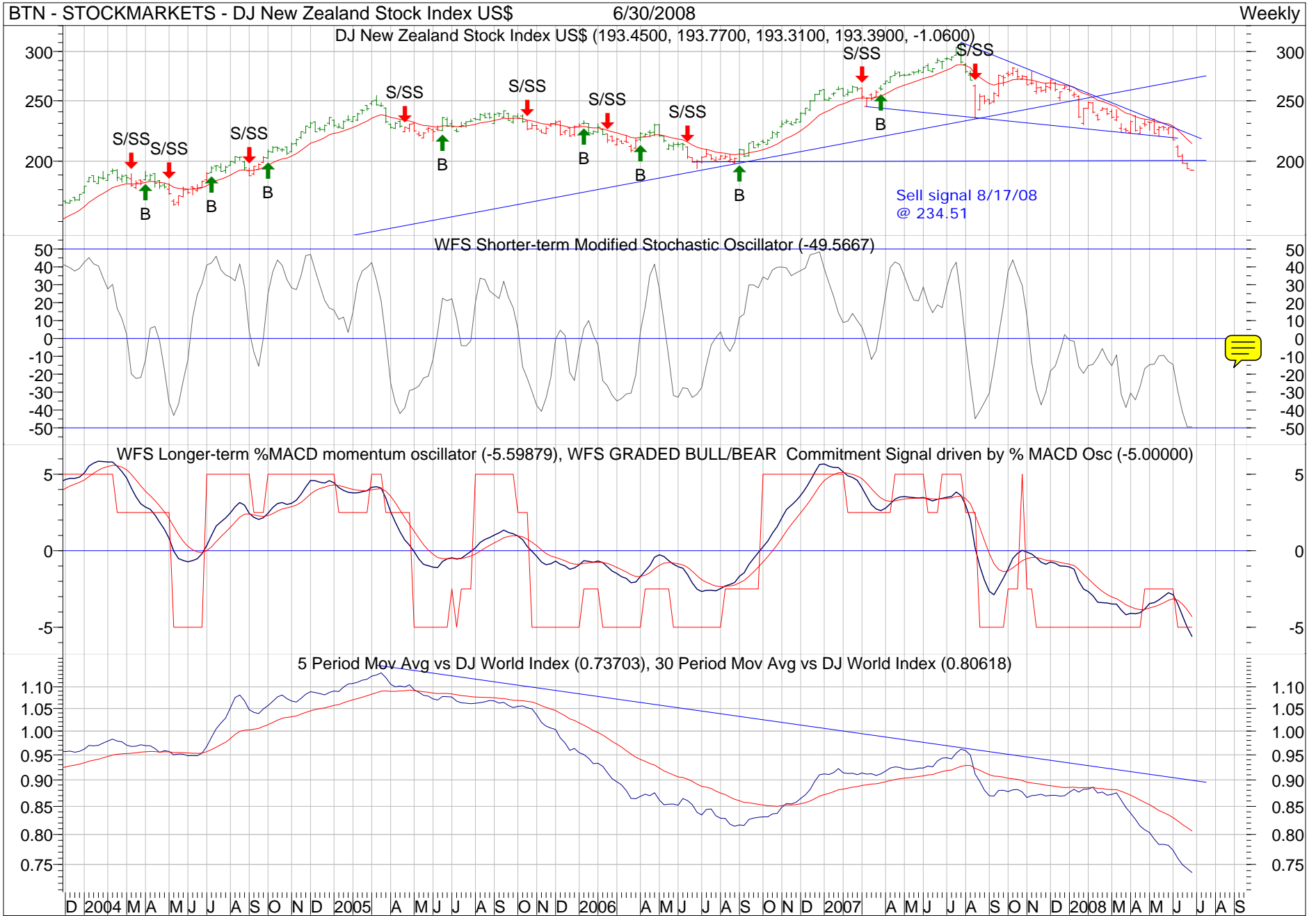
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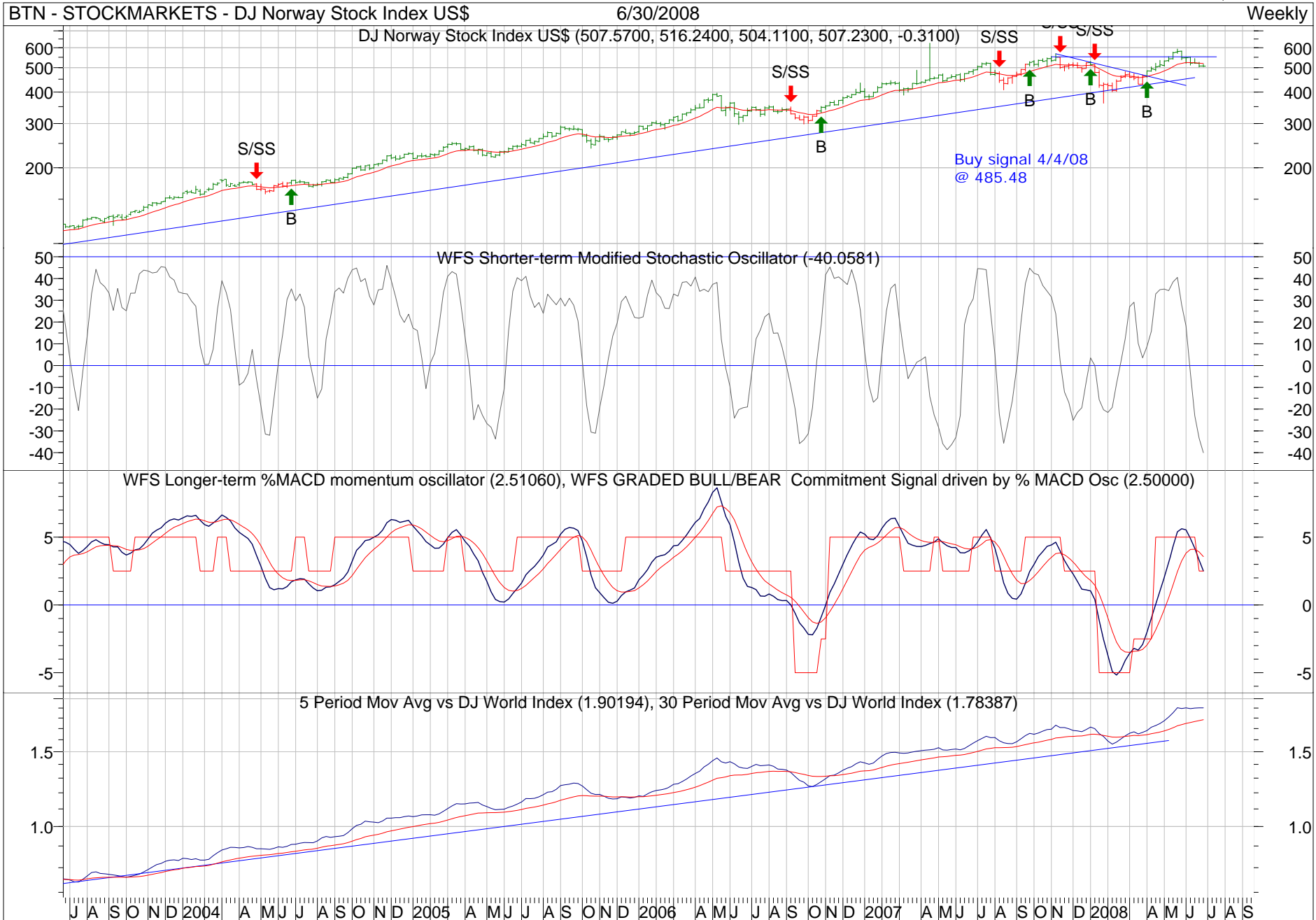
Past performance is not indicative of future performance.



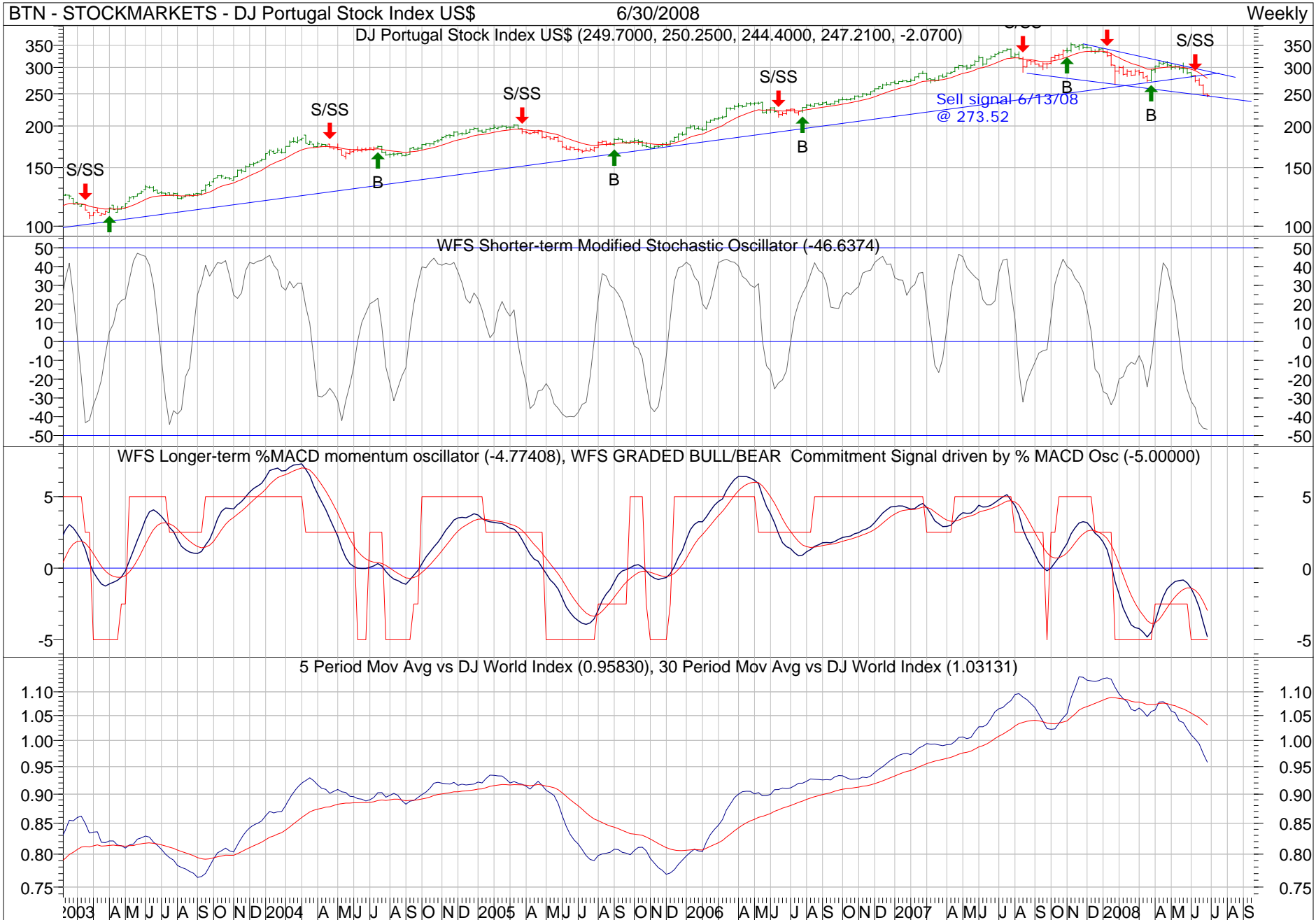
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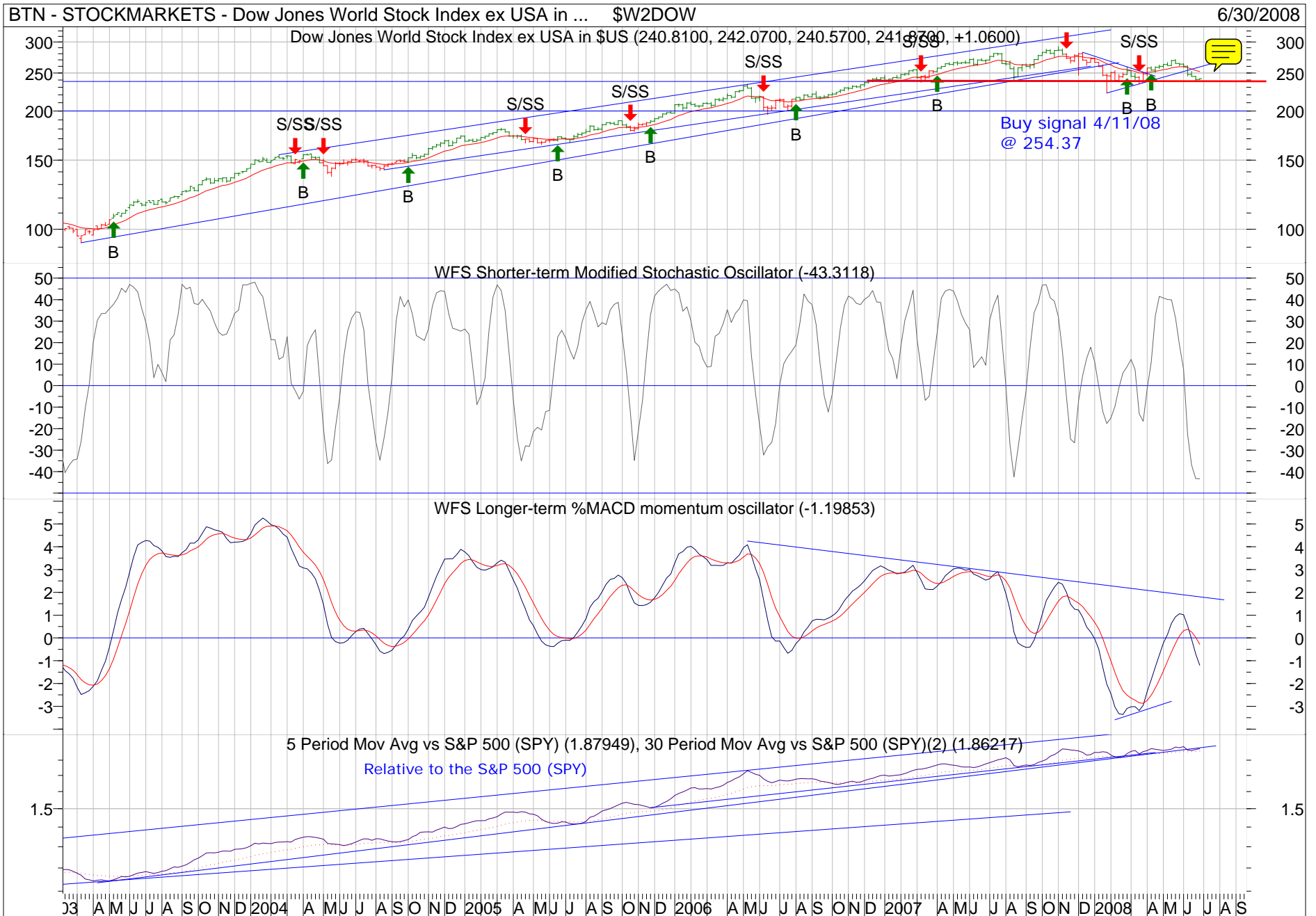
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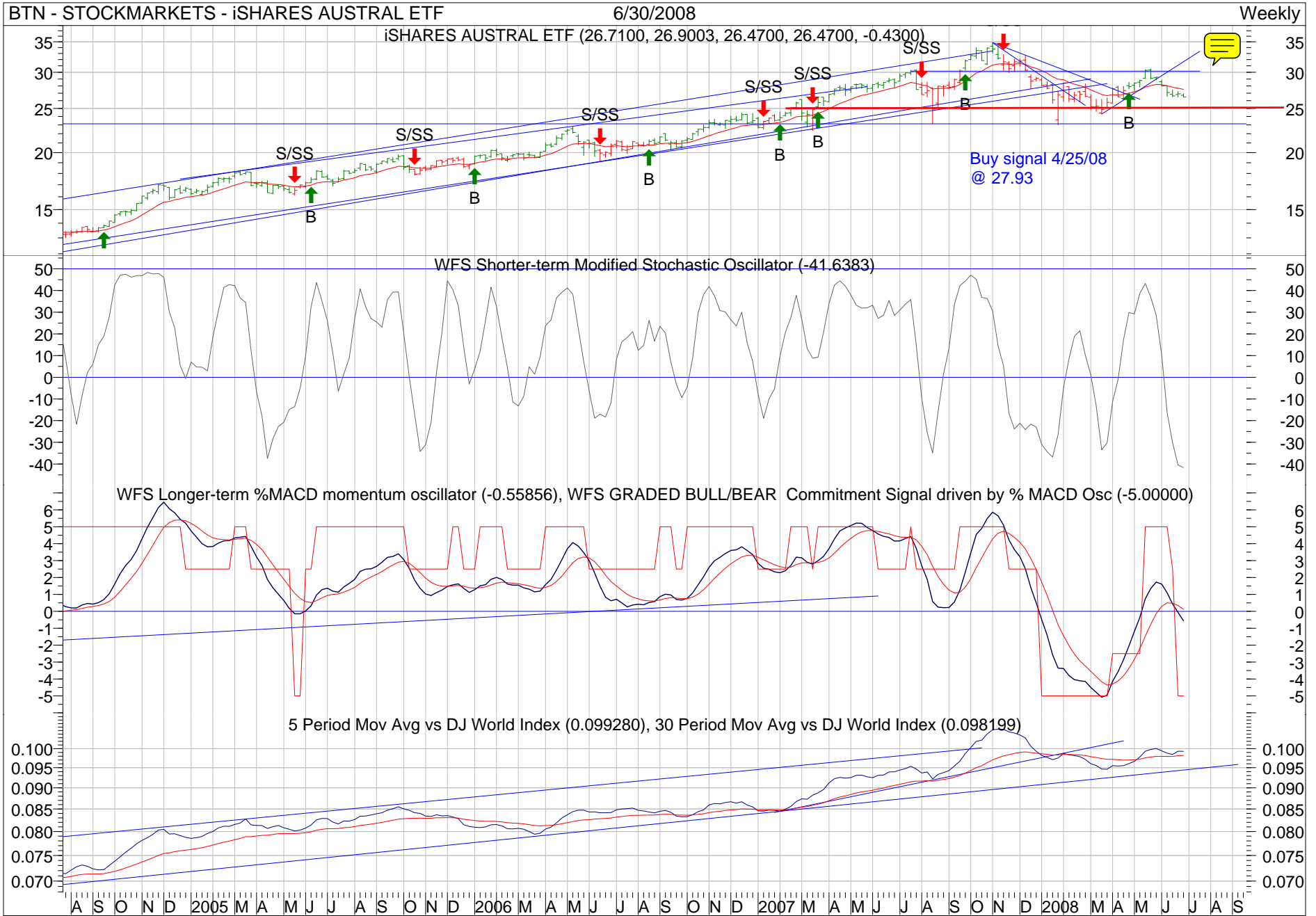
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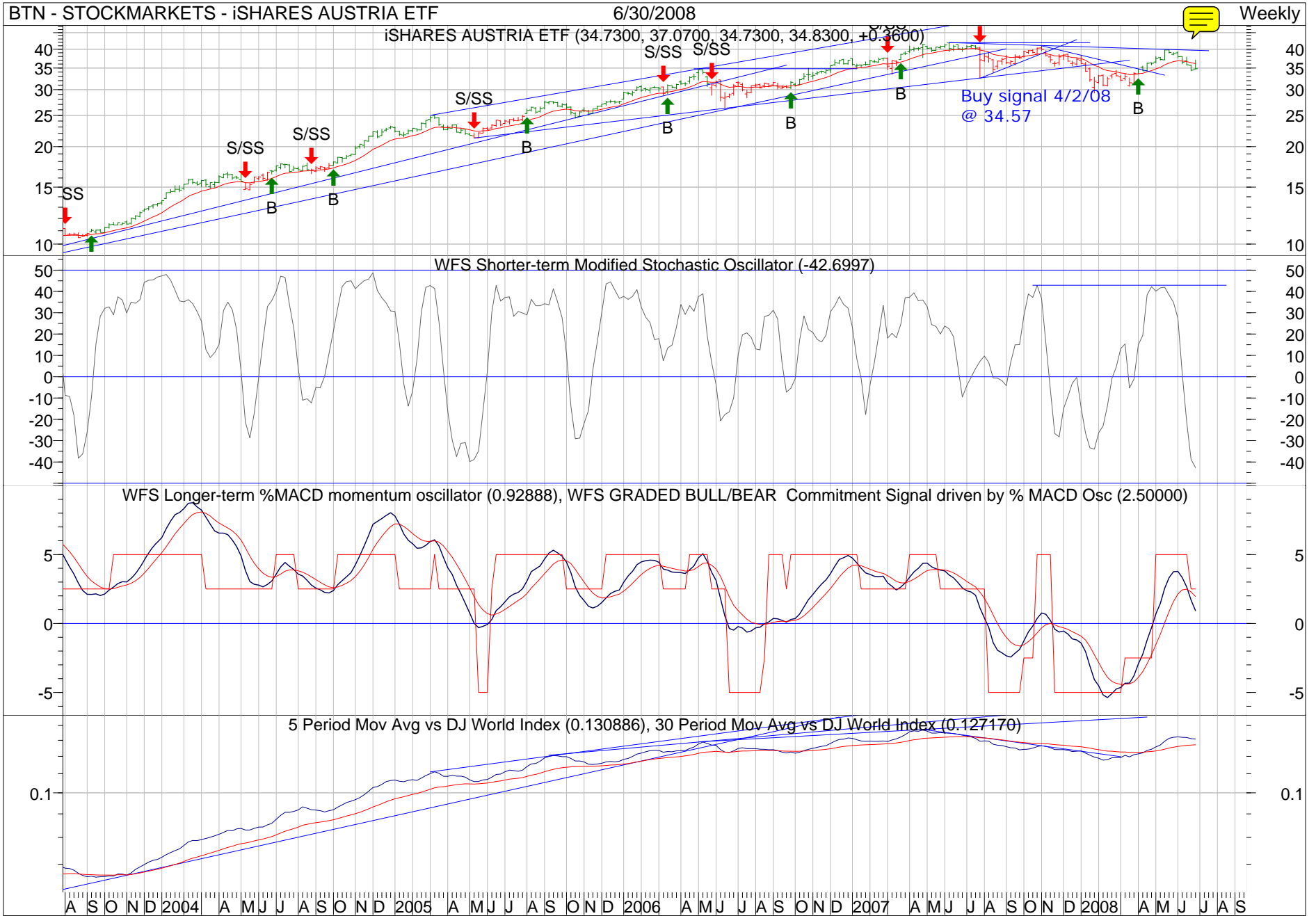
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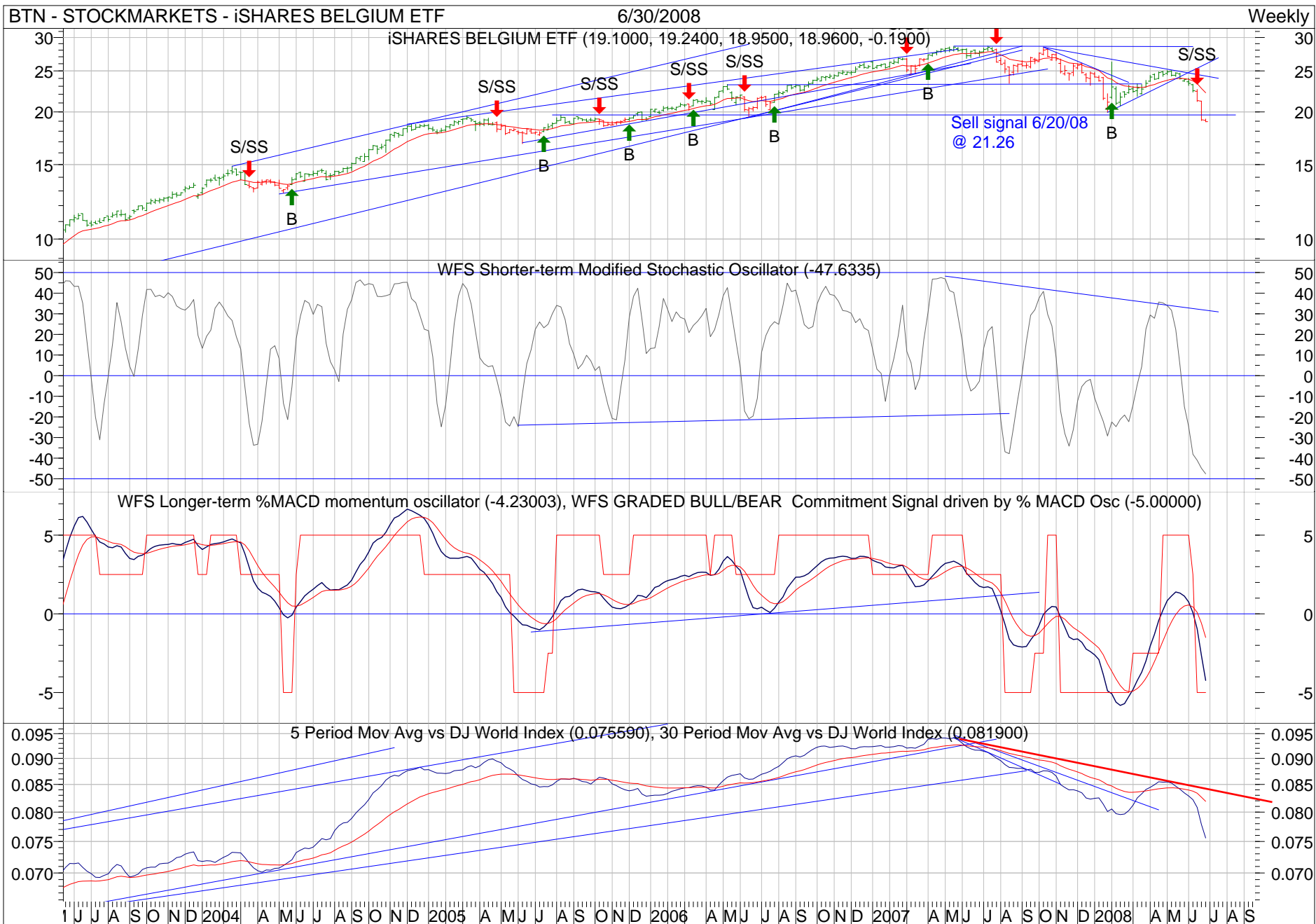
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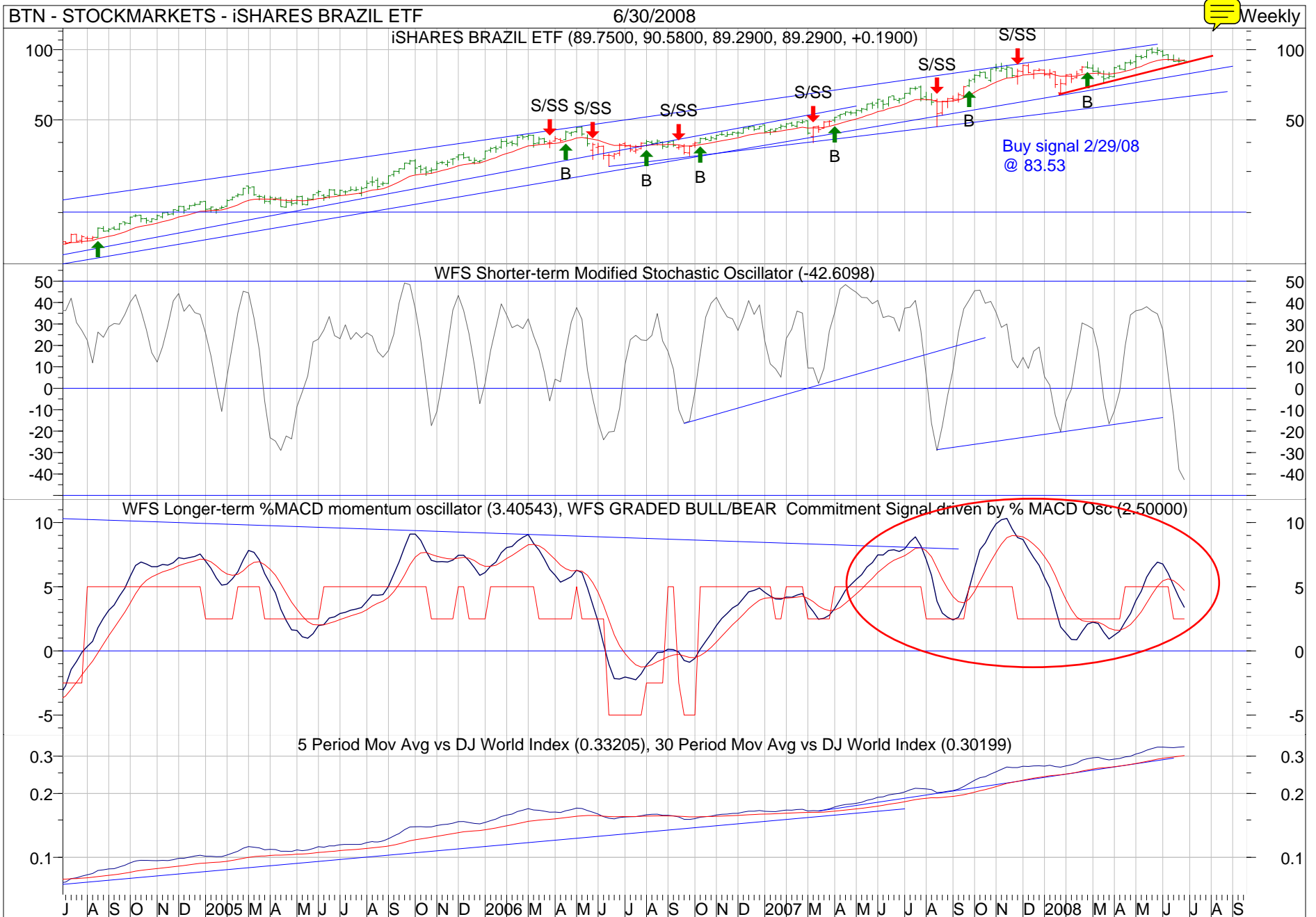
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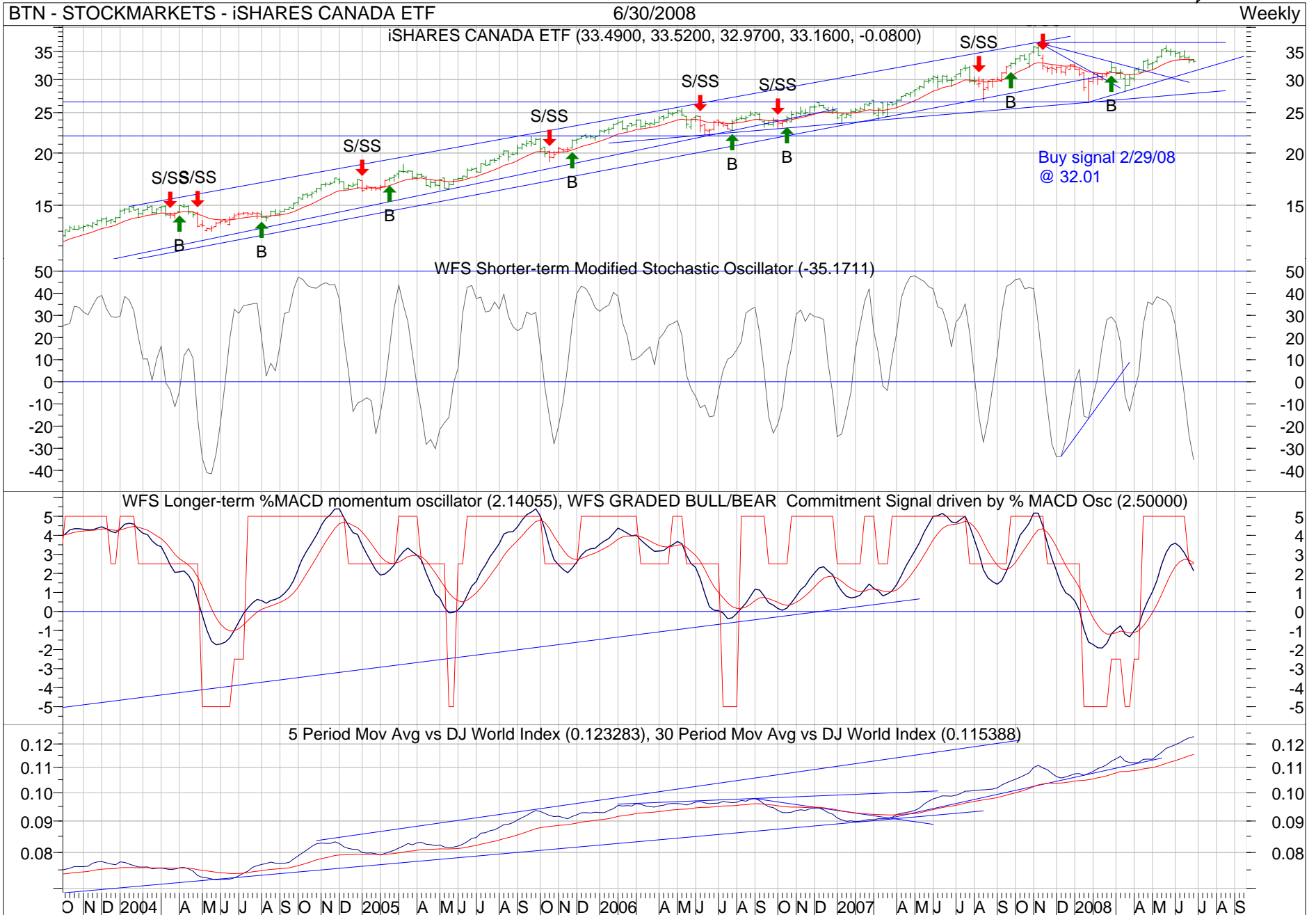
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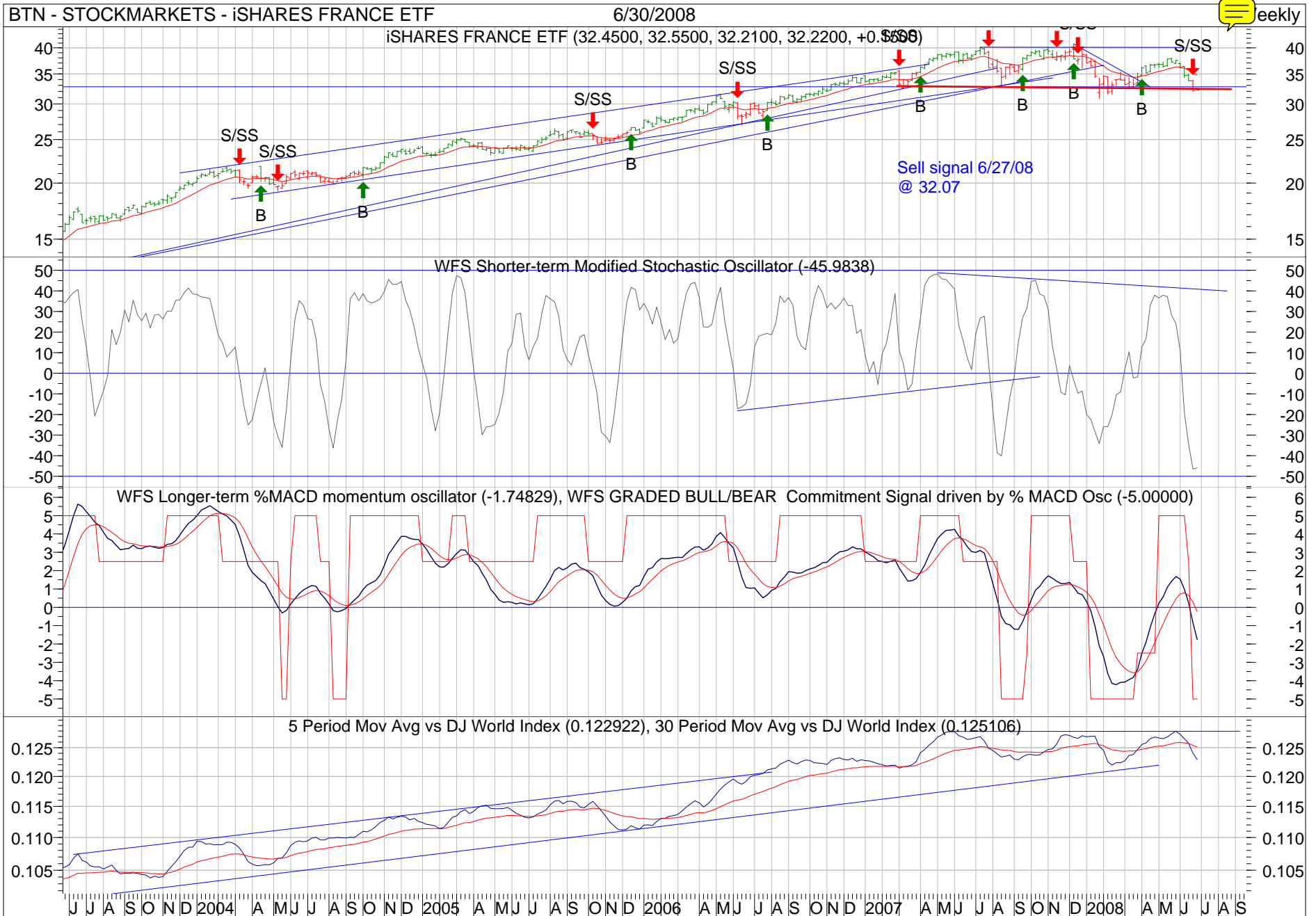
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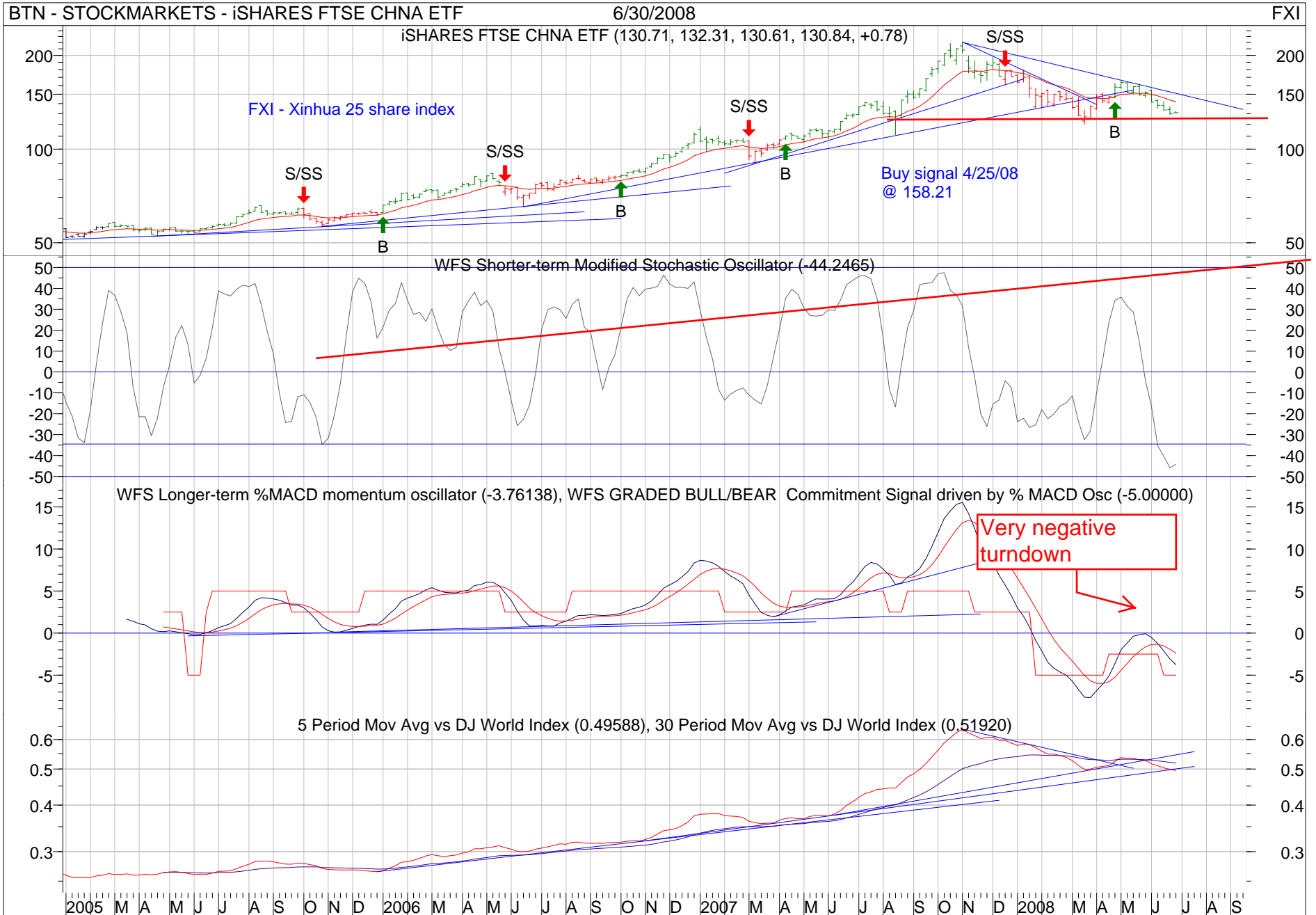
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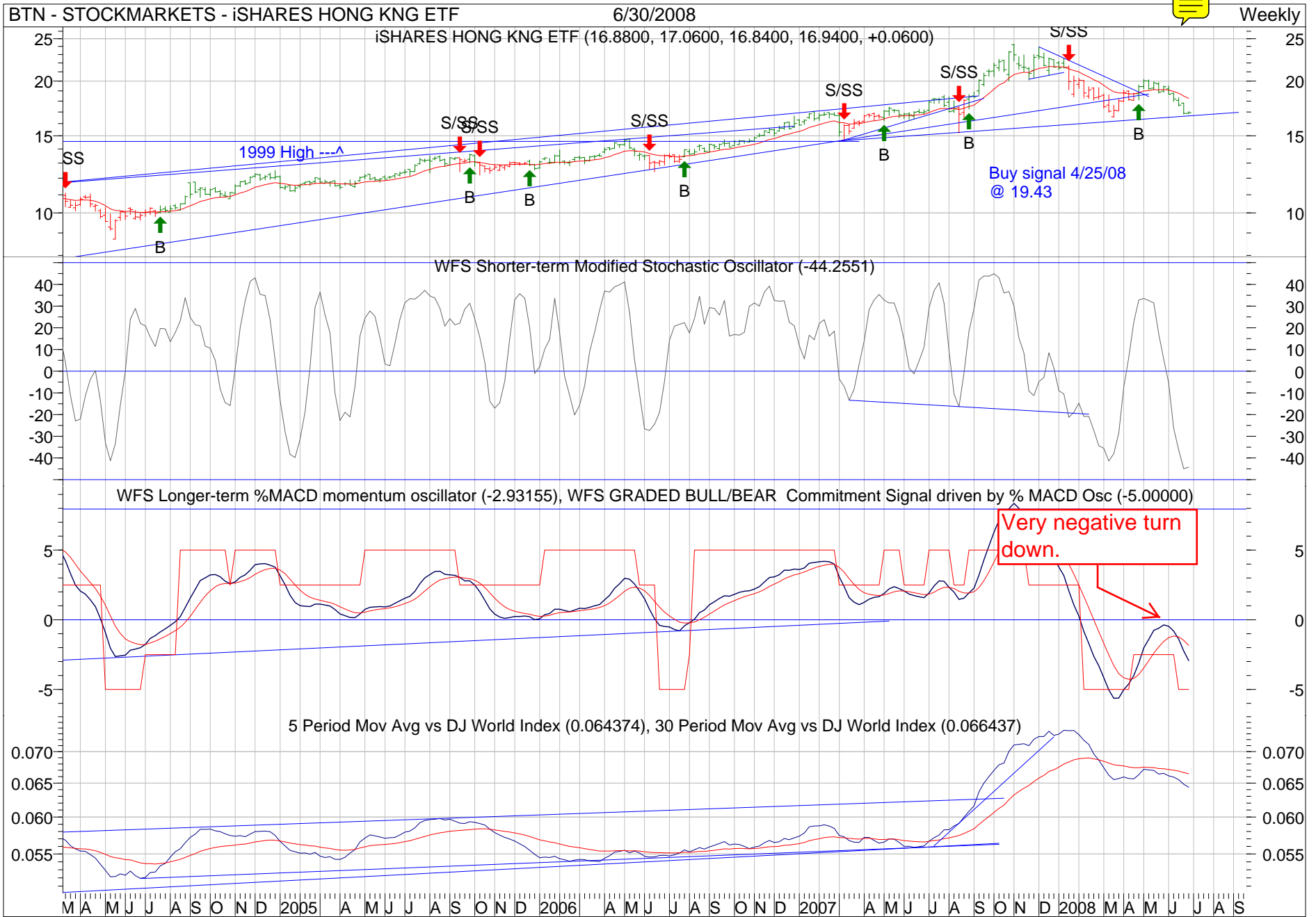
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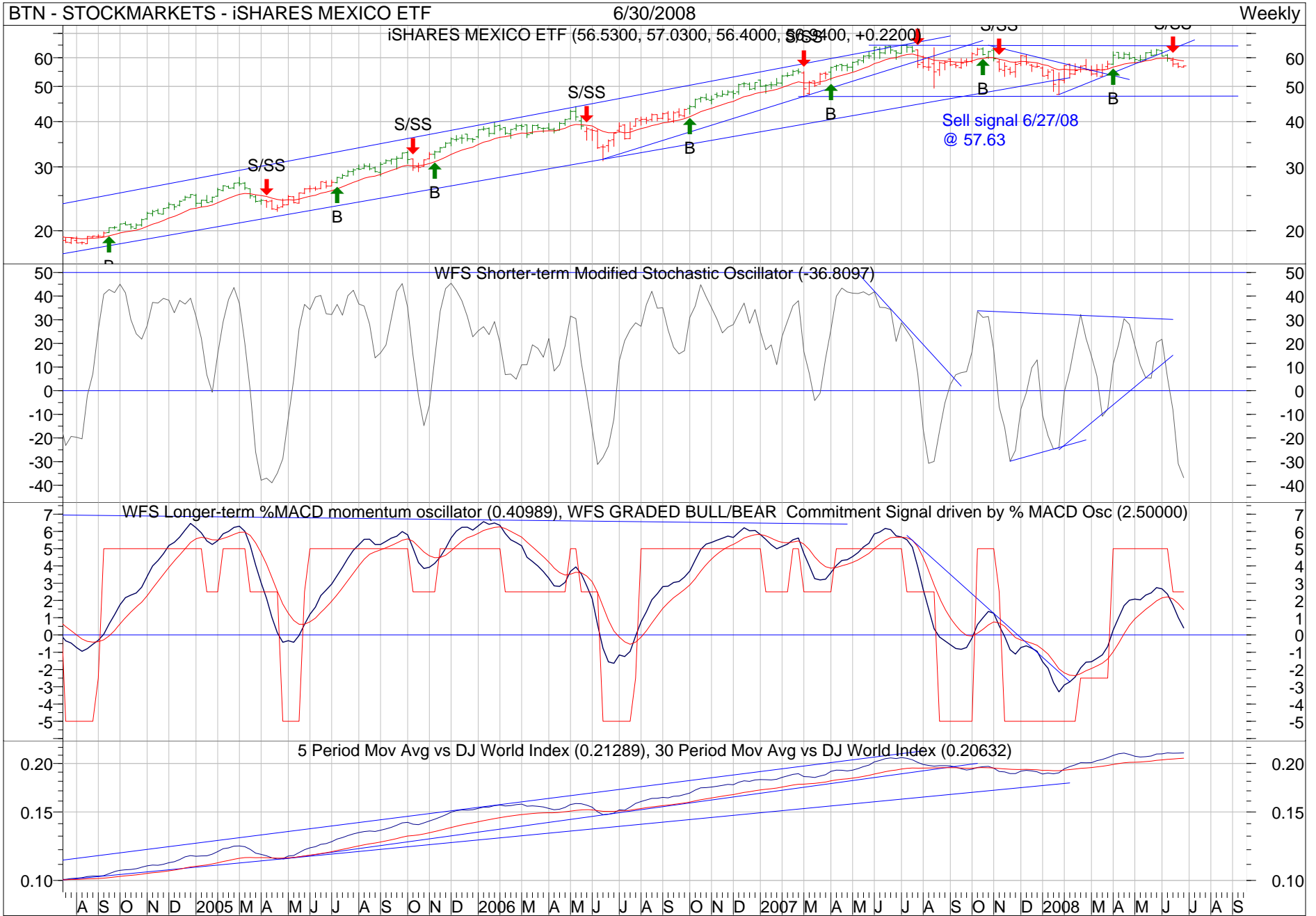
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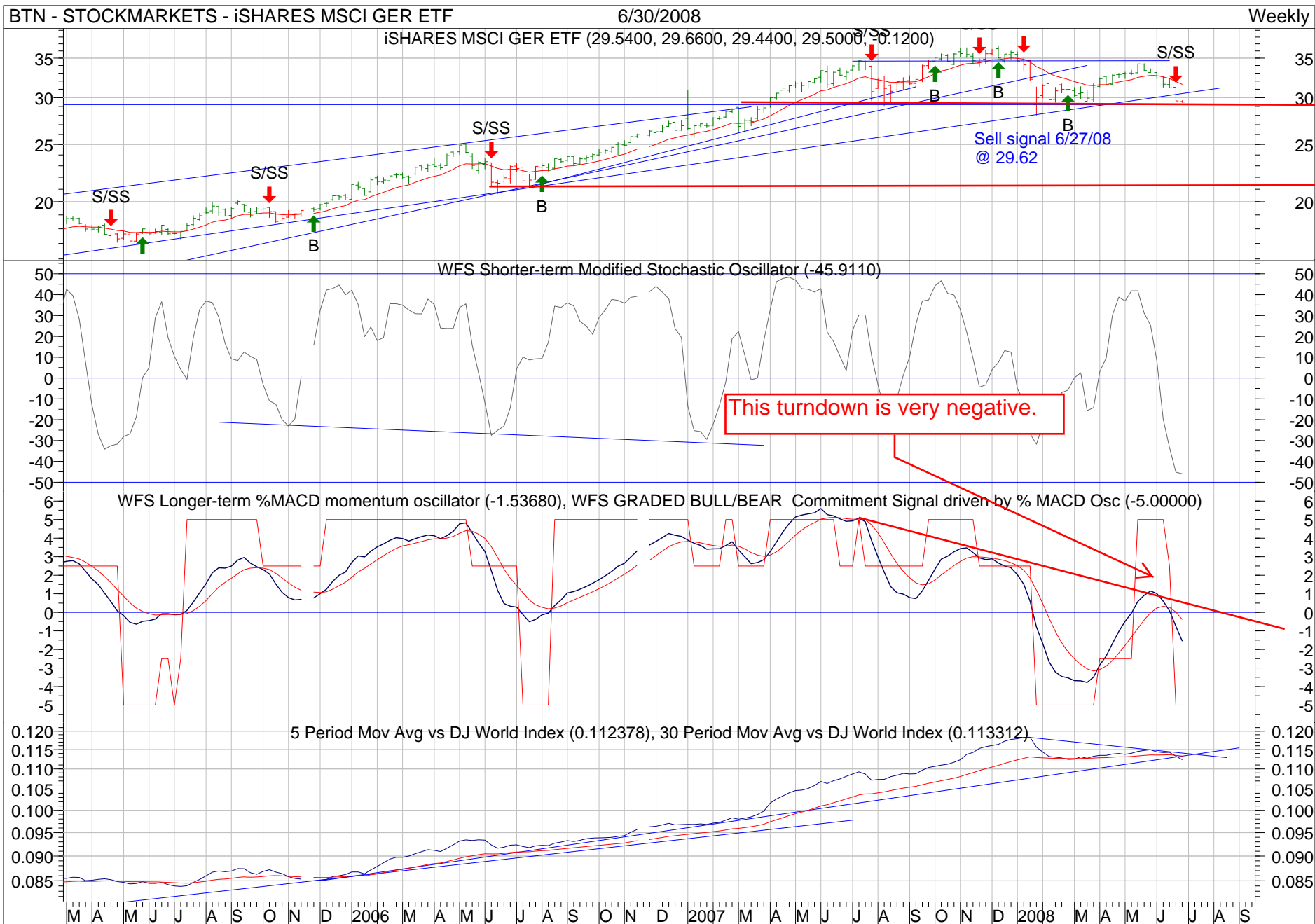
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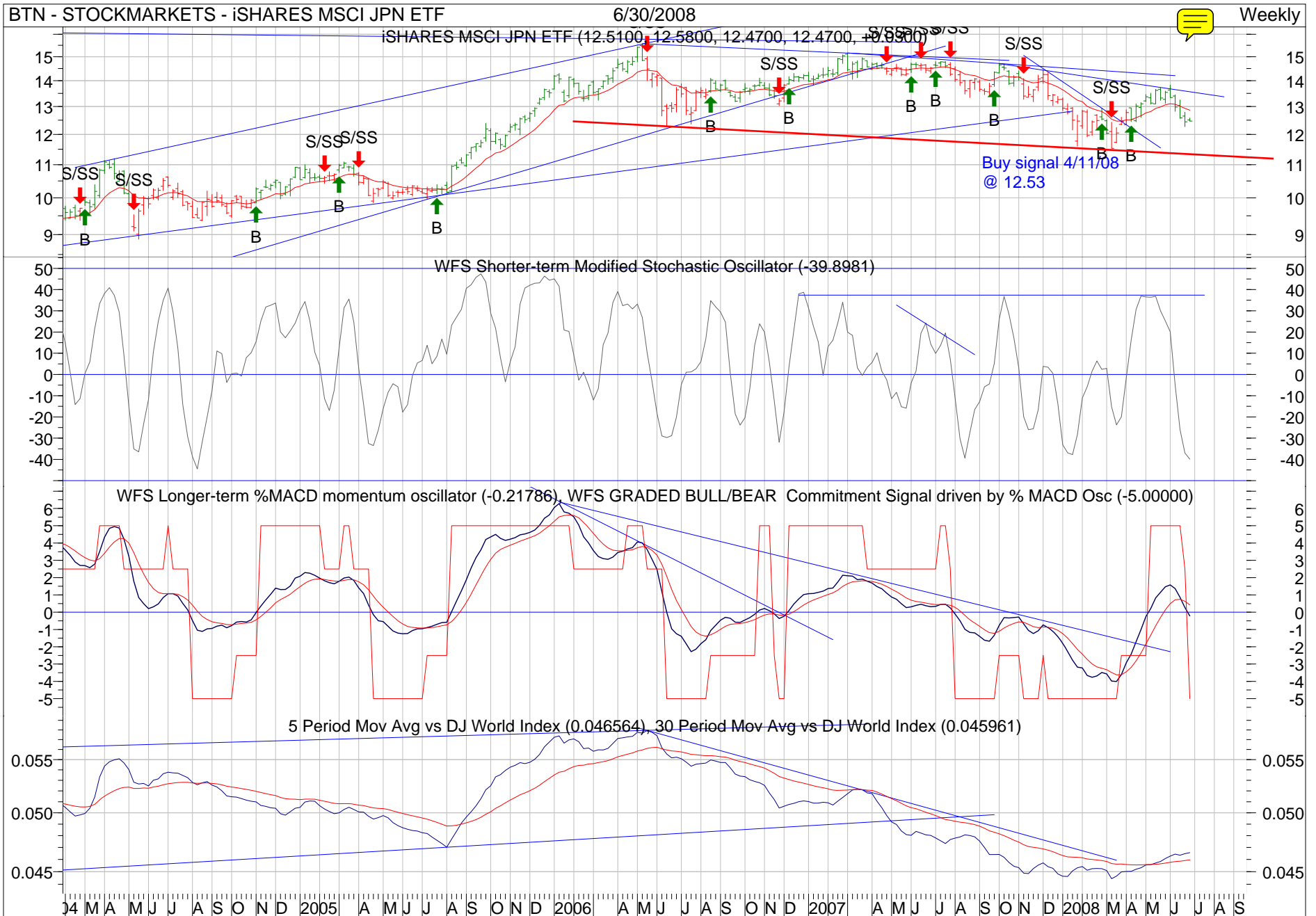
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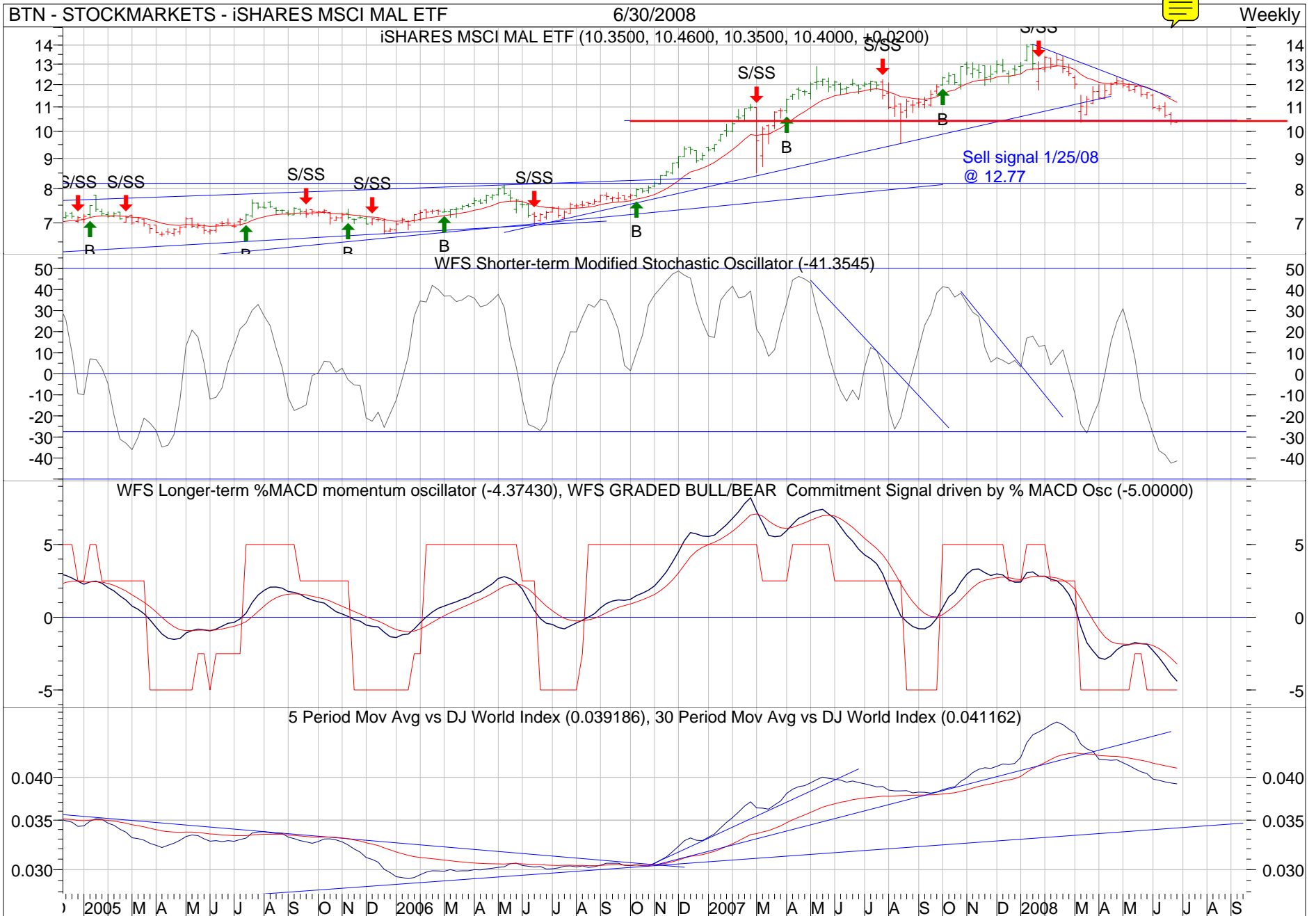
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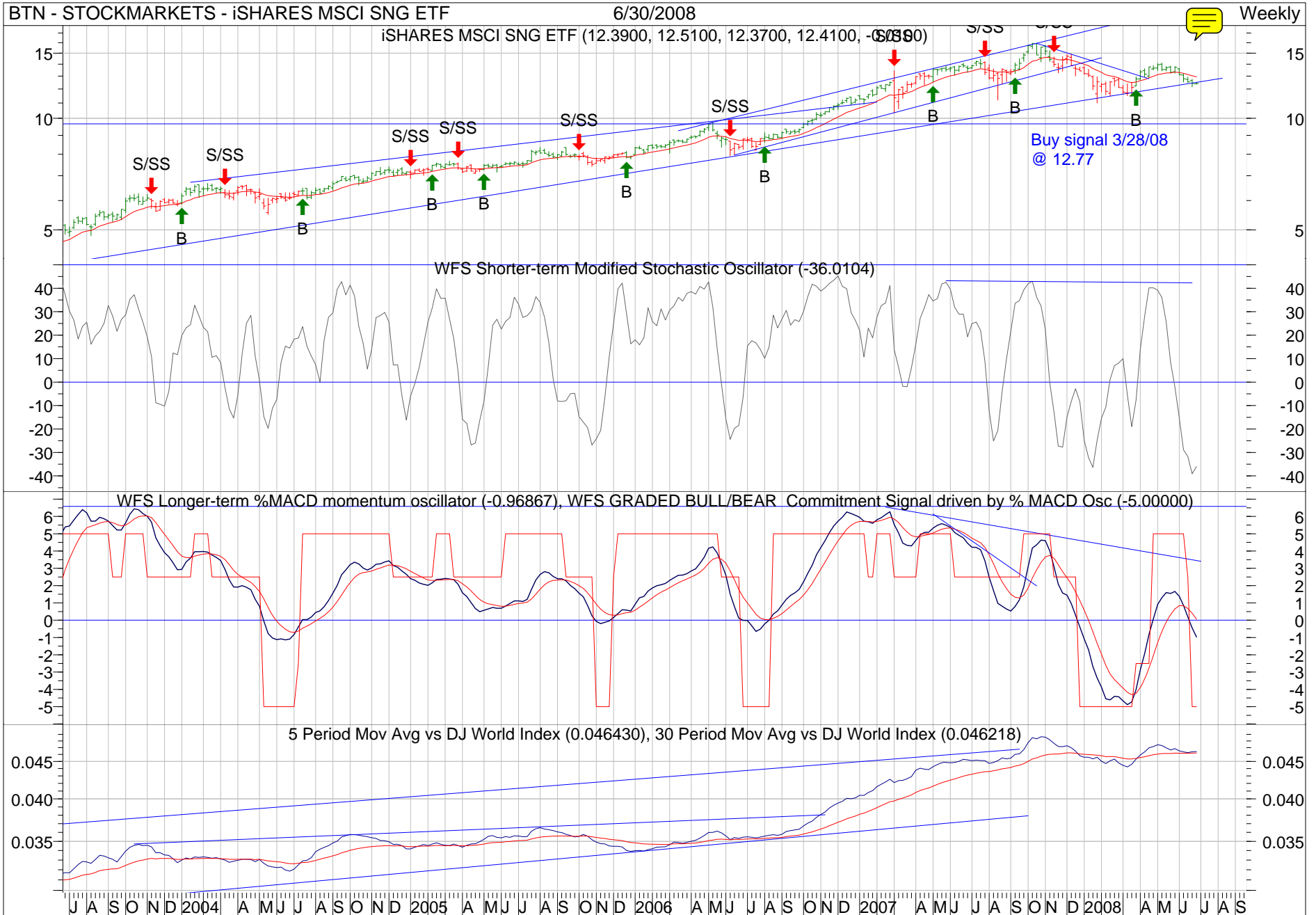
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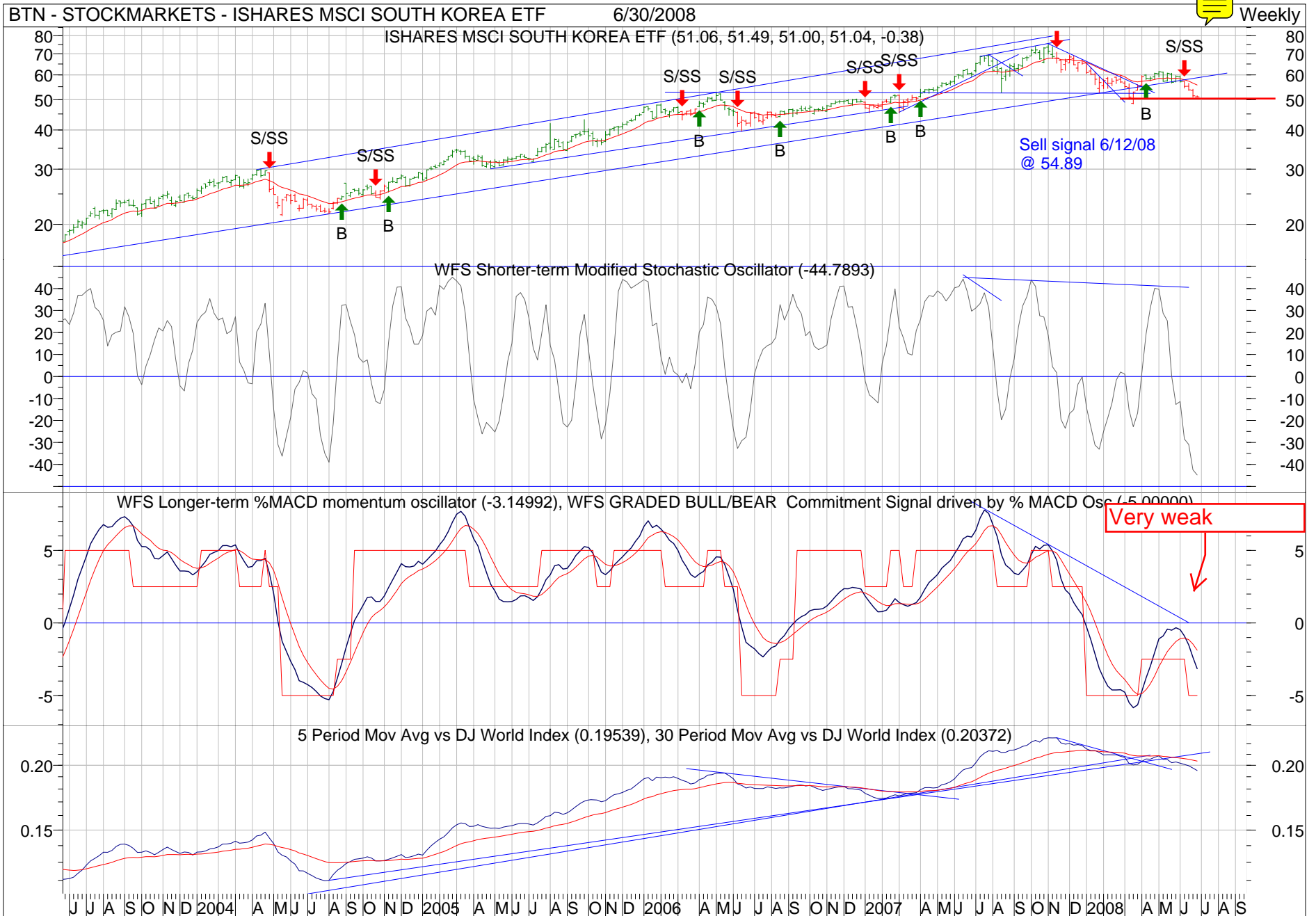
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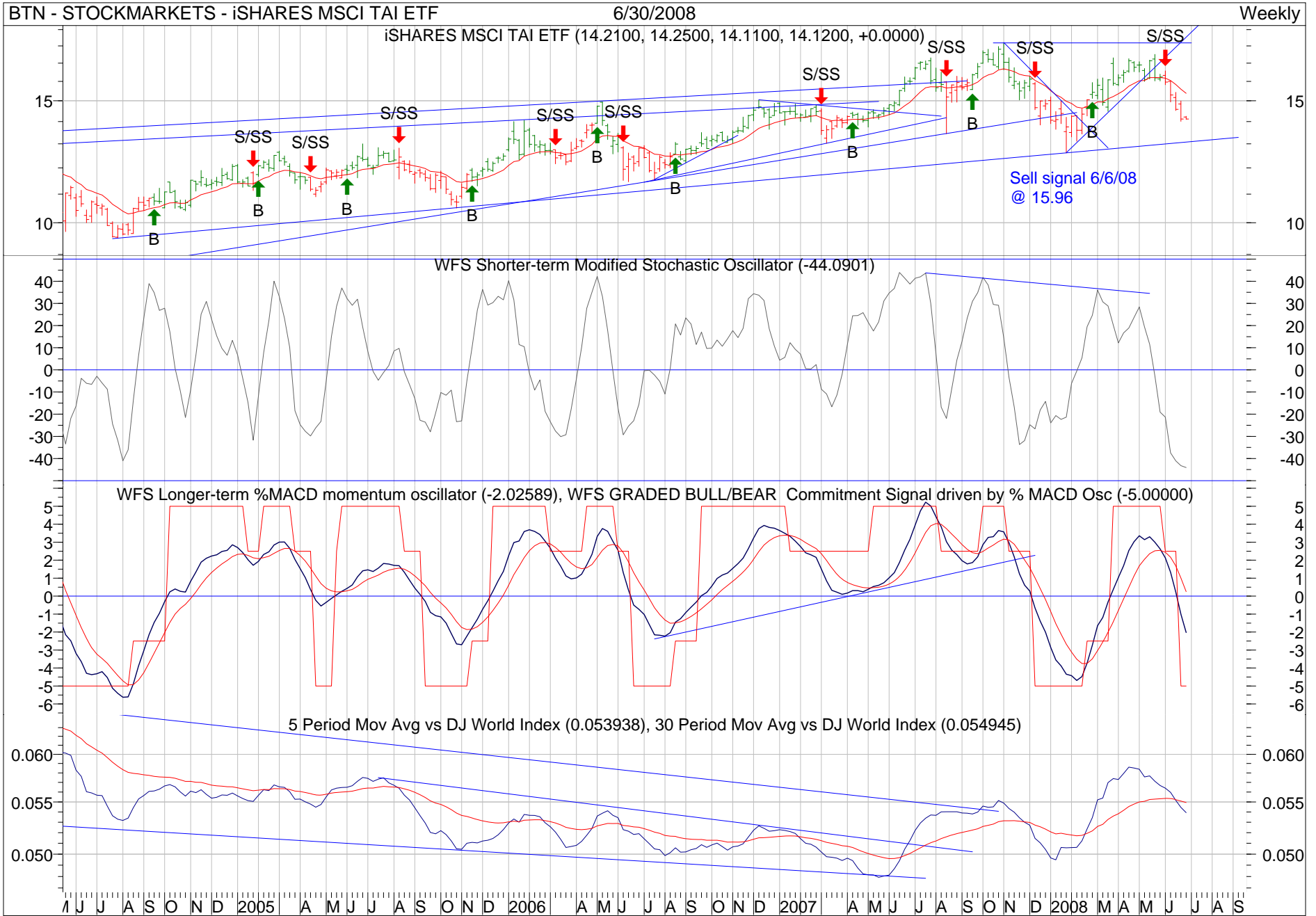
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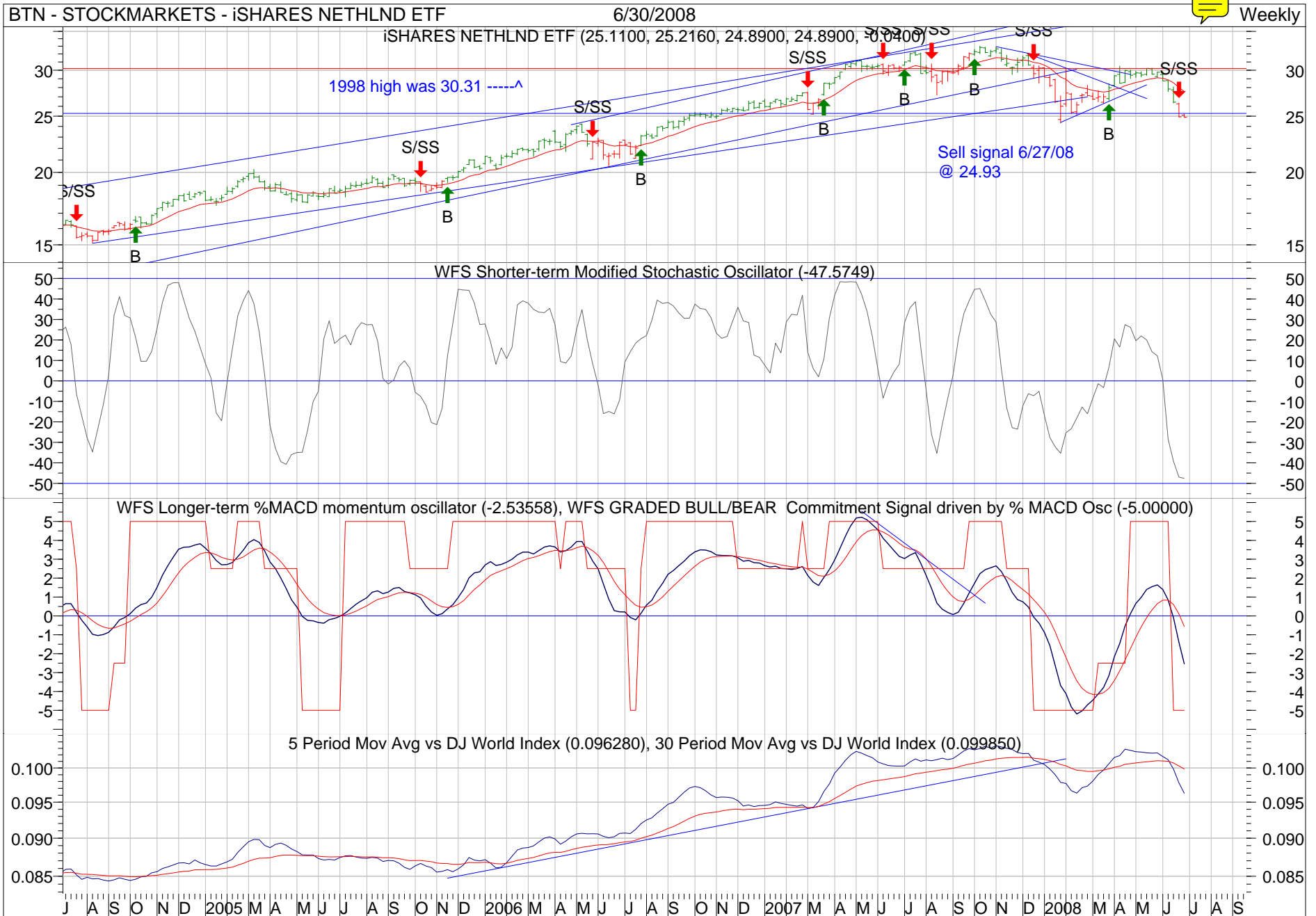
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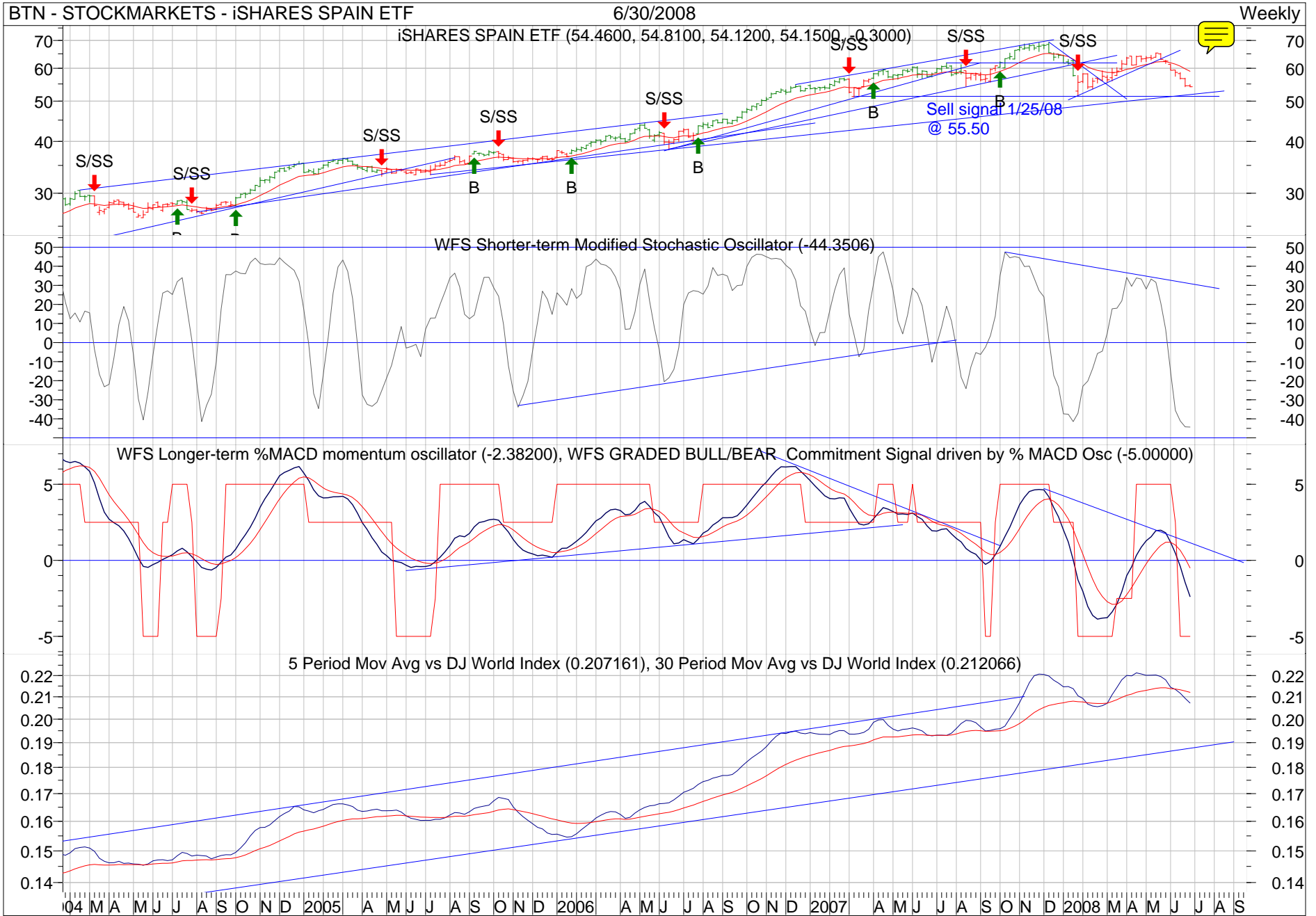
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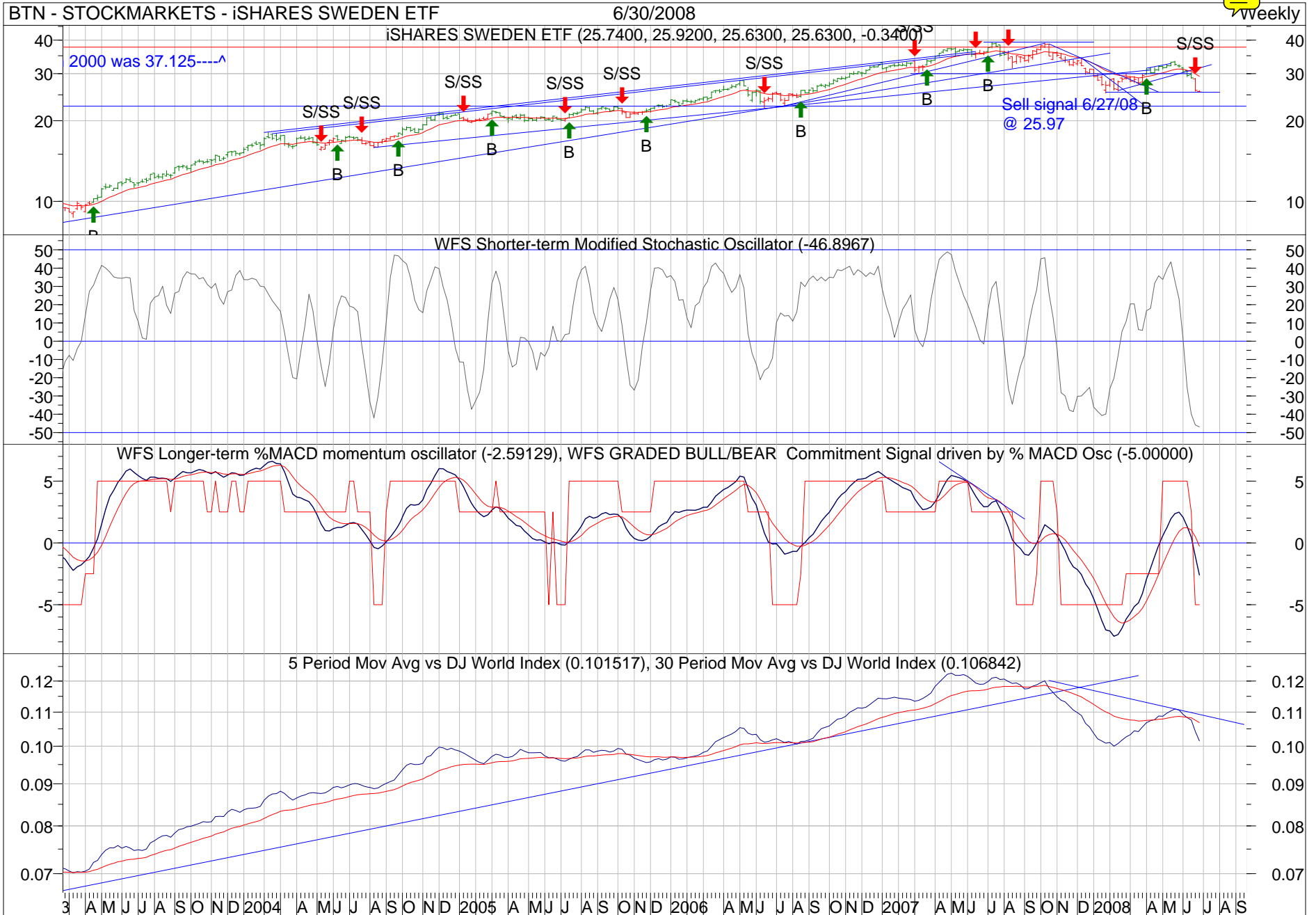
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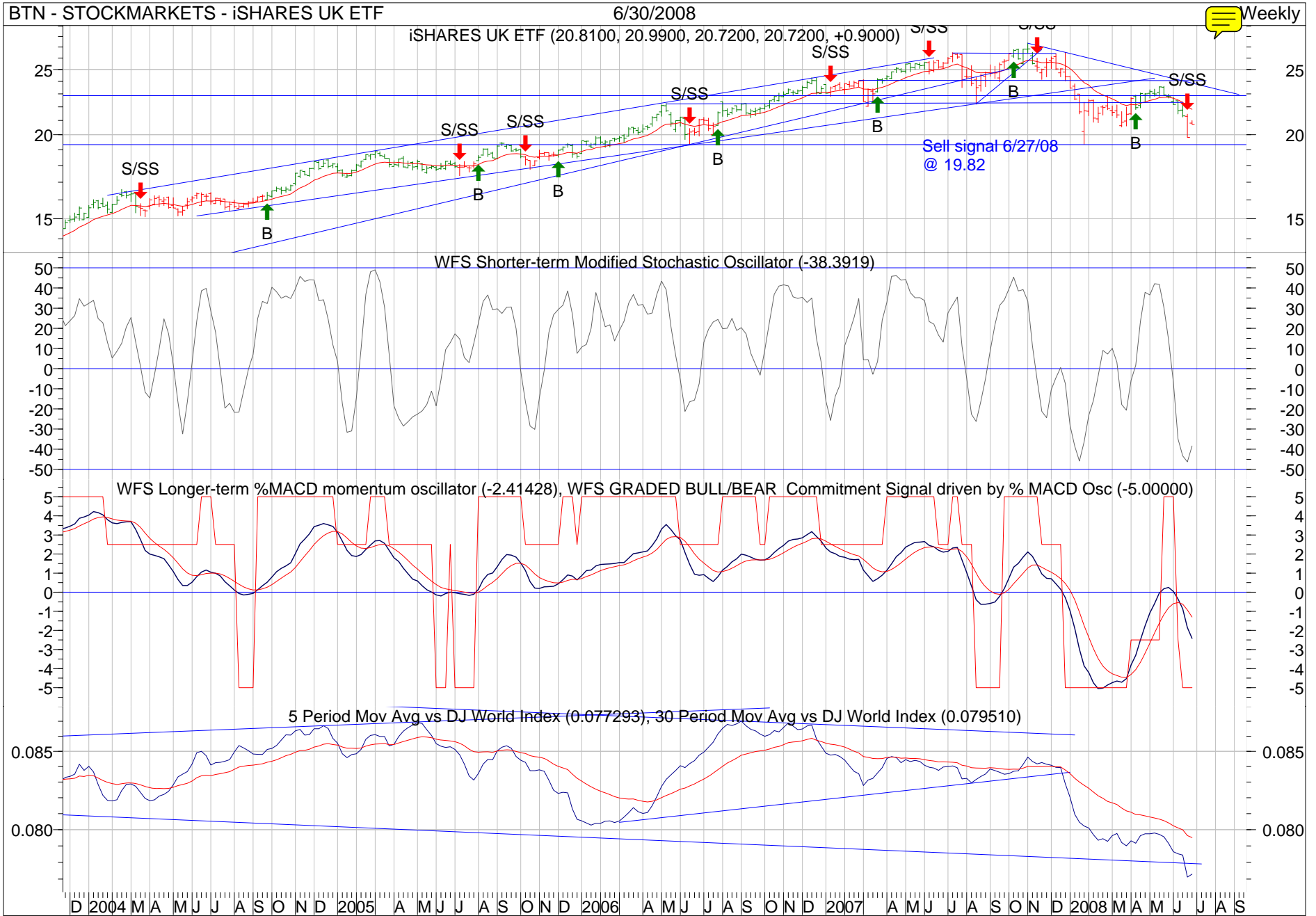
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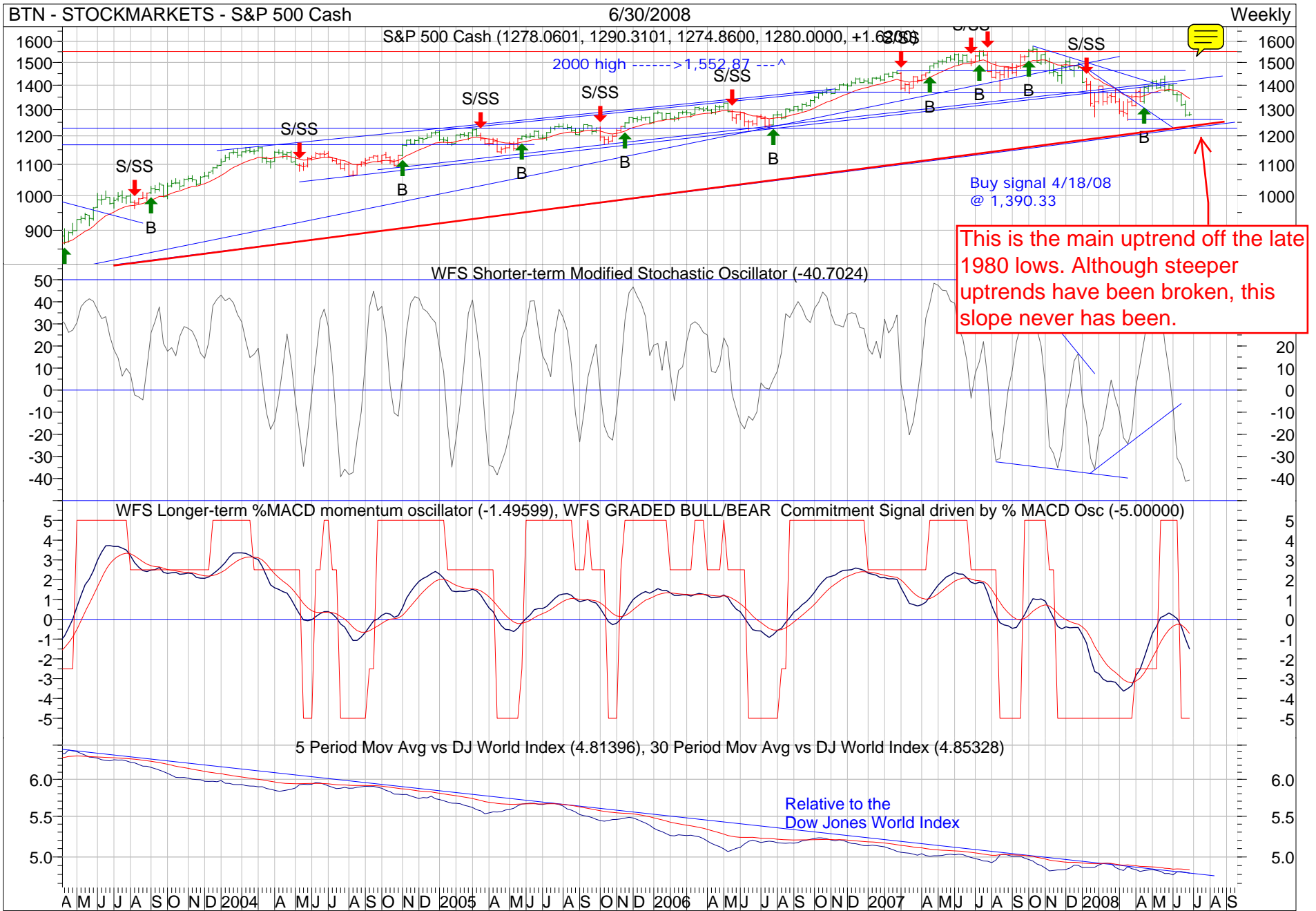
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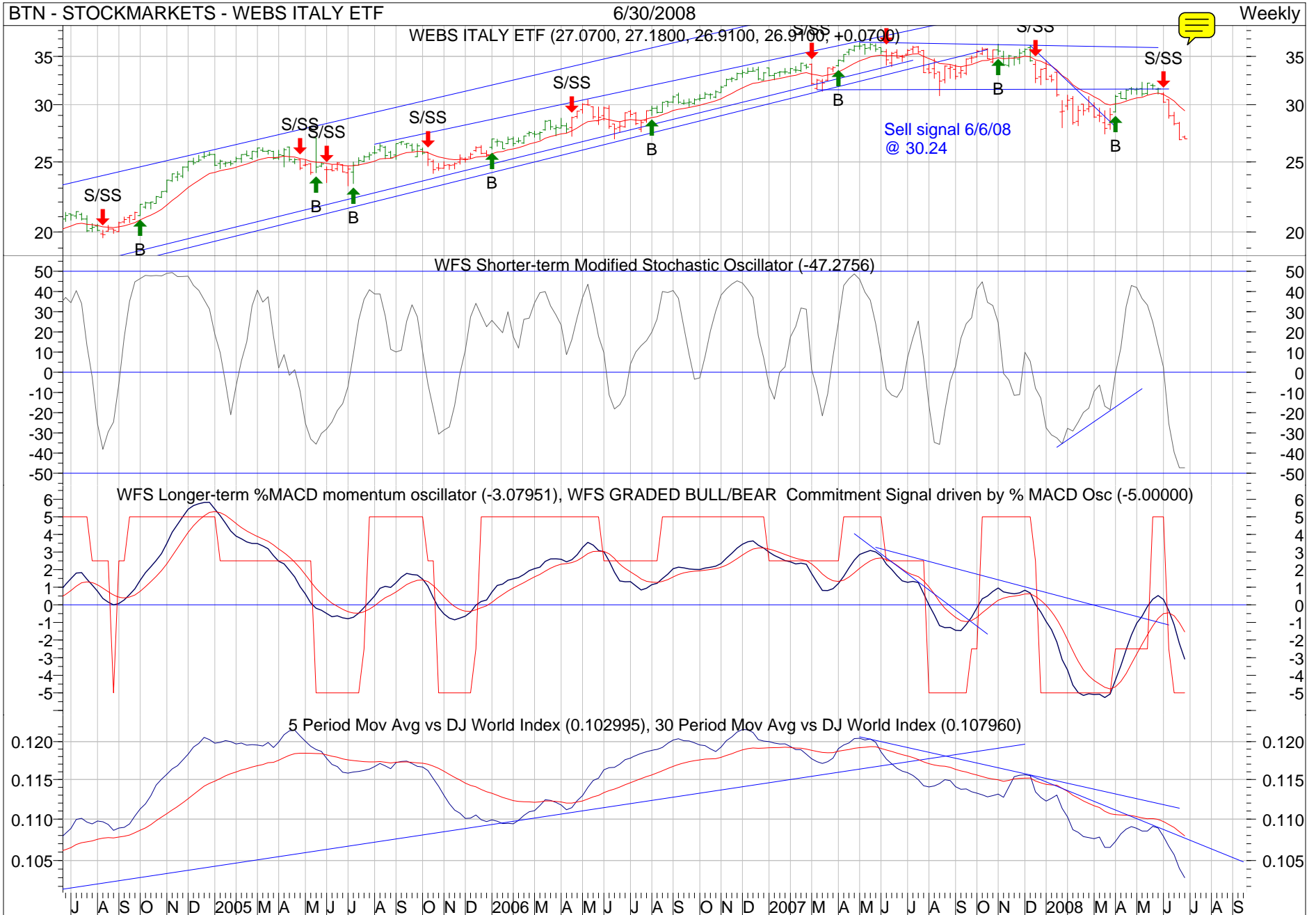
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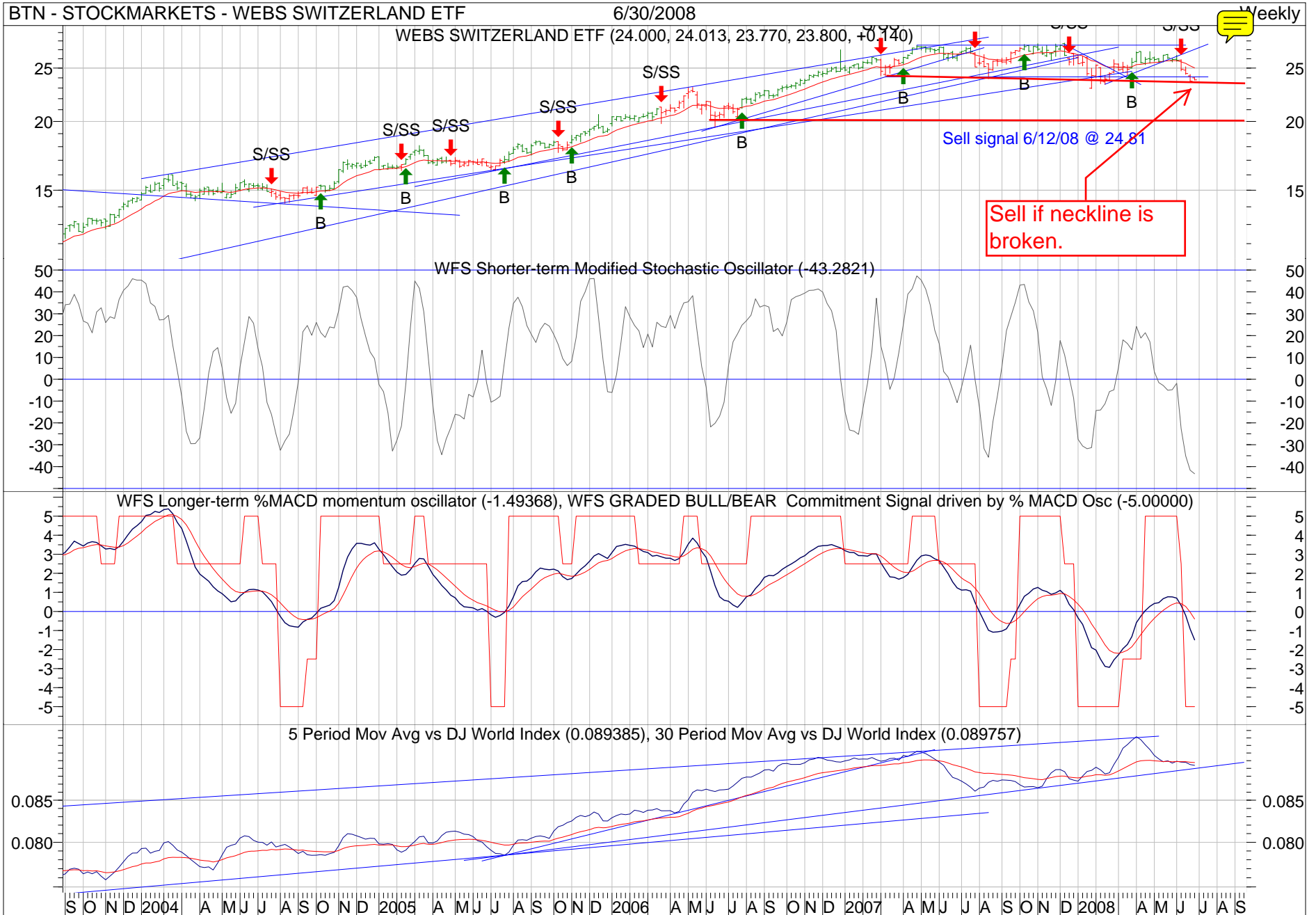
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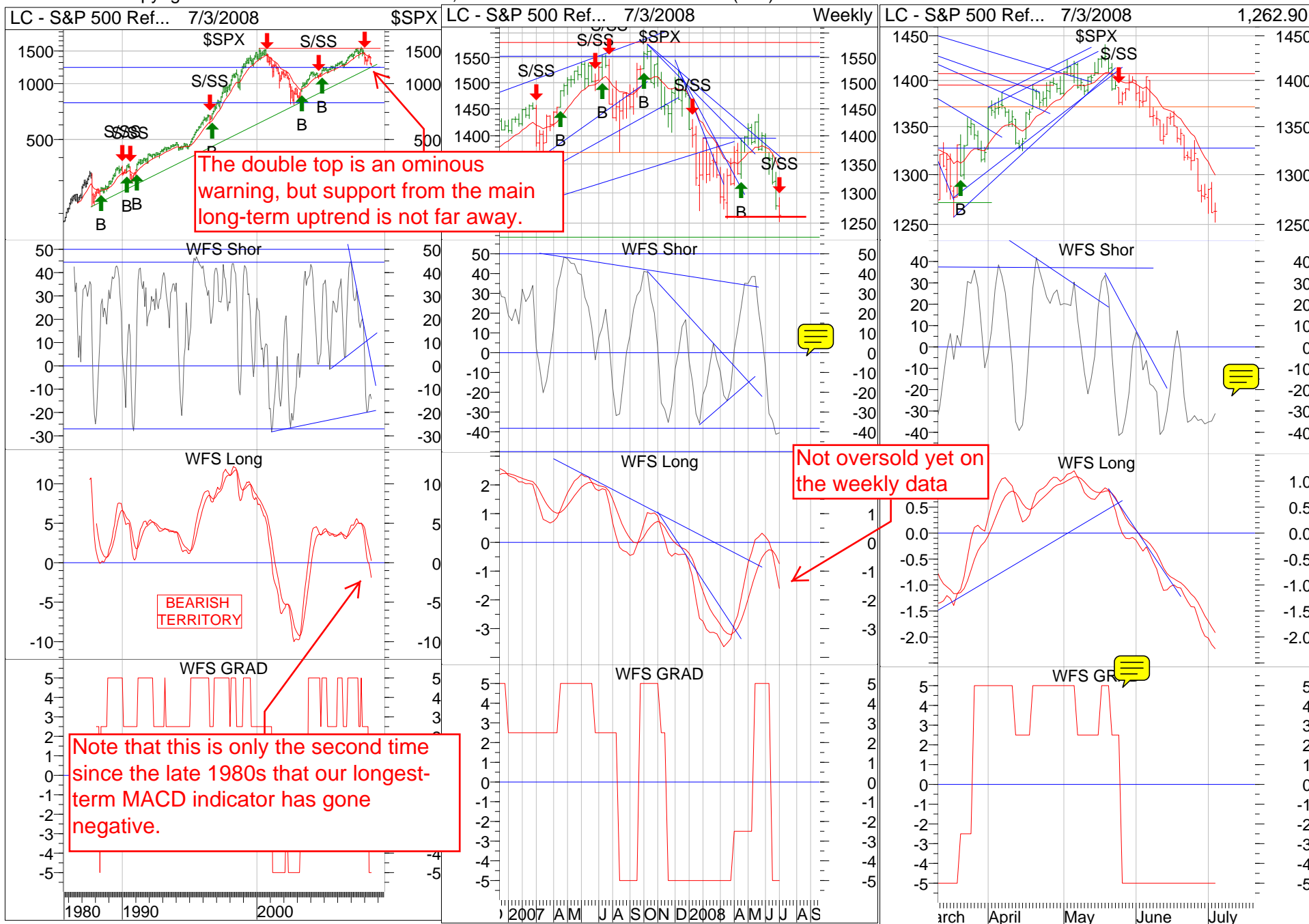


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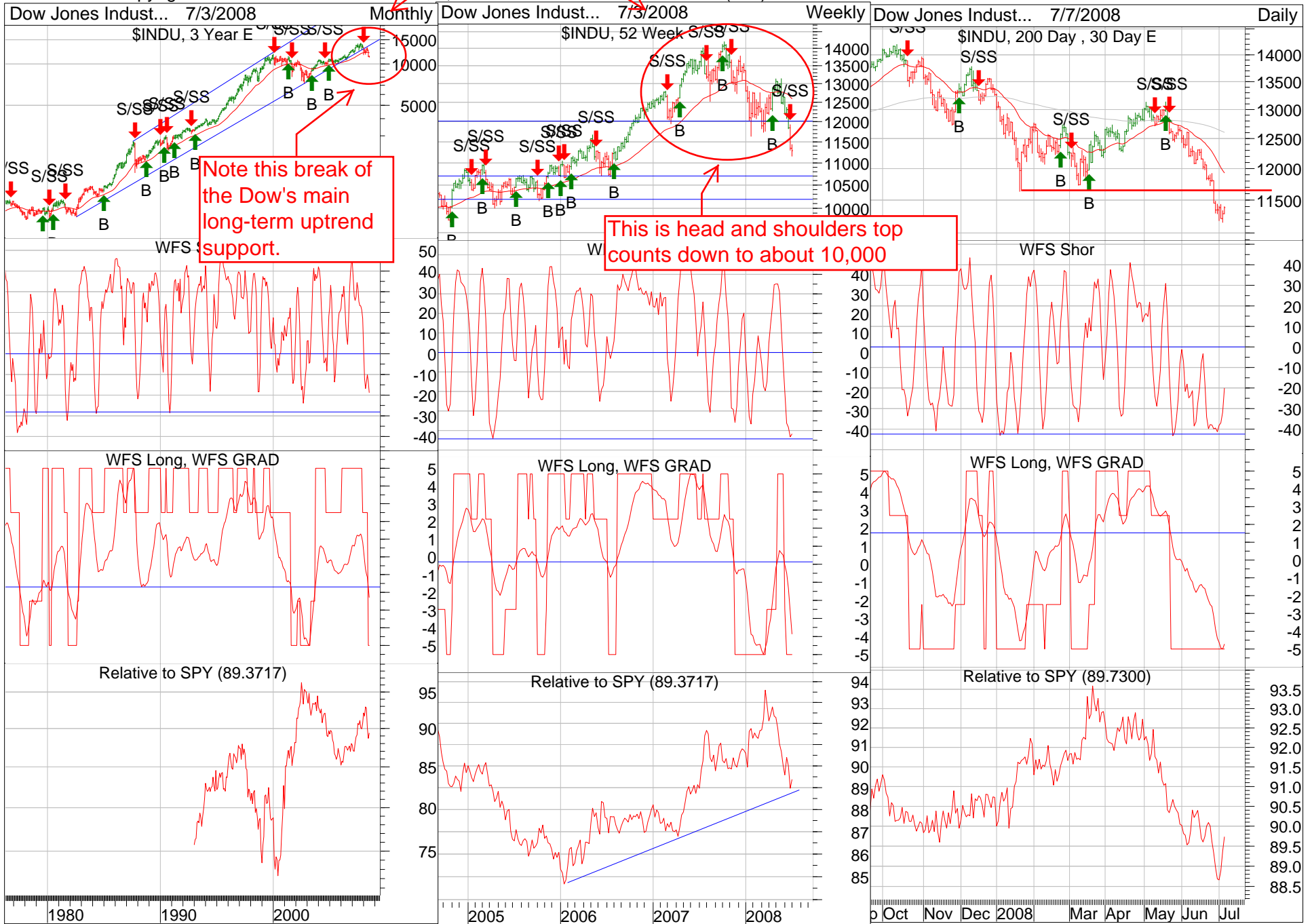
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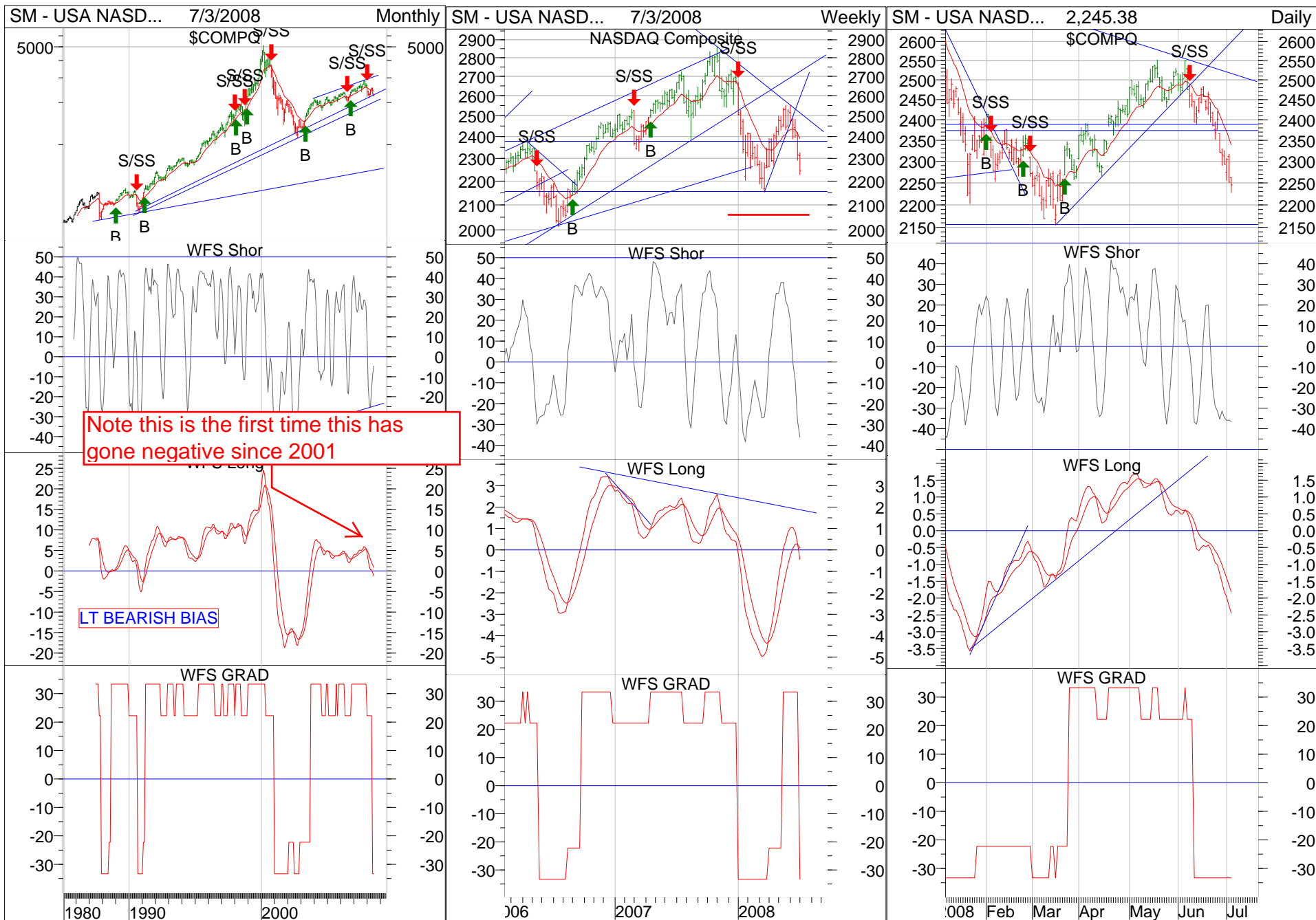
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Note this is the first time this has gone negative since 2001

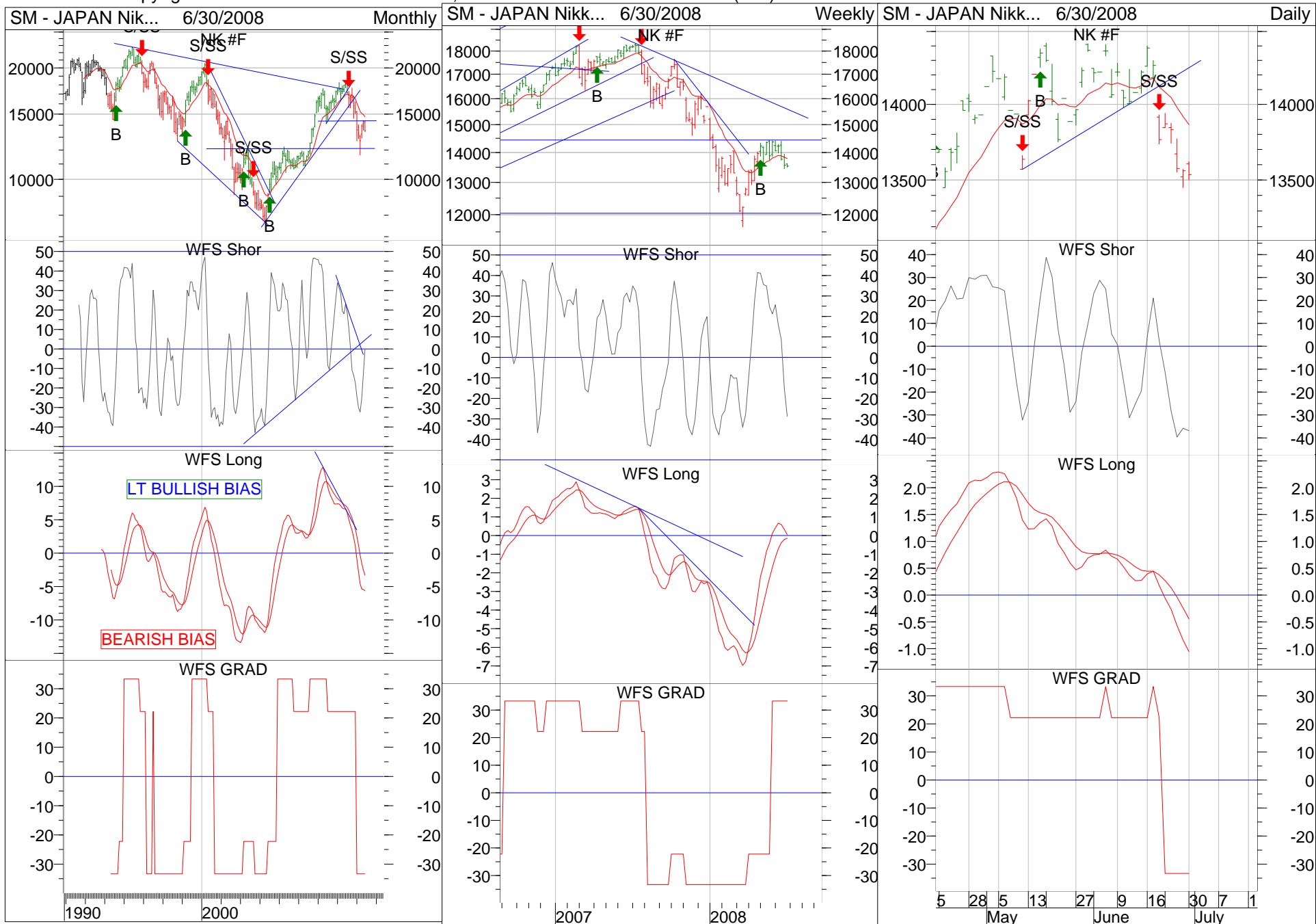
LT BEARISH BIAS

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Japanese NIKKEI

None of this looks very good

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Global Financial Market Analysis – Money Manager Search

Volume 5 Edition 7

July 2008

CURRENCIES

(Interbank Cash Quotes)

-----Momentum Rating-----

Ranked from most to least attractive	30-Jun-08	Short (1)	Medium (2)	Long (3)		
<u>Currency</u>	<u>Value</u>	<u>Term</u>	<u>Term</u>	<u>Term</u>	<u>Combined</u>	<u>Comment (4)</u>
Mexican Peso - Cash	\$0.0970	2.0	3.0	5.0	10.0	Hold/buy more
Chinese Yuan (5)	6.8553	0.0	3.0	2.5	5.5	Hold/buy more
Australian \$ - Cash	\$0.9584	-1.0	3.0	2.5	4.5	Hold/see chart comments
Swiss Franc - Cash	\$0.9806	-1.0	3.0	2.5	4.5	Hold
Russian Ruble (5)	23.4791	-1.0	3.0	2.5	4.5	Hold
British Pound- Cash	\$1.9932	2.0	3.0	-2.5	2.5	Hold/buy more
EURO - Cash	\$1.5749	2.0	-3.0	2.5	1.5	Hold
Canadian \$ - Cash	\$0.9828	1.0	3.0	-5.0	-1.0	Hold
Norwegian Krone (5)	5.0830	-2.0	-3.0	2.5	-2.5	Neutral
Japanese Yen (5)	106.08	1.0	-3.0	-5.0	-7.0	Hold/buy more
New Zealand \$ - Cash	\$0.7614	<u>1.0</u>	<u>-3.0</u>	<u>-5.0</u>	<u>-7.0</u>	Neutral
Today's Averages		<u>0.4</u>	<u>0.8</u>	<u>0.2</u>	<u>1.4</u>	
Best Possible		<u>2.0</u>	<u>3.0</u>	<u>5.0</u>	<u>10.0</u>	
Today's Average as % Best Possible		18.2%	27.3%	4.5%	14.1%	
U.S. \$ Index	72.54	-2	3	-2.5	-1.5	Stay short
Possible Maximum		<u>2</u>	<u>3</u>	<u>5.0</u>	<u>10.0</u>	
% Possible maximum ranking		-100.0%	100.0%	-50.0%	-15.0%	

Notes:

(1) The shape and feel of the stochastic oscillator (Scale +2 to - 2) a subjective observation

(2) The Buy/Sell/SS(Sell Short) signal shown on chart (+3 or -3)

(3) The value of WFS' LT Graded Bullish/Bearish signal as shown on the charts.

(4) Most of the enclosed charts have more detailed comments on them. To find the charts, please click on the bookmark tab at left, click on the + signs to fully open the index, then click on the chart you would like to see. Once there a click on a yellow tab will open up the note.

(5) These currencies are quoted in the European tradition showing the number of currency units per \$. The graphics have been inverted to make them pictorially similar to the others. The scale #s on the indicator charts (panels 2,3&4) should be ignored. They have been adjusted above to be comparable.

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Commentary:

It looks like the U.S. \$ will meander sideways for awhile longer, but we would stay short \$ and long most FX. Reasons are not so much that we think the \$ chart looks bad, they are more that we like the breakout of the British Pound and its MACD; same with the Yen (we'd buy these two). The Swiss Franc is also looking better. And if these currencies firm up can the EURO be far behind? We doubt it.

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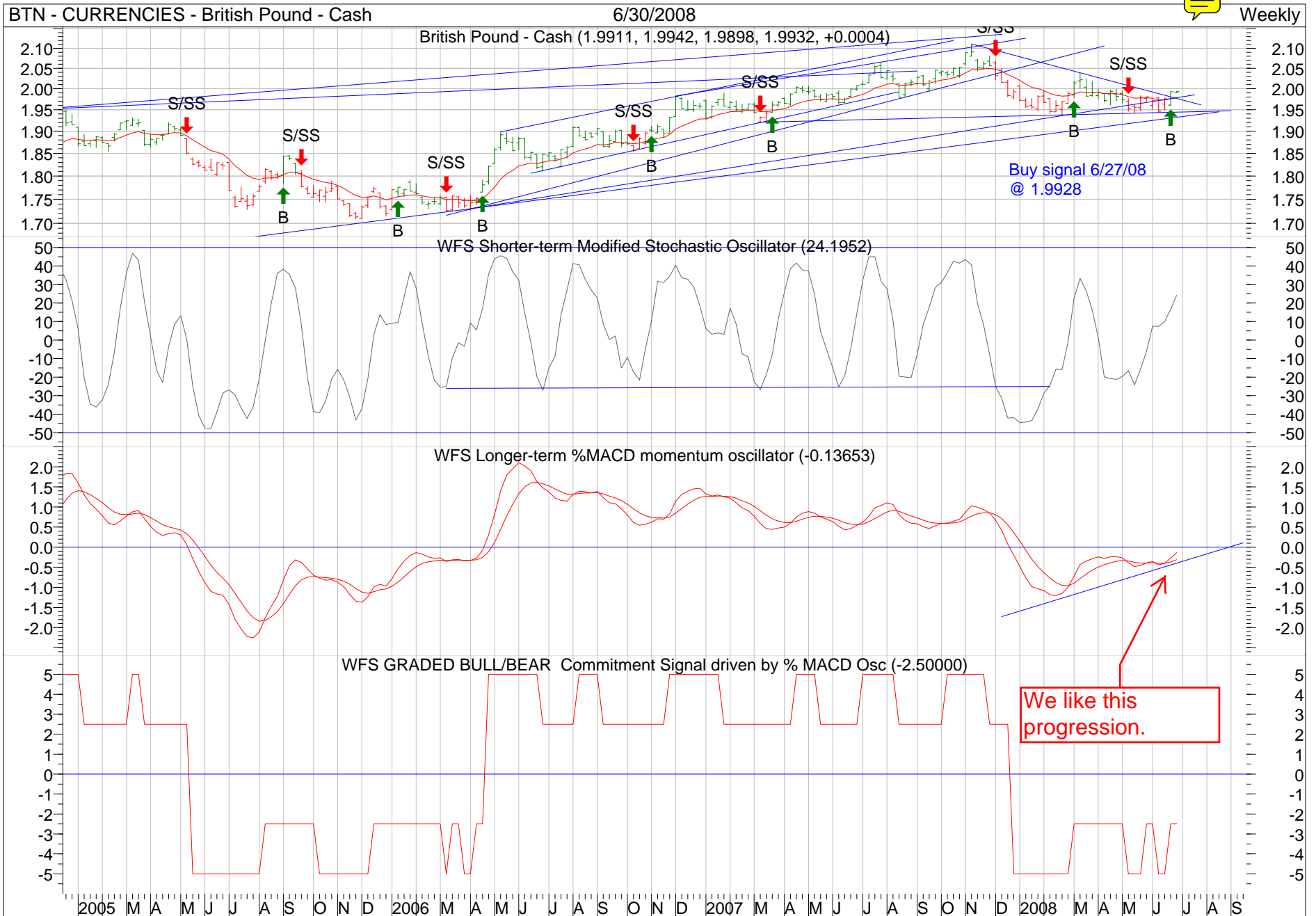
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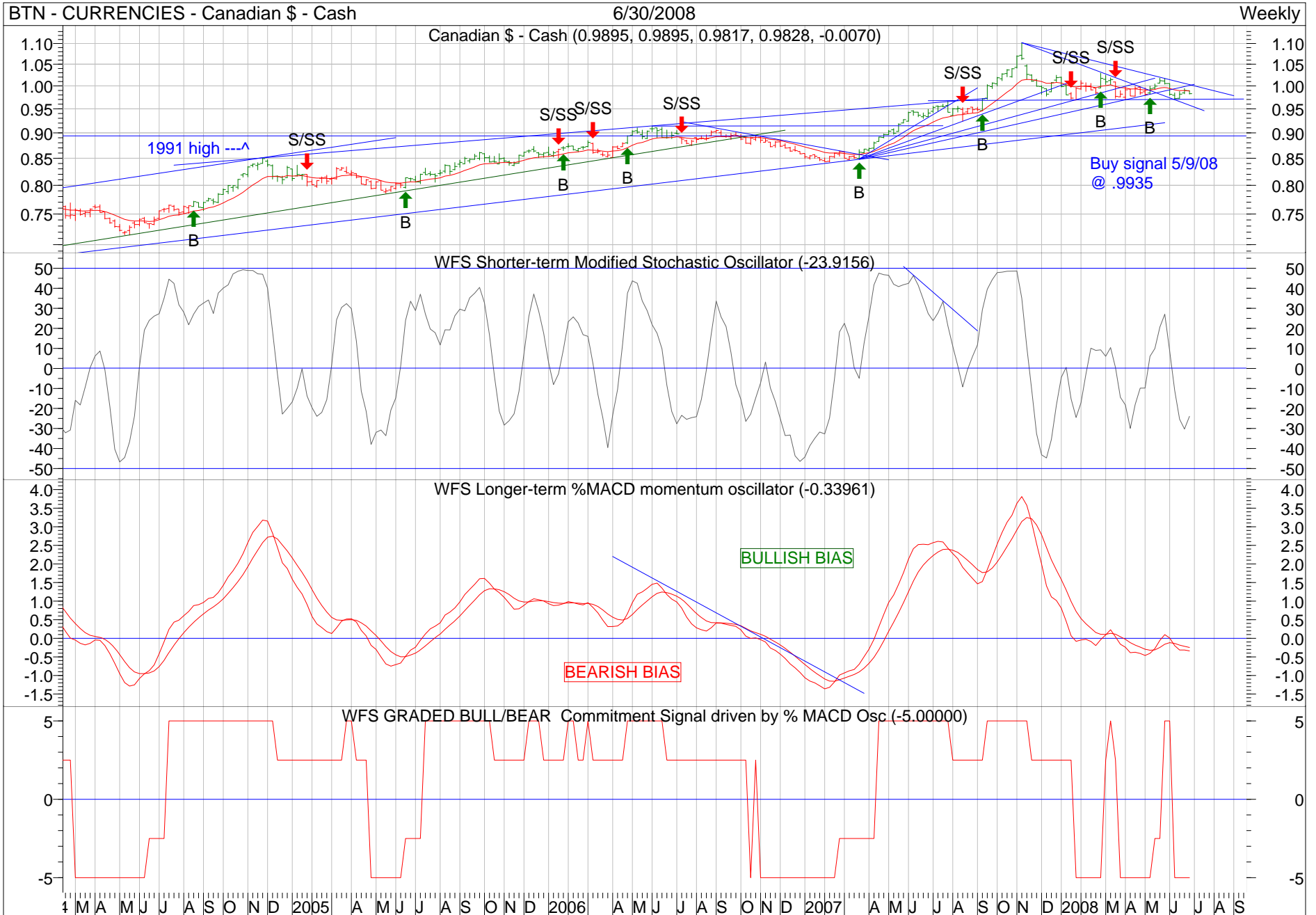
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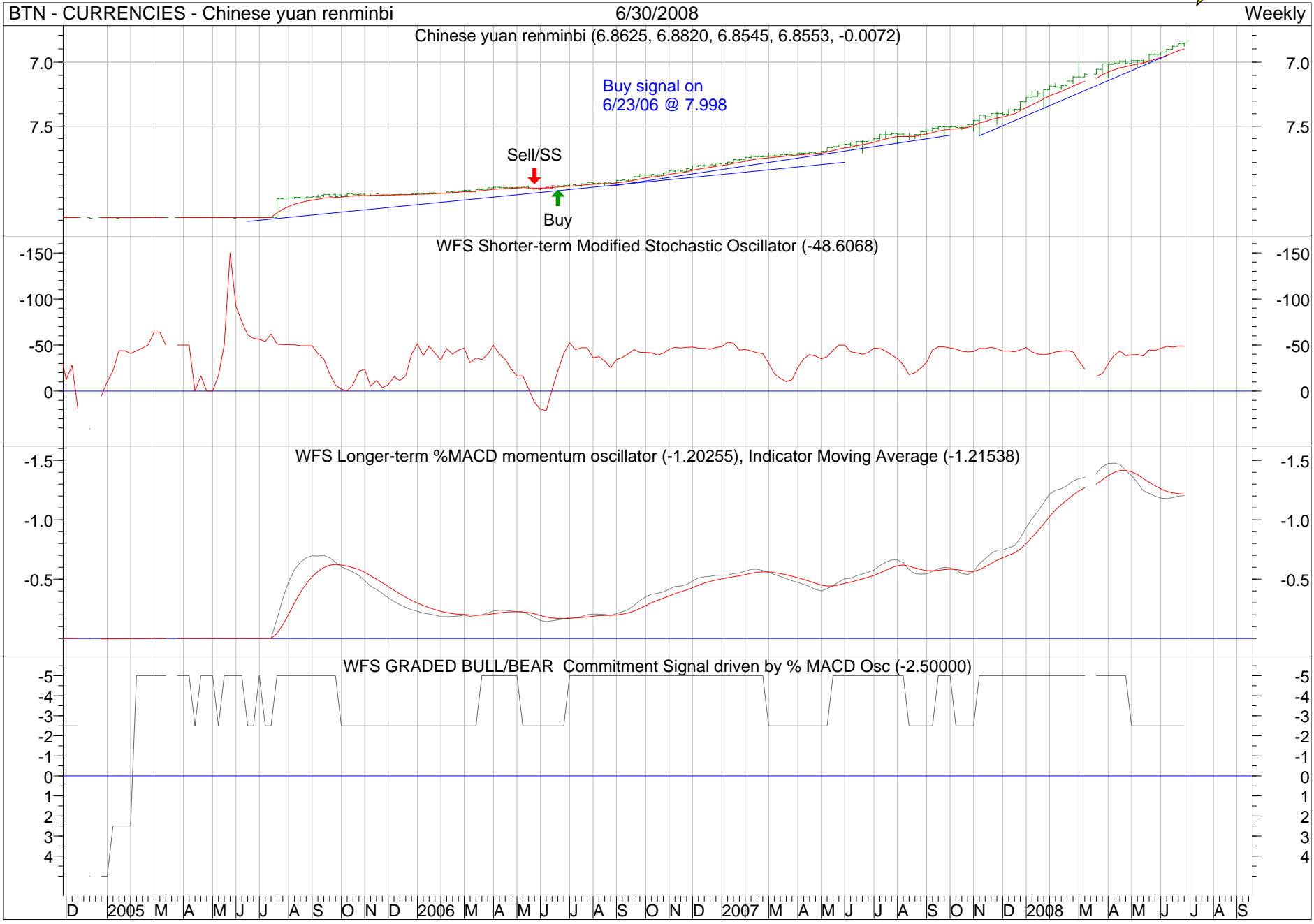
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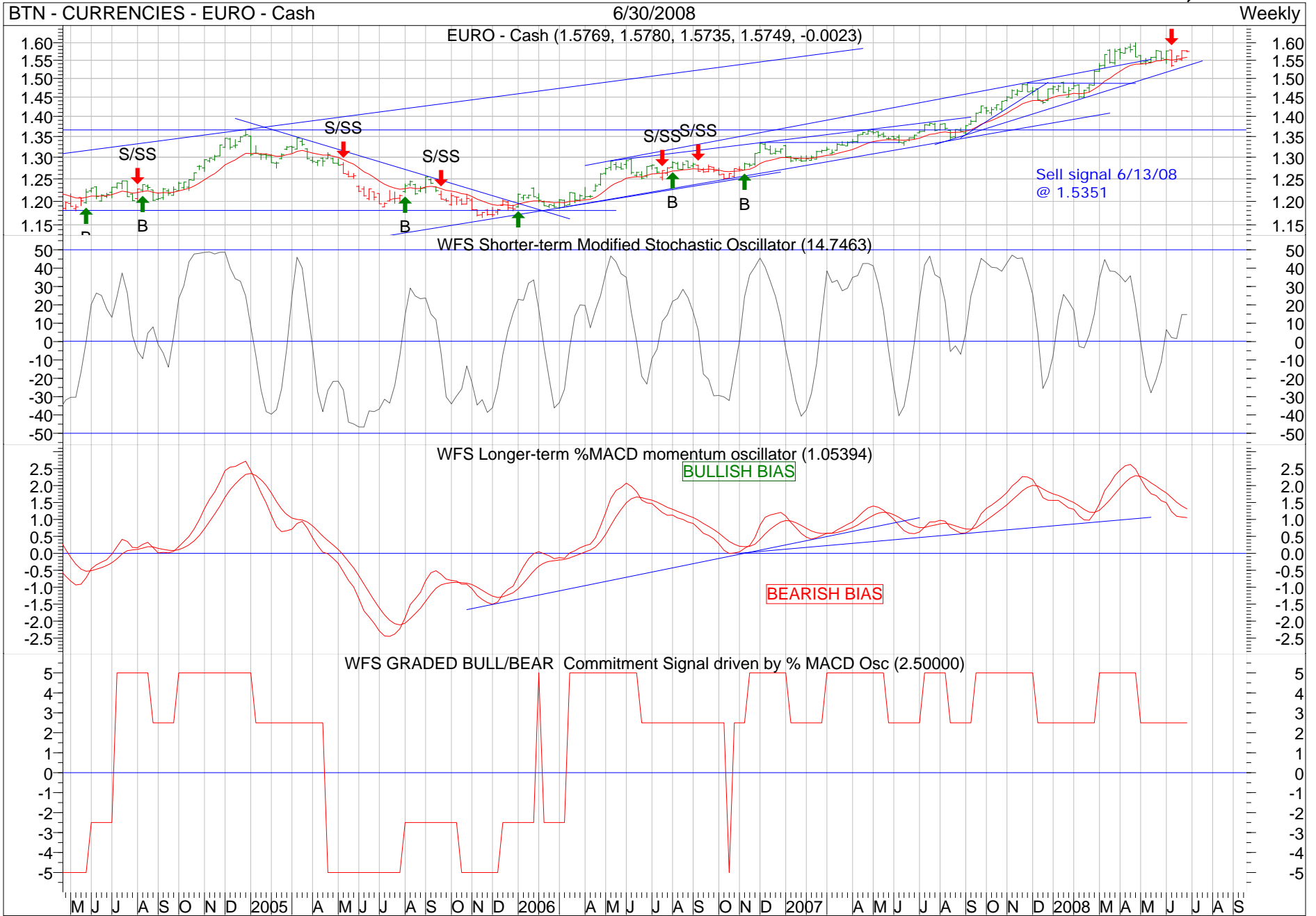
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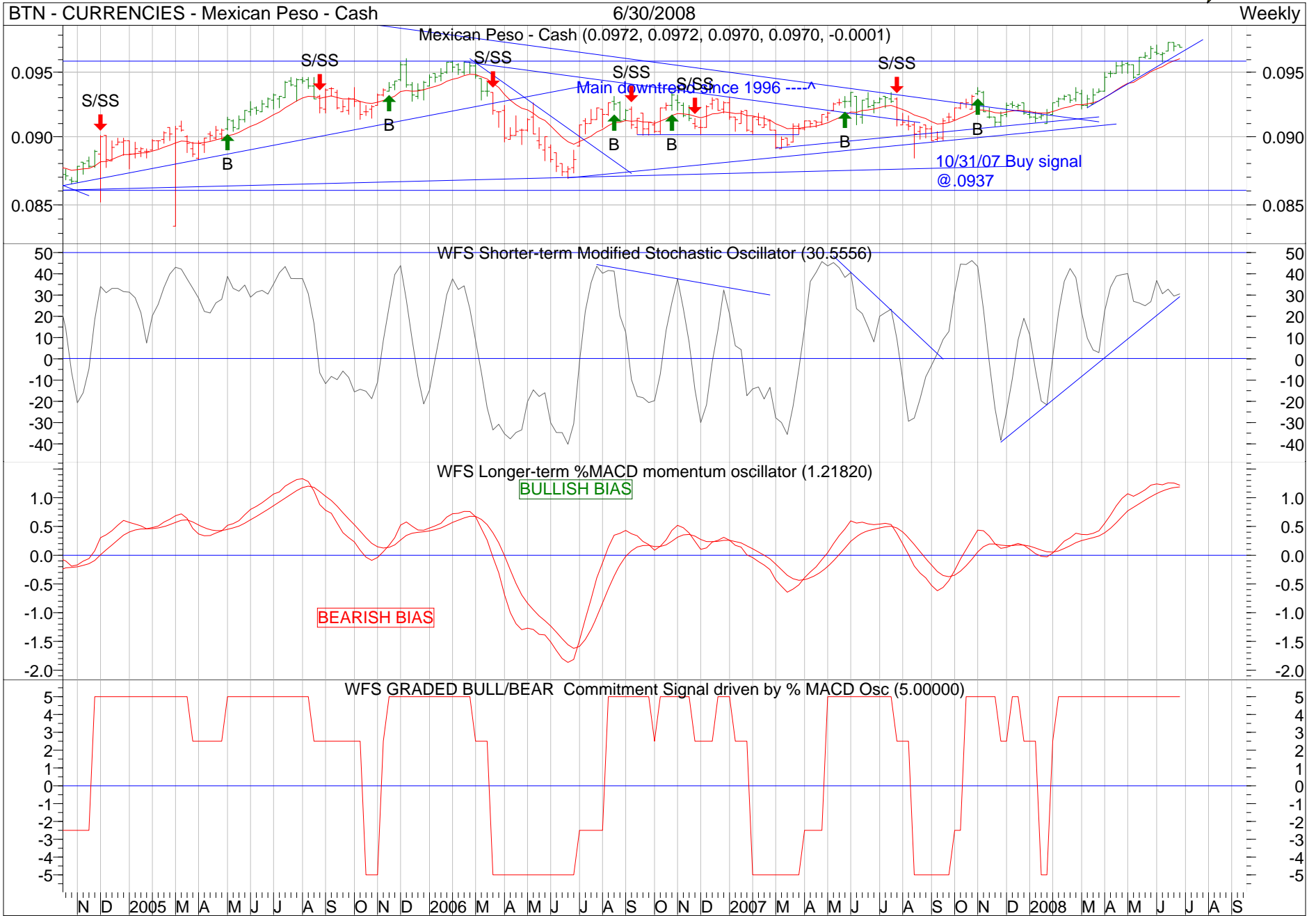
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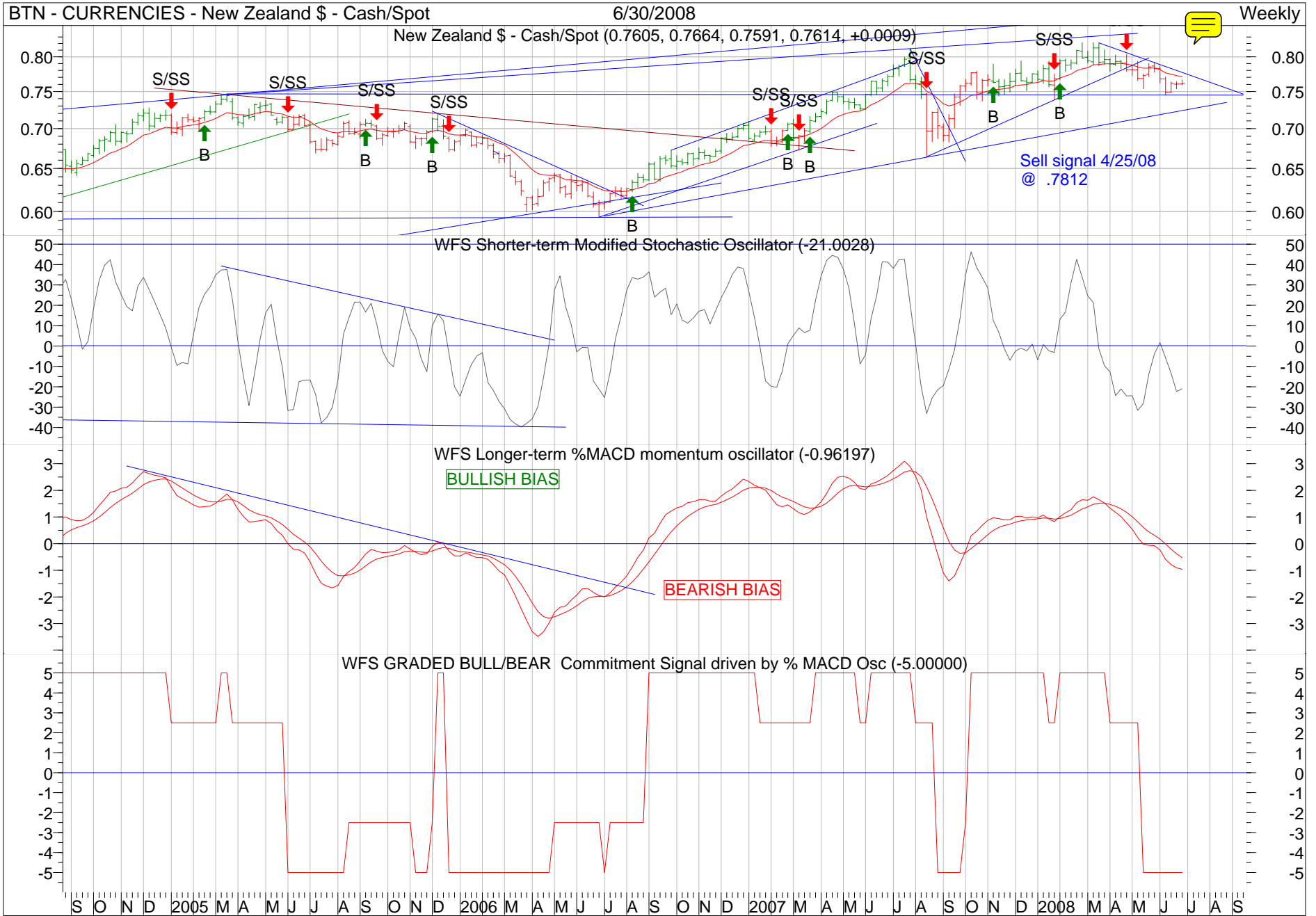
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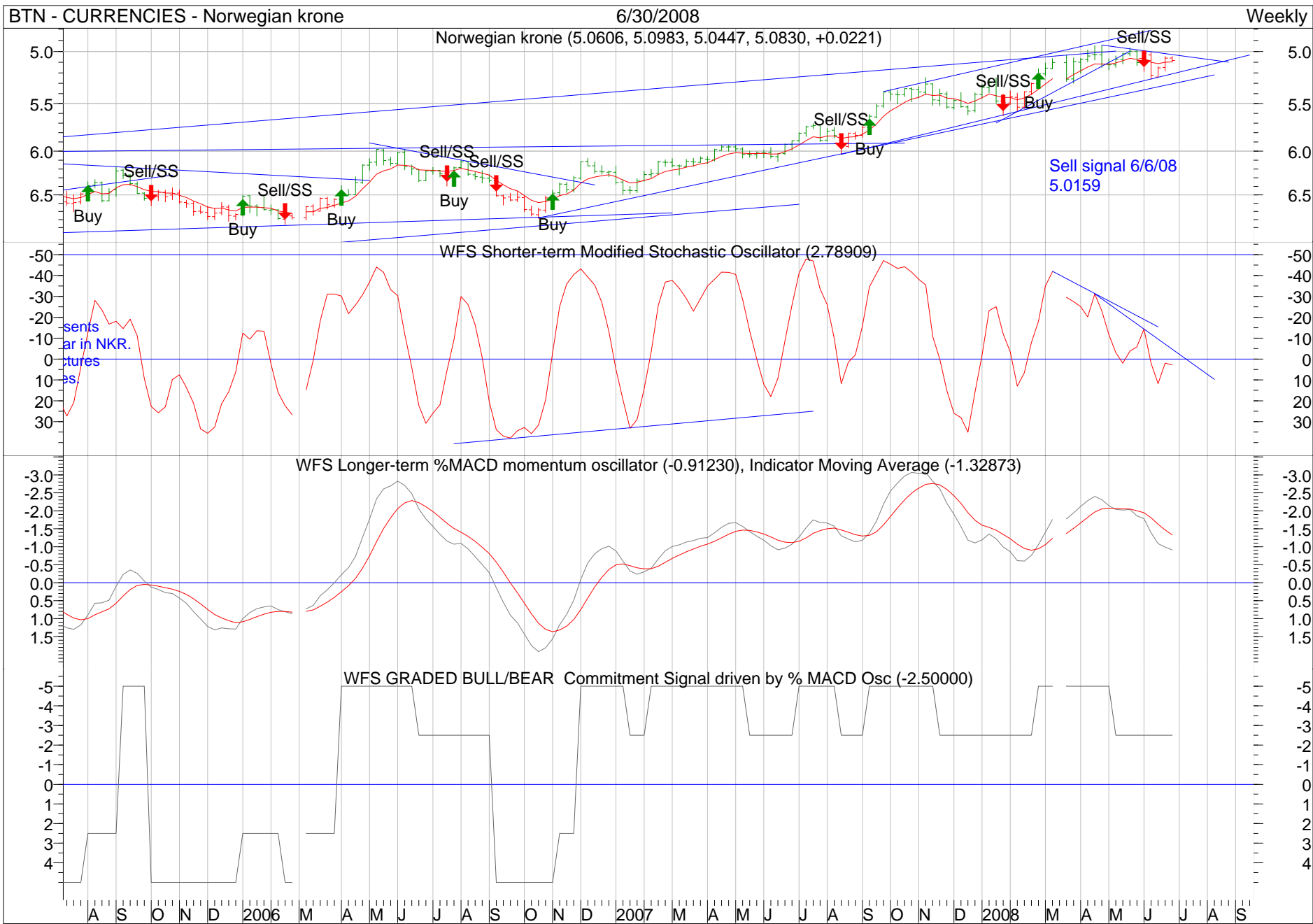
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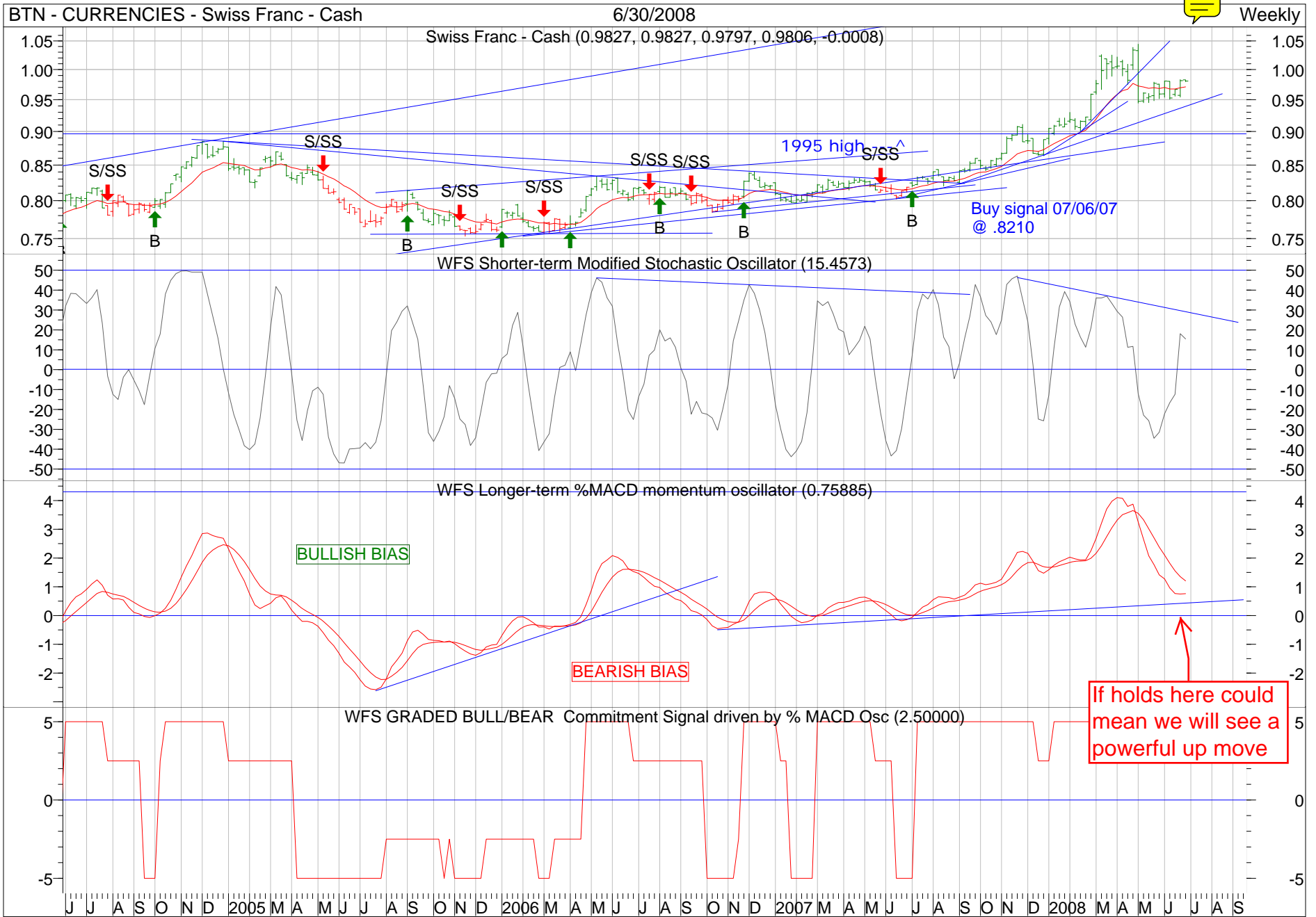


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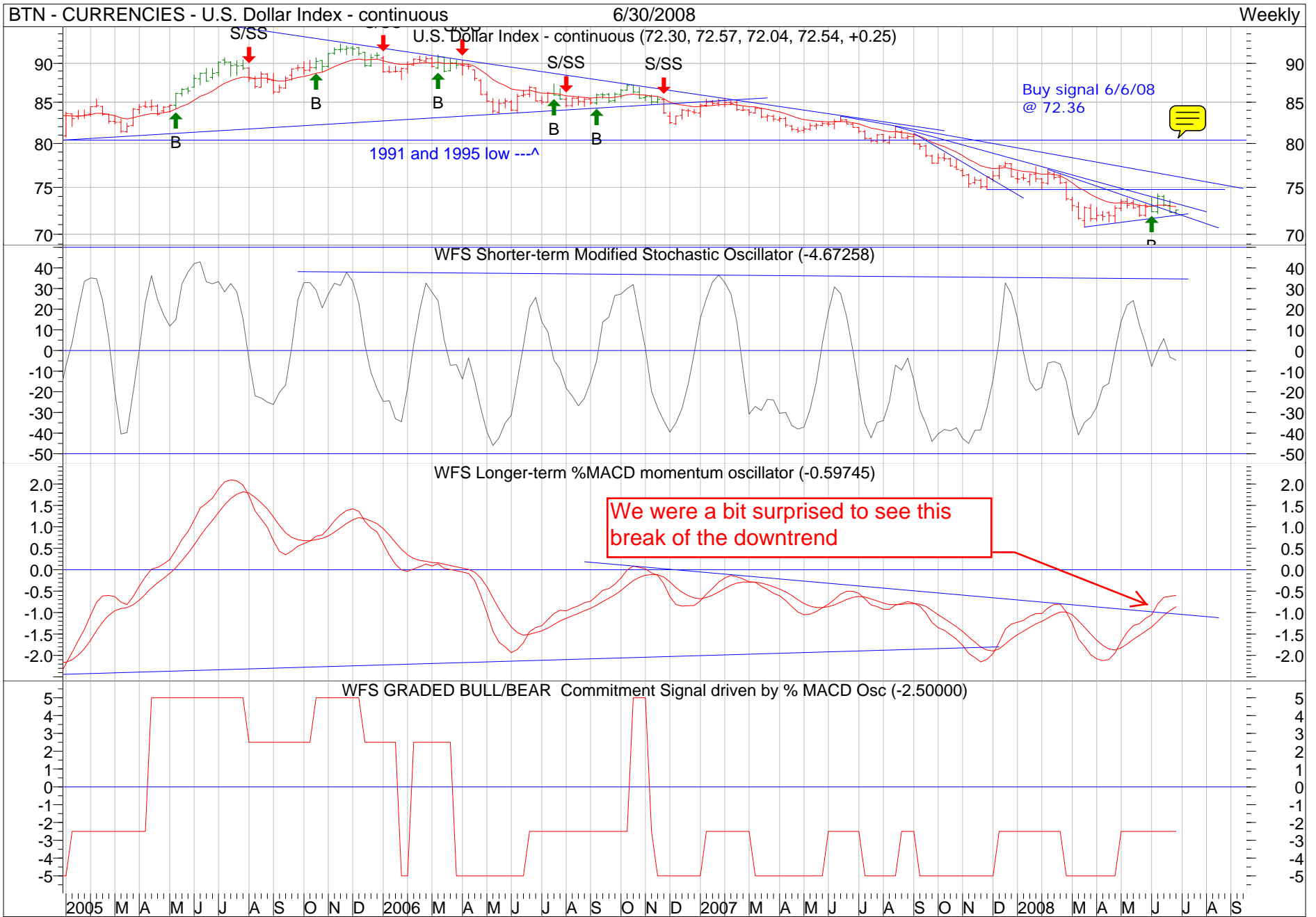




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Global Financial Market Analysis – Money Manager Search

Volume 5 Edition 7

July 2008

FIXED INCOME

(Continuous Futures Contract prices...nearest month value)

	30-Jun-08	-----Momentum Rating-----			<u>Combined</u>	<u>Comment (4)</u>
		<u>Short</u> (1)	<u>Medium</u> (2)	<u>Long</u> (3)		
<u>Money Market</u>	<u>Value</u>	<u>Term</u>	<u>Term</u>	<u>Term</u>		
Libor (U.S. \$)	97.533	2.0	3.0	2.5	7.5	Suggests flat to lower rate
Fed Funds Rate	97.990	1.0	3.0	2.5	6.5	Expect flat rate
Eurodollar	97.070	1.0	-3.0	2.5	0.5	Look for flat to higher rate
Euroyen	99.125	1.0	-3.0	-5.0	-7.0	Expect flat rate
Short Sterling	93.895	1.0	-3.0	-5.0	-7.0	Expect a flat to slightly higher rate.
Euribor (3 Month)	94.920	<u>1.0</u>	<u>-3.0</u>	<u>-5.0</u>	<u>-7.0</u>	Expect a flat to slightly higher rate.
Today's Averages		1.2	-1.0	-1.3	-1.1	
Best Possible		2.0	3.0	5.0	10.0	
Today's Average as % Best Possible		58.3%	-33.3%	-25.0%	-10.8%	
<u>Long Bonds</u>						
Japanese Gov't. Bond (JGB)	135.050	2.0	-3.0	-5.0	-6.0	Neutral - see comments re conditional buy
Canadian Govt. (10 Year) (5)	117.470	1.0	-3.0	-5.0	-7.0	Neutral...see chart comments
U.S. Treasury Notes (30 Year)	115.6563	1.0	-3.0	-5.0	-7.0	Cover and buy some
U.S. Treasury Notes (10 Year)	113.9219	1.0	-3.0	-5.0	-7.0	Cover/see comments on chart re going long
EURO - Bund (5)	110.540	1.0	-3.0	-5.0	-7.0	Continue to avoid or be short
British (Gilt) (5)	104.260	<u>0.0</u>	<u>-3.0</u>	<u>-5.0</u>	<u>-8.0</u>	Continue to avoid or be short
Today's Averages		1.0	-3.0	-5.0	-7.0	
Best Possible		2.0	3.0	5.0	10.0	
Today's Average as % Best Possible		50.0%	-100.0%	100.0%	-70.0%	

Notes:

- (1) The shape and feel of the stochastic oscillator (Scale +2 to - 2), a subjective observation
- (2) The BUY/S/SS(Sell Short) signal shown on chart (+3 or -3)

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(3) The value of WFS' LT Graded Bullish/Bearish signal as shown on the charts

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(5) We have limited data history to run through the algorithms and apologize for not being able to do the kind of long-term analysis we'd like to. In some fixed income charts we are forced to make an educated guess as to the medium-term momentum.

Commentary:

Money Market – We would not look for much action in the money markets though on balance it does look like there is a slightly better chance that **U.K. and EURO short rates will rise a bit more than U.S. rates which we expect will stay flat**. We would expect this would have a slightly negative implication for the U.S. \$.

Bonds Markets – Bonds tried to rally last month but didn't get very far. **We remain ambivalent to negative on Government bond prices at this juncture**. One exception is the **30 Year U.S. Treasury** where the technical picture has improved more than we would have expected. There we are recommending **buying a bit but not with much gusto**. The 10 Year is close behind. Comments on their charts should be helpful in better understanding this position.

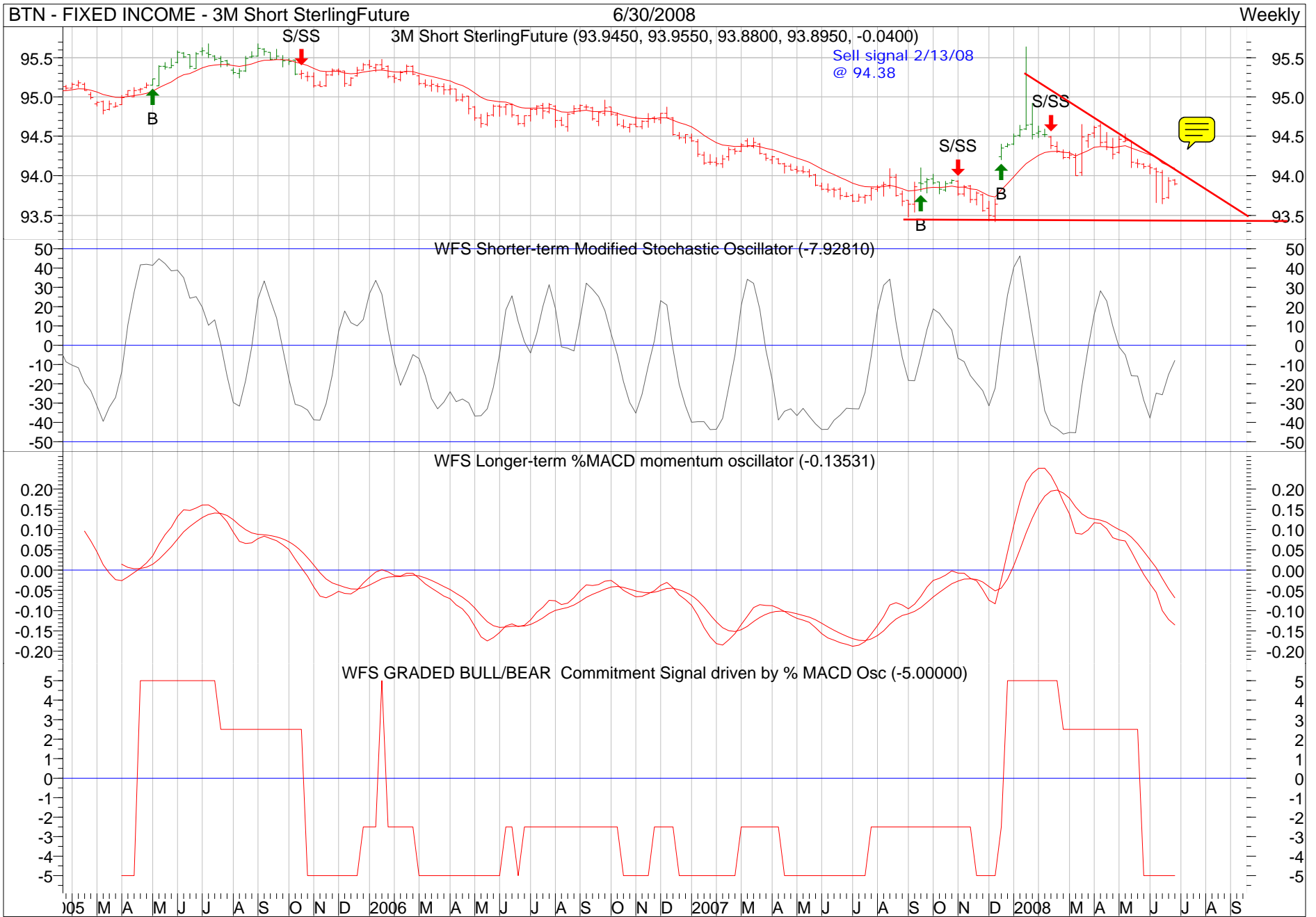
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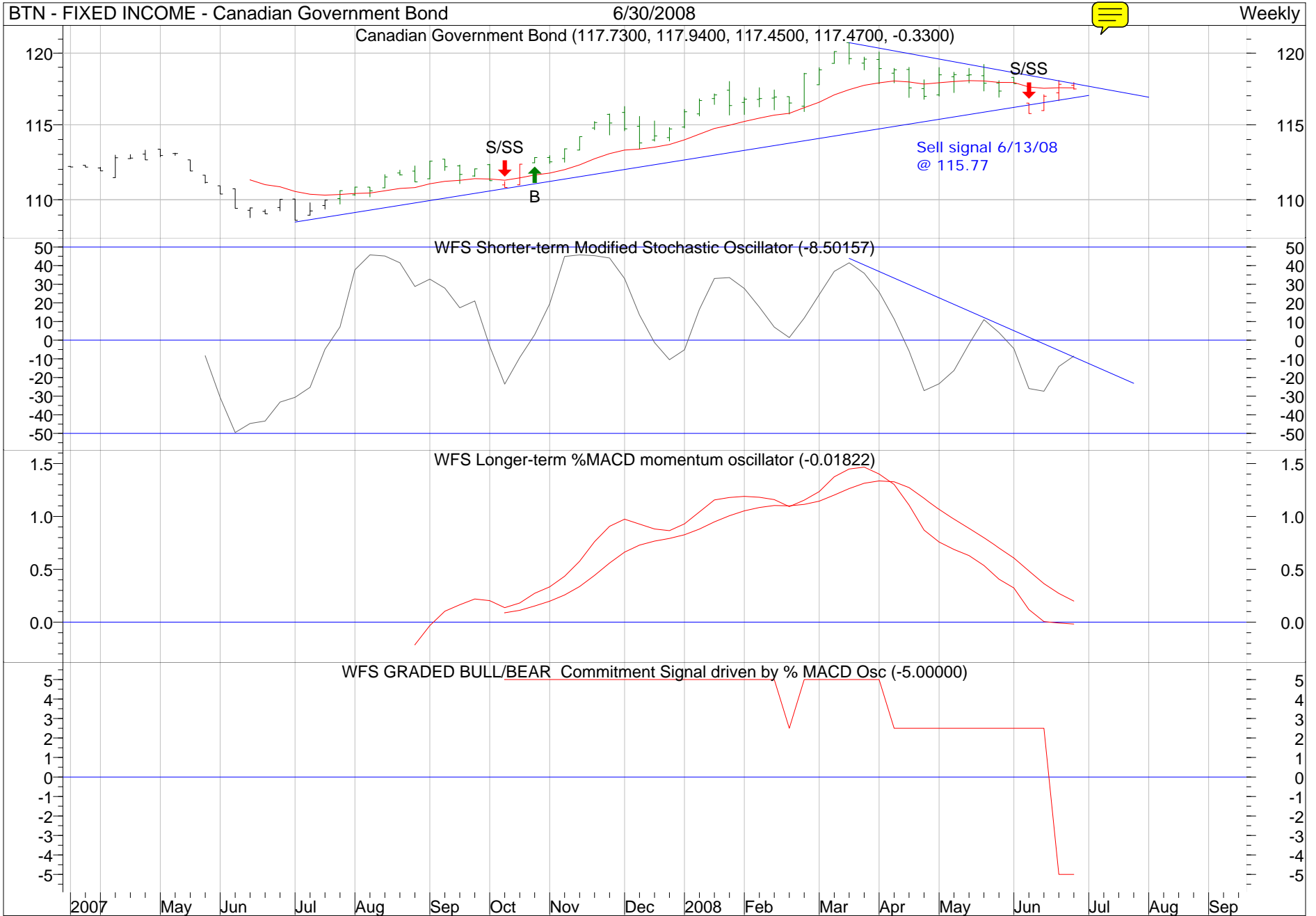
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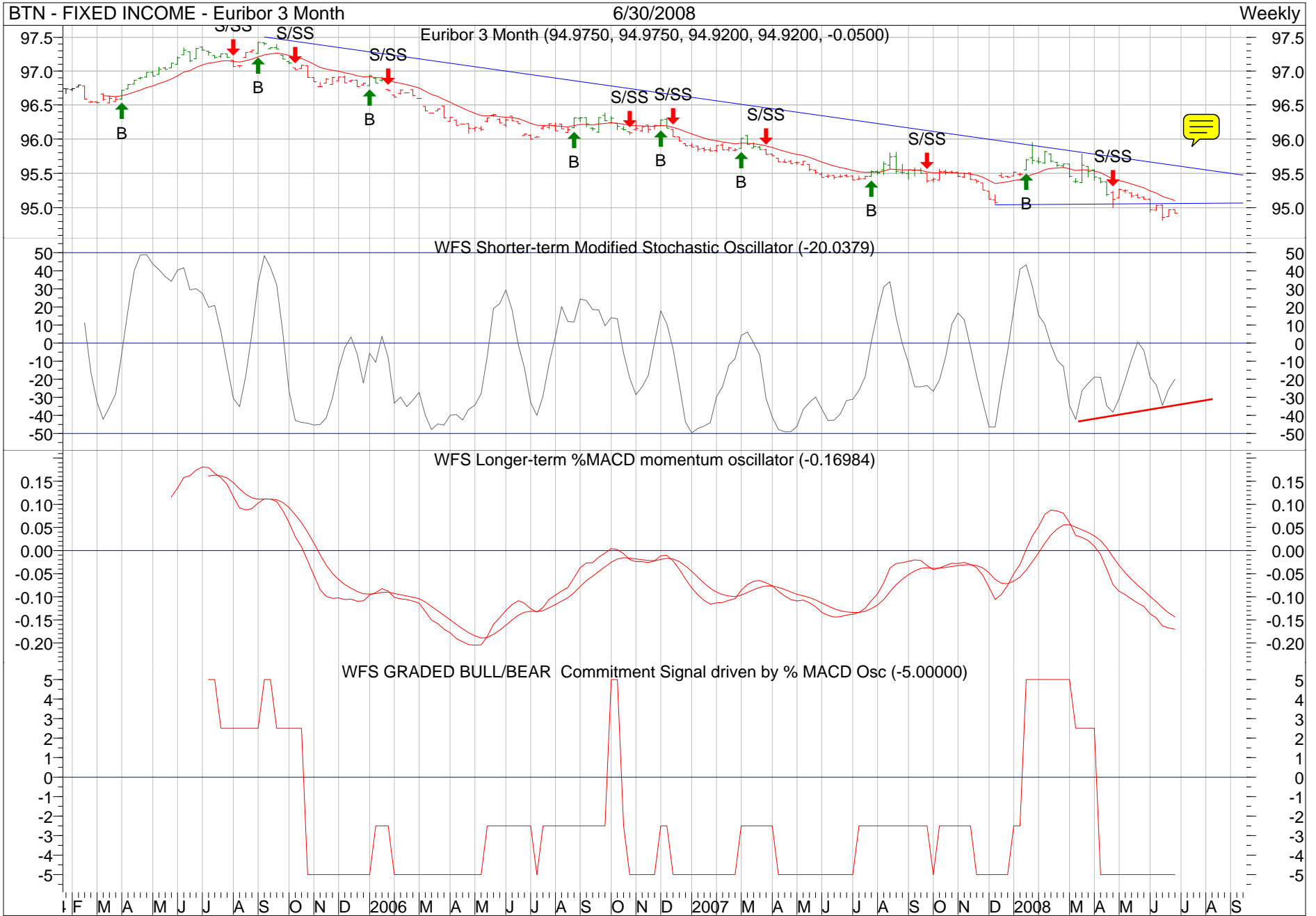
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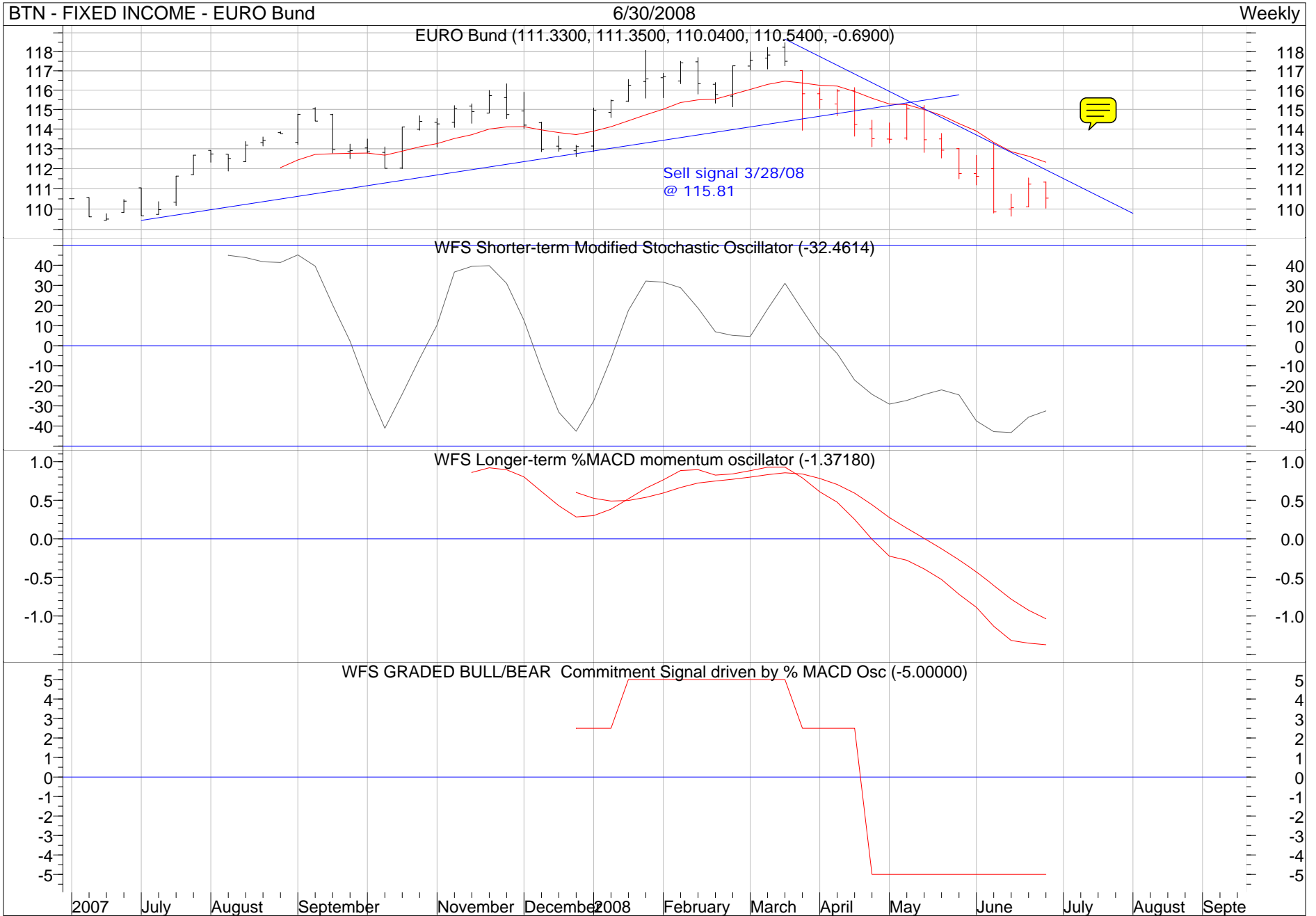
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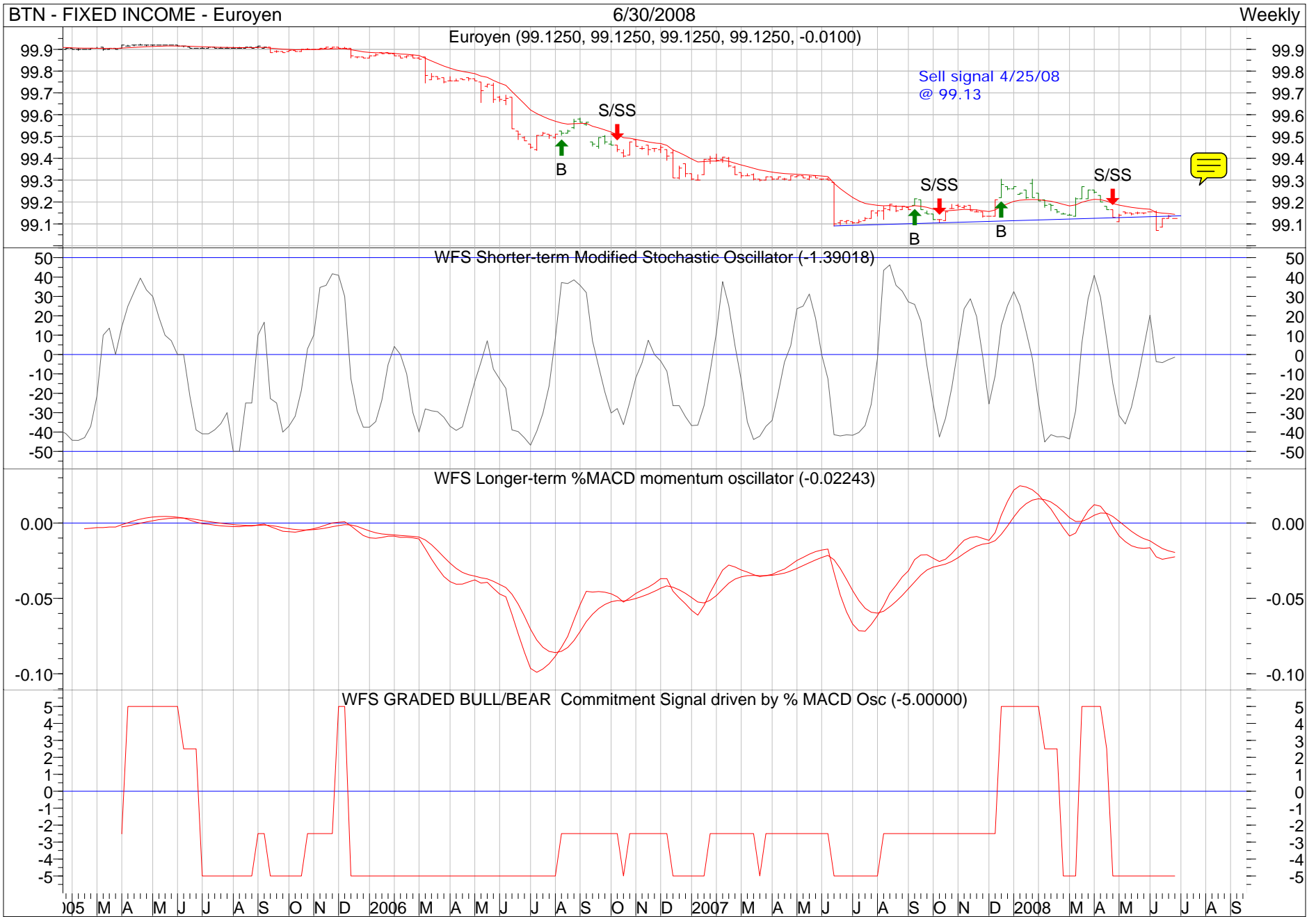
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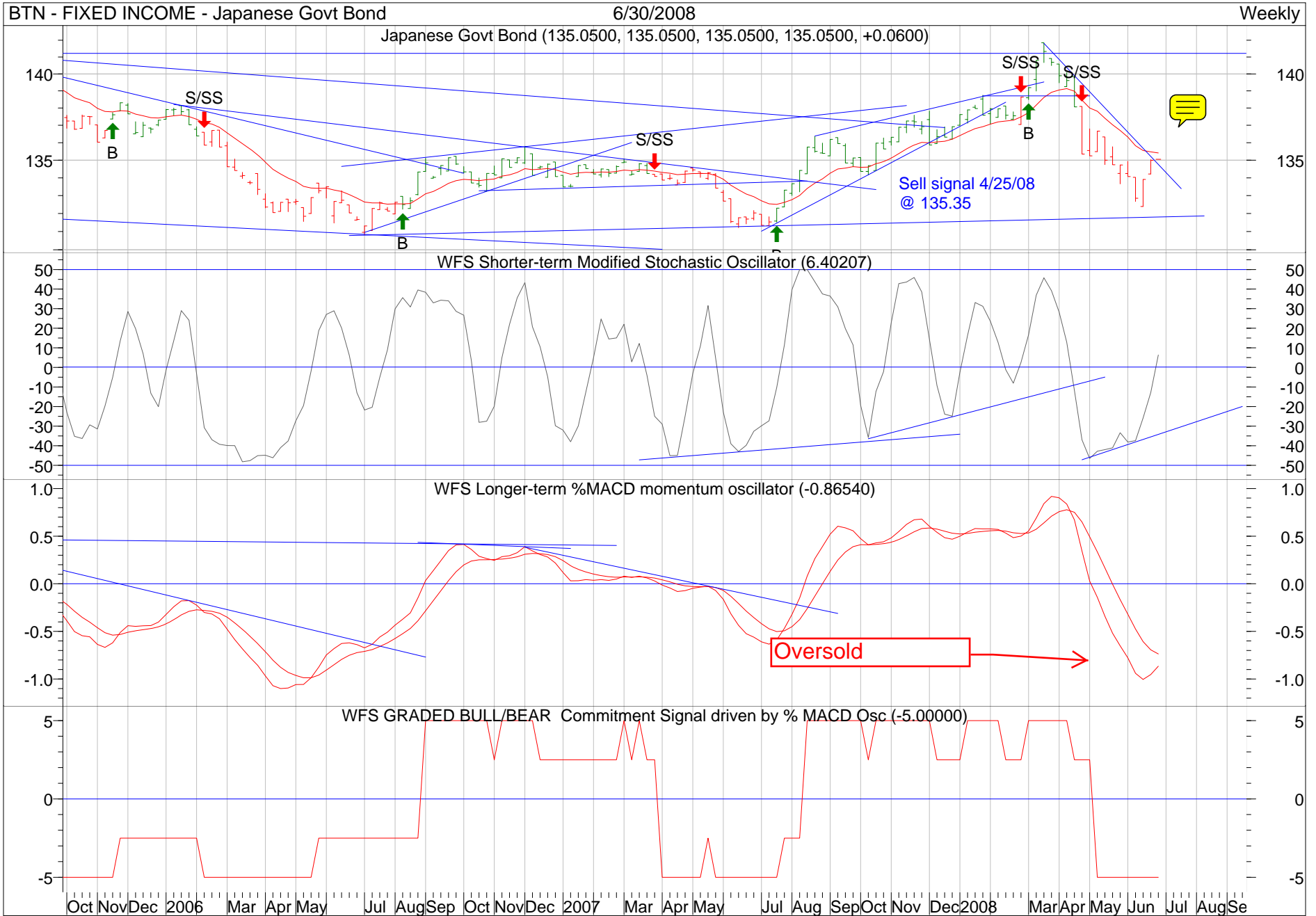
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