



September is typically the poorest month for stock market performance. In fact, it is the only month that has averaged a decline over the last 80 years.¹ Add to that the official “corrections” in the Dow and NASDAQ of over 10% from mid-July to mid-August,² concerns over surging default rates of high-risk mortgages, record high \$80/barrel oil, record U.S. currency lows against the Euro³ and, finally, in-depth media review of the 20th anniversary of Black Monday, when the Dow fell 22.6% on October 19th, 1987.⁴

IN THIS ISSUE

- **Financial Markets Summary**
- **High-yield Credit Bubble Bursts**
- **Perils of Market Timing**
- **Third Quarter 2007 Economy Review**

With these “obvious” signs, many professionals were advising investors to get out of the market – at least for the dreaded month of September, an easy call right?

Who would have guessed that with the help of a Fed cut in short-term rates (though not unexpected) September 9 - 21 saw the best two weeks for the stock market since 2004² and the best September since 1987.³ The stock market behavior this past quarter underscores the unpredictability of the stock and bond markets in the short-term and the importance of staying invested in the market with a well-balanced portfolio, tailored to your specific financial objectives and risk profile.

Last quarter our feature article, “Behavioral Finance” explored the relatively new field of examining the biology of why individuals make certain investment decisions that significantly harm their portfolio returns. Professionals have been equally guilty of poor investment decisions through time. This quarter’s feature article focuses on how the professional asset management community has been re-aligning in recent years with the consensus of academics who have warned against trying to time entries into and exits from the market. Institutions embracing this philosophy of avoiding market timing will continue to do well for their clients.

Financial Markets Summary



Heightened volatility continued this quarter. In fact, in August it reached the highest levels in four years.⁵ On July 12 the S&P 500 Index rose 2.1% to record levels on its strongest day in nearly four years.⁶ Next, the major indexes declined steeply for a month, falling over 10% as not only the U.S., but also the rest of the world experienced the worst liquidity crisis since the 1998 bankruptcy of the giant hedge fund, Long-Term Capital Management.⁷ Then, as now, bond risk-premiums sank to bubble-like low levels. That bubble burst this quarter, and the financial markets tumbled. For a description of how these important events unfolded this quarter, read “High-yield Credit Bubble Bursts” below.

In response to this credit crunch, the Federal Reserve Board acted to add liquidity to the credit markets throughout August. And on September 18 the Federal Reserve cut the target discount rate for the first time in over four years. The S&P 500 Index rose 2.9% that day. While the market was expecting a rate cut, uncertainty existed as to whether it would be a 0.25% or a 0.50% cut. The 0.50% cut propelled the market to a strong finish at quarter end and provided momentum into the first weeks of 4Q07.

After all of these ups and downs the S&P 500 Index finished the quarter up 1.9% (stock price gain + dividends). Despite the turmoil in the sub-prime lending market, the Lehman Aggregate Bond Index, which Sharper ♦ Granite uses as the benchmark for its taxable bond investment performance, returned 3.2% (bond price gain + interest payments) for the quarter (13.4% annualized rate). This index represents the high-quality end of the credit quality spectrum. While lower-quality debt was punished this quarter, high-quality debt actually did well as money fled to the safety of low-risk bonds and treasuries.

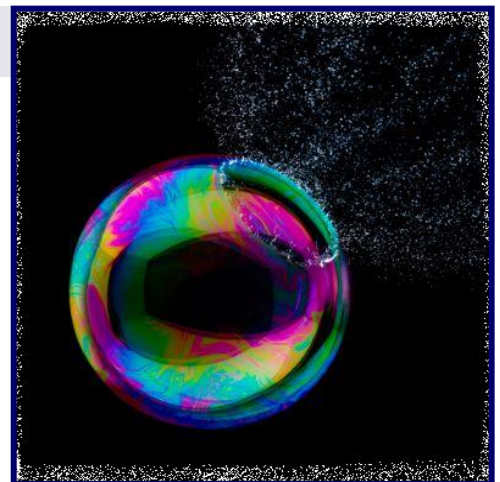
The average of all Sharper ♦ Granite client portfolios this quarter gained 2.1% net of fees (8.6% annualized rate) and maintained a risk level 24% less than that of the S&P 500 Index.⁸ If normalized to the same risk level as the S&P 500 Index, Sharper ♦ Granite client portfolios would have gained 2.5% (10.2% annualized rate).⁸ Thus, on aggregate Sharper ♦ Granite clients' performance topped the S&P 500 Index this quarter on both an absolute and a risk-adjusted basis.

For the year Sharper ♦ Granite client portfolios, when risk-adjusted to similar risk of the S&P 500 Index, are up 9.9% on average through the first three quarters.⁸ This represents a hypothetical 13.4% annualized rate, slightly ahead of the S&P 500 Index, which is up 9.1% (12.3% annualized rate).⁸ ●

High-yield Credit Bubble Bursts

Loans to entities where the credit risk (risk of not being paid back) is high are referred to as high-yield or “junk” loans. This market can be good for investors in that they will typically receive a higher interest rate than treasuries (which are far safer), and if the borrower pays the principal, all works out profitably.

Credit quality is rated by credit agencies so that appropriate interest rates may be assigned to the debt. AAA rating is the highest. BB ratings or lower are considered “high-yield” and carry significantly more risk. For example, at the bottom of the credit quality ladder are B rated bonds and Caa rated bonds, of which 33% and 44% respectively default within 10 years (1970 - 2005 data).⁹



For decades the high-yield bond market has followed a fairly regular pattern. Two to four years after a new wave of bonds hits the market, defaults on those bonds surge, and high-yield bond investors get hit. This cycle saw a huge run up in high-yield debt production beginning in 2003.⁹ For a time there was actually a lower level of defaults than usual. This provided grand returns for high-yield investors for several years.

Where there are returns above and beyond the norm for an asset class, greed will often follow. Encouraged by an excess of global liquidity, investors piled into risky debt. Just as with internet stocks in 1999 and Florida condominiums in 2004, a bubble formed. This quarter, the bubble finally burst.

The triggering event was a large number of defaults in the sub-prime mortgage lending sector. Here, loans were given to home buyers with little or no credit. Many mortgage lenders such as American Home Lenders ran into financial distress as their borrowers stopped paying. Since mortgage-backed assets typically hold bundles of several loans, panic spread while investors were unsure as to which financial institutions might be holding mortgage asset packages with bad loans. For a brief time banks virtually stopped giving loans of any type, even to each other.

That is when the Fed stepped in to add liquidity to the system by both lowering key interest rates and encouraging banks to take low-rate, short-term loans from the government, called Fed funds. Since then confidence has gradually returned to the debt markets.

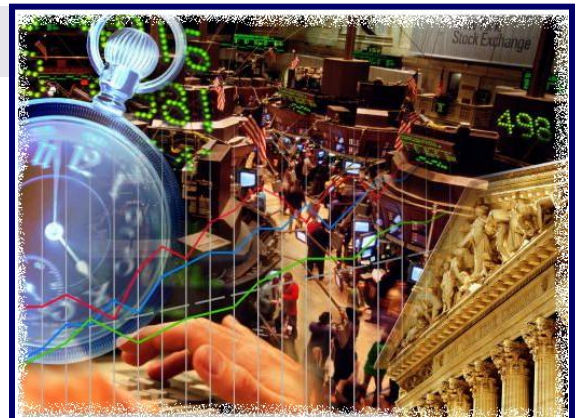
However, this credit crunch is far from over. Currently only about 1.5% of high-yield bonds are in default. At the peak of the last two credit cycles, high-yield defaults peaked at 11% and 13%.¹⁰ Each week large financial institutions are coming forth with announcements that they are holding distressed mortgage-backed assets. Washington Mutual, Citibank, and especially Countrywide, the nation's largest mortgage generator, have topped the headlines recently with announcements of earnings hits due to the mortgage-backed assets they are holding.

At Sharper ♦ Granite we are watching the situation closely. We fully expect this credit strain to deepen and continue into 2008 as sub-prime borrowers continue to default on loans. Bond trading volumes are not yet back to normal.¹¹ Due to the compressed risk-premium spreads in recent years, Sharper ♦ Granite portfolios have been tilted slightly away from high-yield debt, but high-yield debt has been and will continue to be a small part of most client accounts. As an asset class, high-yield bonds provide strong returns over time and are anti-correlative with stocks and high-quality bonds. That is, high-yield bonds tend to move out of synch with other assets that make up our portfolios.¹²

Strong returns and low correlation to stocks make high-yield debt valuable to Sharper ♦ Granite portfolios in small doses. The high-yield asset most Sharper ♦ Granite clients have held in their portfolios is SSHYX, which has returned an average of 9.3%/year over the last five years¹³ while moving out of synch with other assets within the portfolios to help lower portfolio volatility. ●

Perils of Market Timing

Last quarter we discussed in our feature article how psychology and biology can help decipher why investors tend to hurt their own returns in the investing process. The article featured several academics at leading universities explaining why over the past ten years the average equity mutual fund earned 8.8% per year, yet the average mutual fund *investor* made only 7.3% per year.¹⁴ We explored how investors through self-destructive behavior have hurt their returns as a whole by 17% over the past ten years with tendencies to move in and out of the market at just the wrong time.



Moving in and out of the market is well documented as a failing strategy, yet it is universally tempting according to Bert Whitehead, author of *Facing Financial Dysfunction: Why Smart People Do Stupid Things with Money*, because it appeals to both our fear and our greed, two base emotions.¹⁵ At high points in the market investors have trouble watching “easy money” being made by others and sitting on the sidelines. They tend to put extra cash into the market at that time. At low points in the market, fear takes over and investors tend to sell. This leads to buying high and selling low, which, of course, leads to poor returns.

Yet moving in and out of the market is exactly how asset management firms have traditionally made their money. They are often paid by commissions on the transactions and for their advice, not only on which stocks and bonds to buy, but also on when to move in and out of the market. Thus, there has been little incentive for the large, profit-driven banks to move away from encouraging this *active* type of investing. It is consumer recognition of the facts that is gradually driving money from these *active* money managers to more *passive* managers who ignore market emotion.

- *“If you look at our U.S. exposure, 70% is in a passive index. In general, active management still doesn’t beat the market.”*¹⁶
 - Chris Ailman, Chief Investment Officer of the California State Teachers’ Retirement System, the second largest U.S. pension fund at \$168.8 billion
- *“Individuals should avoid the actively managed funds that make up 92% of the mutual fund industry...”*¹⁷
 - David Swensen, head of Yale’s \$15 billion endowment, second largest U.S. university endowment¹⁸

The studies of academics for many years ran at odds with the marketing messages of the large financial institutions. These studies show that jumping in and out of the market tends to hurt performance for two reasons.

First, it generates transaction costs. The costs of trades must first be recouped by some incrementally better performance just to break even. Morningstar’s recent study shows that low management fees are more likely to indicate solid future performance for mutual funds than past performance.¹⁹ This is fascinating since Morningstar is the leading vendor of mutual fund past-performance ratings which they sell to individual and professional investors who make investment decisions based on historical performance.

Not surprisingly, equity mutual funds that have the highest costs tend to move in and out of stock positions the most. This is called churning and is a key factor driving the higher costs. This leads to the second reason market timing hurts performance. As our last letter showed, in “Behavioral Finance”, *Summer, 2007*, amateur and professional investors alike tend to move into and out of the market at just the wrong times. And doing so can be extremely punishing to portfolios.

Consider that if you had been in the S&P 500 Index over the past ten years, your annualized return would have averaged 8.4% per year, despite the 2000 – 2002 bear market. But if you missed the top 40 best single market days over this period, your annualized returns would have averaged -6.4%.

Even more fascinating is the fact that 21 of those 40 best days came during the 2000 – 2002 bear market and 29 of the 40 best days came within two weeks of one of the 40 *worst* market days during that period.²⁰ Thus, it is easy to see how investors could hurt their returns during times of fear.

The fact that most stock market gains are focused within a few unpredictable days is well documented across several time periods. From 1970 to 2002, 80% of the total 23-year gain in the S&P 500 came on the best 40 days of the market.²¹ Even looking at our current year, 2007, if you invested in the S&P 500 Index through July 15th, your return would have been 10.5%. But if you missed July 12th and the next best nine days of 2007, your return would have been -3.0%.²²

In a specific study of market timing strategies, the performance of one hundred professional market timing managers was reviewed by *Timer Digest* for 2006. Only four beat the S&P 500 Index. In another study *Hulbert Financial Digest* analyzed the records of 103 professional market-timing managers over the past ten years and found “80% of timers fail over any reasonable period of time.”²³

If the stock market is difficult to predict, what about the bond market? It is driven primarily by future expectations for interest rates. Are those any more predictable? No. (see “Dangers of Using Interest Rates for Market Prediction”, *Winter 2005*).

Since 1982 the *Wall Street Journal* has published a semi-annual survey of over 50 leading economists asking them to anticipate where the 10-year treasury rate will be a year later. In 23 years of the study the majority of economists have been correct about the *direction* (forget about the actual value) of rates – up or down – only 30% of the time.²⁴

Bloomberg recently began a similar survey of 53 economists and has seen similar results. At the beginning of 2005 these economists predicted that the 10-year treasury bond would be higher -- up to 5.0% -- by the end of 2005. In reality the 10-year treasury fell to 4.3%.²⁴ Few predicted the increased demand of U.S. debt and the lack of inflation that year, both of which acted to suppress long-term rates even as the Fed openly communicated its intentions of raising short-term rates.

- *“Attempting to forecast whether the market is at a peak or in a valley – and whether to buy or unload stocks as a result – is a waste of time. I don’t know anyone who has been right more than once in a row.”*²⁵
 - Peter Lynch, legendary manager of the Magellan Fund at Fidelity Investments
- *“After nearly 50 years in the business, I do not know of anybody who has done it (market timing) successfully and consistently. I do not even know anybody who knows anybody who has done it successfully and consistently.”*²⁵
 - John Bogle, former CEO of Vanguard
- *“Market timing doesn’t work.”*²⁵
 - Liz Ann Sonders, Chief Investment Strategist, Charles Schwab

The studies of academics for many years ran at odds with the marketing messages of the large financial institutions. Today, that tendency is changing. In fact, many of the largest asset-management institutions, Barclays Global Investors (ranked #2), State Street (ranked #3), Vanguard (ranked #9), TIAA-CREF (ranked #40), and Charles Schwab (ranked #56)²⁶ are now firmly in the camp of advising against market timing. Even Fidelity Investments (ranked #6), the largest *actively-managed* mutual fund firm is moving toward a greater emphasis on index funds.

Peter Lynch could have improved his own fantastic returns by following his own modern-day advice. Peter Lynch's legendary Fidelity Megellan Fund returned an amazing average 34% per year over one ten-year stretch; however, studies show that had Lynch taken a more passive approach (less trading) by freezing the assets he held on January 1st of each of those ten years with no buying or selling throughout the year, he could have increased his returns another 3.5% on average per year.^{27, 28}

Practicing what we know is best is indeed challenging. Even Liz Ann Saunders, Chief Investment Officer at Schwab, who just wrote a great article in *On Investing* discussing the dangers of market timing, was predicting a recession by year end and imploring Schwab customers to move to larger cash positions earlier this year, right before the stock market run up of the spring and summer. The S&P 500 has been up 11.0% since then in 2Q07 and 3Q07.²⁹

As investors and professionals alike are becoming more aware of the performance penalties of stock and bond market timing, they are moving more toward a strategy of fewer transactions where the objectives and needs of the client are driving investment strategy rather than market direction guesses.

While it is tempting to bet on what sometimes seems an obvious future market direction, at Sharper ♦ Granite we imbed the philosophy of no-market timing into our investment processes. While we will "tilt" portfolios toward or away from certain industries or sectors based on the U.S. economy's point in the macro-economic cycle, we avoid moving money into and out of the market based on short-term stock or bond market projections. We believe this is a key success factor in our performance results over the past five years. ●

Third Quarter 2007 Economy Review

Despite negative impact to the economy from the sub-prime credit markets and the collapsing residential real estate market, there is plenty of good news for the U.S. economy. Recall that the "Second Quarter 2007 Economy Review," *Summer 2007*, illustrated how strong the economy was despite low 1Q07 economic growth. The leading economic indicators we track continue to appear strong this quarter with plenty of other good economic news as well. The economic growth rate is slowing to be sure, but we do not believe the economy is headed for recession as many are predicting.

The 0.5% cut in short-term interest rates by the Fed was significant. Interest rates on home equity loans and lines of credit for many are declining sharply. The U.S. Prime Rate has already fallen to 7.75%. The rate cut also implies that the Fed sees a reduced threat from inflation. Stock market performance in falling rate environments is far superior to rising rate environments.

Will rates stay low? It is likely. The Fed is heavily influenced by jobs data. As our economy is a point of nearly full employment, the unemployment rate is more likely to rise than fall, giving the Fed more reason to cut.








As for long-term rates, the falling U.S. federal budget deficit will help. With all of the attention on sub-prime and the Fed, many have not noticed that the federal budget deficit has unexpectedly shrank from 3.9% of GDP in 1Q04 to 1.1% in 3Q07 despite the costs of the Iraq War.³⁰ After over ten years of the U.S. trade deficit detracting from GDP growth, in 2007 net exports will actually add about 0.5% to GDP growth.³¹

Recall one year ago the ballooning federal budget deficit was among our top five concerns facing the economy in “Third Quarter 2006 Economy Review,” *Fall 2006*. It is less of a concern now. A reduced need for cash will allow the U.S. Treasury to issue fewer treasuries, increasing demand for treasuries and keeping long-term rates like those associated with mortgages low.

Leading Economic Indicator Summary


↑ Market Cycle: The fourth quarter is upcoming and tends to be the strongest of each year. November and December have been the strongest months for the S&P 500 Index since World War II.¹ One point currently working against the market cycle is that we have just completed four consecutive years of gains, and five winning years in a row is rare.

	Strong
	Mildly Strong
	Neutral
	Mildly Weak
	Weak

Furthermore, as of September 18th we are in an environment of decreasing interest rates. Market returns from 1970 - 2006 averaged only 8.7% in years of rising interest rates compared to 18.5% in years of declining interest rates.³²

Another study from 1955 – 1996 shows market returns in the months following rate decreases are significantly higher than returns in the months following rate increases. Rising rates are viewed as a headwind as investors must borrow at higher rates, thus diminishing future returns on their investments.

S&P 500 Index Returns Following Changes in the Fed Funds Rate¹

 Current State	Rate Change	3 Month	6 Month	9 Month	12 Month
	Decreases (92)	5.6%	10.6%	13.5%	17.9%
	Increases (92)	0.9%	2.5%	5.8%	7.2%
	Benchmark	3.0%	6.0%	9.1%	12.2%

* All measurements have sufficient sample size for statistical significance

↑ **Political Cycle:** We are in the third year of President George W. Bush's second term. Traditionally, the third year in the presidential cycle is the strongest as elected officials typically try to boost the economy to improve chances of re-election. Since 1948, the third year of the presidential cycle has seen the S&P 500 Index post an average gain of 23.3% (21.9% with Republican presidents), far in excess of other years in the cycle.¹ Since 1960, every third year of a president's term has been positive, and all but one year has had a double-digit gain.³³

Specifically looking at the third year of presidential cycles when the U.S. was at war, the stock market has also surged. The average gain of the S&P 500 Index has been 18.4%.¹

↑ **GDP Growth:** Gross Domestic Product (GDP) is the official measure of the U.S. economy. It is a measure of all goods and services produced in the United States. 2Q07 GDP grew at a healthy 3.4% annualized rate.³⁴ This quarter represents the 23rd consecutive quarter of expansion, or positive economic growth, since the official recession of 2001.

This current GDP growth rate is neither too hot nor too cold such that inflation fears and recession fears are balanced. Positive but low GDP growth may be the best result right now for the economy as higher growth rates could pressure inflation measures and force the Fed to tighten money supply, which historically hurts stock performance.

↑ **Purchasing and Manufacturing:** The Institute of Supply Management (ISM) Index, the key manufacturing indicator, maintained its recent levels of slow expansion. The ISM has shown the manufacturing industry to be expanding for the last seven months through August.³⁵

Factory orders showed strength this quarter in the U.S. Commerce Department report.³⁶ Much of this strength is due to strong foreign demand for U.S. products, helped by a lower U.S. dollar, making U.S. goods seem cheap relative to non-U.S. goods.³⁸

↑ **Inflation Control:** The most widely accepted measurement of inflation is the Consumer Price Index (CPI). The core CPI, which excludes volatile food and energy prices, continues to advance at a rate in the upward range of that targeted by the FOMC. The twelve-month core CPI growth rate moderated to 1.9% in July³⁷ and 2.1% in August.³⁹

The overall trend of the core inflation rate has been flat to down, residing in the 2.3% range most of this year,³⁹ which is just below 2.6%, its average over the past ten years.⁴⁰ With inflation well under control the Fed may have room to cut short-term interest rates further if it deems necessary to help the economy, specifically the housing and sub-prime credit issues.^{41, 42}

↓ **Oil Price Control:** Oil prices reached \$80/barrel for the first time on September 12. Oil prices rose this quarter (+18.8%)²⁹ and continued higher in the first two weeks of 4Q07.

This continues a disturbing trend. Oil is a key input to so many business and consumer products. Its price movement can greatly affect consumers' ability to travel and purchase leisure-time products. It also impacts the profitability of corporations that produce plastic containers, fly airplanes, drive trains, build trucks, or manage hotels. Oil prices, while volatile, have such a strong influence on the overall economy that they must be watched closely.

- ↑ **Consumer Spending:** Retail sales remained strong through the third quarter, but the trend is one of a consistently slowing growth rate over the past twelve months.⁴³

Furthermore, this quarter the forward-looking indexes of the Conference Board⁴⁴ and the University of Michigan³⁷ continued their general upward trend that has been in place since 2003 despite a small setback in August likely due to the sub-prime credit issues. In July the Conference Board index actually rose to its highest level in six years.³⁶

- ↑ **Business Capital Spending:** Corporate profitability and balance sheets continue to show strength,⁴⁵ which is key to helping the business community weather the current credit crunch. That is, in this time of difficulty finding loans, many businesses will be able to draw on their large cash reserves.

The government's recent GDP report showed accelerating corporate spending and business construction.³⁶

However, two future-looking business surveys, one by Moody's and one by the Conference Board, flashed a steep decline in business confidence. A third study, by the Business Roundtable, of more than 100 CEOs around the country has been showing eroding economic optimism since the beginning of 2005.⁴⁶ Weak forward-looking signals like these may give the Fed reason to continue to cut short-term interest rates.

- ↓ **Investor Sentiment:** Sentiment took a dip to the most bearish levels of the year in mid-August, corresponding to the sub-prime market issues. Since then, bullish sentiment has returned, which is actually negative for the market in that it indicates much of the professional money, fuel for future market rallies, has already been invested.⁴⁷

- ↑ **Corporate Earnings:** Corporate earnings relative to their stock valuations are excellent. 2Q07 profits for the S&P 500 companies were a healthy 8%.

Furthermore, the price/earnings of the S&P 500 companies is 15 (based on 2007 earnings), in line with its long-term average. This at a time when return on equity and profit margins are near record levels, and the spread between return on capital and cost of capital is well above average.⁴⁵ In other words, companies are borrowing money now at relatively low interest rates then making significant profits on the investments of the borrowed money.

- ↑ **Insider Trading:** Significant insider stock buying implies that managers have positive information about their company's outlook. Insider buying went through the roof in August. This is a good indicator of business confidence. In August the 30-day moving average of insider buying hit its highest point in several years.⁴⁸

- ↑ **Merger and Acquisition Activity:** U.S. acquisition activity will be significantly impacted by the recent sub-prime interest rate increase. Buyout firms will have to pay higher interest rates on money borrowed to buy companies.

Still, private equity firms have approximately \$400 billion available for investment. If this money is leveraged at the traditional 4:1 ratio, that creates a \$1.6 trillion pool of funds available for purchasing equities, a sum equal to more than 10% of all U.S. publicly traded companies.⁴⁵ ●

Notes and Acknowledgements:

1. *Stocks for the Long Run*, Jeremy J. Siegel, Ph.D., Professor of Finance, Wharton School of Business at Penn University
2. *Wall Street Journal*, September 22, 2007
3. "Stocks Rise, Through It All", *Wall Street Journal*, October 1, 2007
4. *Pensions & Investments*, October 1, 2007
5. "Despite the Recent Bumps, Now's Not Time to Panic", *Wall Street Journal*, August 15, 2007
6. *Wall Street Journal*, July 13, 2007
7. "Review and Prognosis for the Economy and the Market", Jeremy J. Siegel, Ph.D., Professor of Finance, Wharton School of Business at Penn University
8. Global Investment Performance Standards (GIPS) Original Dietz Method used to calculate returns. Arithmetic average used for return measurement. Asset-weighted average beta used for risk adjustment to market risk level within each client portfolio. Performance is net of fees and may include assets tracked for clients that lie outside Sharper ♦ Granite direct management. Such assets total less than 4% of total assets. All client portfolios weighted equally in calculation of average client performance. S&P 500 Index returns include dividends. Past performance does not guarantee future results.
9. "Junk Keeps Defying Gravity", *BusinessWeek*, January 29, 2007
10. "Junk Bonds: What Now?", *BusinessWeek*, October 1, 2007
11. "Bonds Indicate Credit Relief", *Wall Street Journal*, September 28, 2007
12. "Is Volatility Back?", *Wealth Manager*, September, 2007
13. Data from Yahoo! Finance
14. "Why What You See Isn't What You Get", *Money*, December, 2006
15. "The Big Lie", *Wealth Manager*, February, 2006
16. "Can the market Stay This Hot", Chris Ailman interview with Maria Bartiaromo, *BusinessWeek*, May 21, 2007
17. "Portfolio Avoids 'Colossal Failure' ", Interview with David F. Swensen in *CBSMarketwatch.com*, September 16, 2005
18. "The Money Game", *Fortune*, October 3, 2005
19. *Barron's*, August 15, 2005
20. *On Investing* from Charles Schwab, Summer, 2007
21. "Market Timing Can Erode Returns", *Investors Business Daily*, May, 2002
22. "It's a Mystery Market. Roll with It", *BusinessWeek*, July 30, 2007
23. "It's All in the Timing", *BusinessWeek*, February 19, 2007
24. *Wealth Manager*, December, 2005
25. "Market Timing Doesn't Work", *On Investing* from Charles Schwab, Fall, 2007
26. "P&I / Watson Wyatt World 500: The World's Largest Managers", *Pensions & Investments*, October 1, 2007
27. "Market Timing and the Effects of Transaction Costs," Tim Bollerslev, Ph. D., Professor of Finance, Kellogg Graduate School of Management, 1994.
28. *One Up on Wall Street*, Peter Lynch and John Rothchild, 1989.
29. Vanguard Total Market Index (VTI), Barclays Global Investors Oil (OIL)
30. "Less Red Ink Now. Lower Rates Later?", *BusinessWeek*, July 30, 2007
31. "Exports: The Economy's Secret Weapon", *BusinessWeek*, September 24, 2007
32. TDWaterhouse Research
33. *Barron's*, November 13, 2006
34. "Don't Be Afraid of the Dark – Well, Not Too Afraid", *BusinessWeek*, August 13, 2007
35. "Manufacturing Cools Slightly in August, ISM says", *CBSMarketwatch.com*, September 4, 2007
36. "Inflation Remains Moderate in July", *CBSMarketwatch.com*, August 31, 2007
37. "Fears Intensify over Economy, Despite Growth", *Wall Street Journal*, July 28, 2007
38. "Savvy Moves that Should Soothe the Markets", *BusinessWeek*, October 8, 2007
39. "Why the Fed's Cut Won't Spark Inflation", *BusinessWeek*, September 3, 2007
40. U.S. Department Of Labor, Bureau of Labor Statistics and Sharper ♦ Granite Research
41. "Stubborn Inflation May Leave the Fed on Hold", *Wall Street Journal*, September 16, 2007
42. "Business Mood May Give Fed Leeway to Cut", *Wall Street Journal*, September 15, 2007
43. "Retail Sales Rise 0.3% Despite Tighter Loans", *Wall Street Journal*, September 14, 2007
44. "Consumers and Confidence: Key to Fed Cut?", *Wall Street Journal*, September 28, 2007
45. "This Bull as Legs", *Fortune*, August 20, 2007
46. "Rate Cuts: The Fed May Just Be Warming Up", *BusinessWeek*, October 1, 2007
47. Investors' Intelligence, *Investor's Business Daily*, October 17, 2007
48. Insidercow, October 12, 2007

Questions?
 Contact us at:
questions@sharpergranite.com