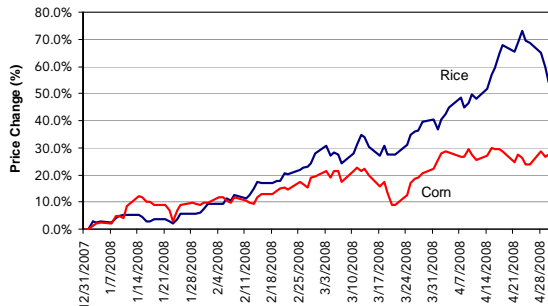


# Economic Review

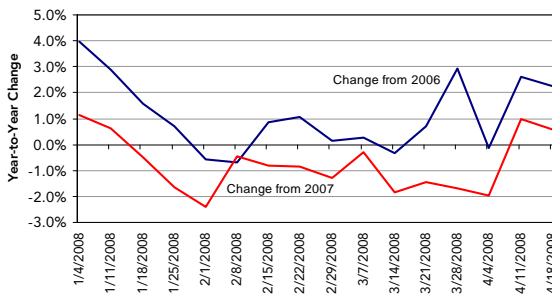
Consumer confidence slid further in April as ongoing price increases in basic goods added to a depressed outlook. The weak housing market, \$4/gallon gasoline, and increased grocery bills dampened enthusiasm for a quick return to strong growth. The widespread calls by state and local governments for tax increases reverberated negatively with consumers and homeowners, especially as they themselves have had to budget more carefully and delay large purchases. Two of the three Presidential candidates called for a temporary lifting of fuel taxes, though years of ineffective action have left few alternatives to provide adequate new energy supplies as the economy grows and keep prices reasonable.

## Food Staples Prices Soar in 2008



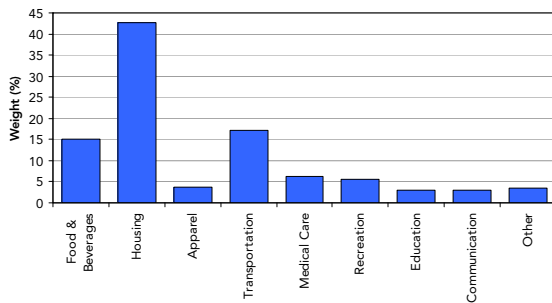
Source: Bloomberg

## Gasoline Consumption Down From 2007 Levels



Source: Energy Information Administration

## Components of CPI



Source: Bureau of Labor Statistics

### As of April 30, 2008

	April	3 Months	YTD
<b>S&amp;P 500</b>	4.9%	1.0%	-5.0%
<b>Russell 1000 Value</b>	4.9%	-0.3%	-4.3%
<b>Russell 1000 Growth</b>	5.3%	2.5%	-5.5%
<b>Russell 2000</b>	4.2%	0.8%	-6.1%
<b>MSCI EAFE</b>	5.4%	5.8%	-4.0%
<b>LB Agg</b>	-0.2%	0.3%	2.0%
<b>3-Month T-Bills</b>	0.1%	0.5%	1.0%

First quarter GDP measured in with a 0.6% gain, slightly topping estimates and avoiding recessionary territory. Boosting the results were increases in defense spending, inventories, and exports, especially food products. Housing continued to be a drag on growth, as well as imported oil, which saw total volume fall in April, though total value increased as crude oil prices soared.

The Federal Reserve cut interest rates an additional 0.25%, leading many to believe the rate-cutting cycle is at an end.

Crude Oil raced to a new high of \$119.93/barrel. Unrest in Nigeria, which provides 8% of U.S. imports, coupled with Saudi Arabian statements rejecting expansion of oil production, provided the impetus.

Protests erupted around the world as rice prices escalated over 70% from December. The United Nations solicited monies for its food programs, which provide assistance to third-world nations, where citizens can typically spend half of their earnings on food. The price escalation was rooted in several areas. First, a severe drought in Australia substantially cut rice harvests, causing countries such as China and India to stop rice exports to preserve supplies for their domestic needs. The second issue is fundamental to world energy needs. The rush to produce biofuels has sent fuelstock prices soaring, prompting farmers globally to convert fields from food-crops to higher profit fuel-crops, such as corn and oilseed plants, while diverting multi-use harvests towards fuel production. Third, production costs have risen sharply with the rise in fertilizer and fuel prices and increased demand for agricultural machinery.

Several airlines filed for bankruptcy or ceased operations in April. Increased fuel costs hastened the demise of Aloha Airlines, ATA, and Frontier, amongst others. United Airlines' attempts to merge with another carrier were again rejected, this time by Continental Airlines. American Airlines faced its own troubles after it was forced by the FAA to ground many of its planes over the course of several days for reinspections of wiring harnesses. Thousands of flights were cancelled and the delays cost the airline tens of millions of dollars. Delta and Northwest Airlines announced plans to merge companies.

Inflation rose 4.0% through March, while the core rate advanced 2.4%. Although the rates appear to underestimate the effects felt by the average consumer, the methodology behind the index provides insight into the relatively tame readings. Housing and shelter, which has fallen sharply over the year, accounts for over 42% of the index, while gasoline and food account for 18%. Higher inflation expectations have taken root in areas most affected by high materials and fuels costs, as seen by recent price increases in imported manufactured goods.