



Stanton & Castleton, Inc.

An independent firm

Let's Review: Our Monthly Newsletter.....03/17/08 (April)

This month:

We wanted to get this month's newsletter out early to address any concerns over the economy and the markets. First a story.

20 some years ago we both worked for Paine Webber. In the summer of 1987 our branch office was moving into a new building, MacArthur Court, and that August we walked over to the new building to check out the construction progress. While we were there the construction guys (drywall) were talking to us. It seems they were all trading commodities and advised us to get long gold and especially silver. At the time (August 1987) silver was coming off all time highs, a "buying opportunity", and Gold looked as if it may get to its all time highs too. The guys working dismissed us as "stock brokers" and pressed on. Silver peaked that year and did not get above the 1987 high until April of 2006; gold did not go above the 1987 high again until December of 2005.

Why tell this story? Well we all look for some kind of personal indicator of when the "pain" will ease during volatile economic times. For us it may have happened. This has no basis in science or math...it is just an interesting observation. On the Friday (3-14-08) we all learned of the JP Morgan bail out of Bear Stearns. We had lunch at a sandwich shop right next to our clients' office. The food was great! The owner was a 30ish guy who upon being introduced to us as our client's "brokers", proceeded to tell us all that stocks were bad and that we had to buy gold and silver...and possibly oil futures. We walked away feeling just a bit better.

Now let's look at the current issues at hand. Yes the financial markets have been "rocked" by unexpected losses in the various mortgage backed securities and their related derivatives and this has lead to a recent crisis of confidence at Bear Stearns resulting in a run of clients pulling assets out of the firm. This added to the demise. The very thing that Bear Stearns clients

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were afraid of was made certain by their actions! This is how “bank runs” happen. Fear takes hold and altruism leaves the table...people hunker down and protect themselves.

The very positive thing is our system is working. The Federal Reserve has stepped in and taken action to provide the liquidity to the financial markets that was needed. The FED opened the discount window to the investment bankers and expanded the list of assets they would accept as collateral. These actions helped to calm clients so more “bank runs” may be prevented. Will it work, we think so. After all, the alternative is to allow one segment of the entire economy bring down the whole. Since the Great Depression we have been working on a complicated set of rules, systems and checks and balances that allow the FED and the US Government to deal more effectively with these times. We learn with each crises, Latin America Debt in the 80’s, the 1987 market “crash”, the S&L bail out in the late 80’s, Gulf War #1, Mexico Debt in the 90’s, the Asian currency crisis in 98 and the write off of Russian debt, followed by LTCM’s bail out. More recently we had 9-11, gulf war #2 and now the sub-prime loan issue. Our point is that while not perfect our financial system is working, the tools at hand and our willingness to use them quickly and effectively is the real story here. We will learn from this and recover...that is what we think.

Bob:

Ok...one more sports update, not my kids though. My two nephews (Joyce’s sister’s boys Andrew and Austin) were both taken in the Major League Baseball draft. Austin went to the Yankees, Andrew to the Angeles. Both were invited to spring training, and both have gotten into some games. In fact, I got to watch Andrew play the last two innings of an Angeles Cubs game on the Chicago WGN station over the weekend...very cool. I hope we all can watch them in the “big show” one day!

Ron:

Let’s see...no kids home from college, no broken pipes or other household disasters, no injuries illnesses or just plain bad moods. I do believe I have nothing to say! Not true, Sunny and I are enjoying this the pause before the storm (spring break) trying to get in some quality time before things get chaotic once again...wish us luck.

Charity:

Yugi is leaving and I am getting a girlfriend of mine for a new roommate!
Things could not be better...in case you do not know; boys are not so clean
and girls are clean. My life just got a whole lot nicer!

Bye

This month "Financial Topic": One more cartoon!



“In the end, how your investments behave is much less important than how you behave.”

**Benjamin Graham
The Intelligent Investor**

The Numbers:

Closing Values / 03-17-2008

DOLLAR	weaker	NASDAQ	2,177.01	-35.48
10-YR YIELD	3.31%	S&P 500	1,276.60	-11.54
VOLUME	1,995,377,500	DJIA	11,972.25	+21.16

Provided by Standard & Poor's

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WELL ALL OF YOU HAVE NOTICED OUR REQUEST

Thanks!

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Manage.....Monitor.....Maintain

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