



Stanton & Castleton, Inc.

An independent firm

Let's Review: Our Monthly Newsletter.....08/01/08

This month:

With all the uncertainty in the economy creating wide swings in stocks, bonds, real estate, interest rates and commodity prices the US economy still managed to grow (preliminary GDP estimates) at a 1.9% annualized rate. This is up from a .9% in the first quarter of 2008. How is this possible? We touched on this a bit earlier pointing out how our weak US dollar has a positive effect on US exports. This will not account for all the growth but it is a major benefit. But why does it feel like a recession...investments are down, unemployment is up and my dollars don't stretch as far. So what is going on? One obvious answer is the economy has declined because of real unexpected shocks (Property, Mortgage, and Oil) and we feel it in our pocket books. Next we can look at the latest revisions to the GDP numbers reported by the commerce department: 4th Quarter 2007 was originally reported at +.6% and now has been revised downward to a -.2%. If you recall in earlier newsletters we discussed how revisions often only tell us what we already knew...we are in a recession. It is entirely possible that future revisions could show a negative growth rate in Q1 2008. Since we know that the government defines a recession as a period of two or more negative quarters...they will tell us we were in a recession only after we have begun the recovery!

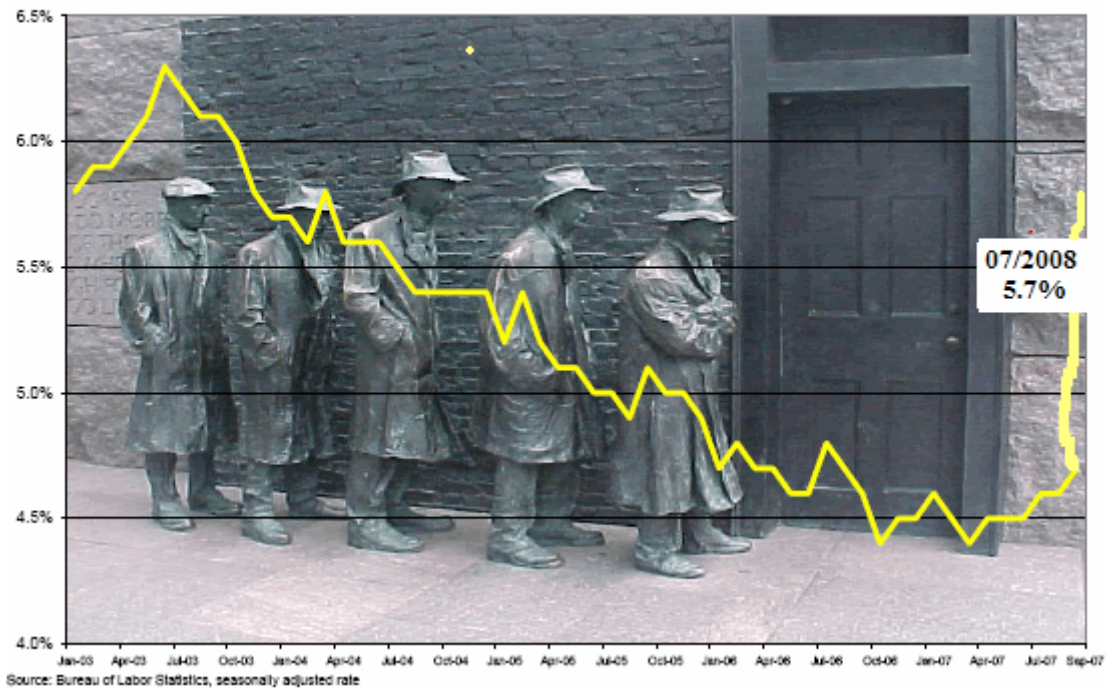
Markets are reactive to the latest news during periods of uncertainty and prices fall when nervous investors pull back on savings; some even sell their holdings due to fear or necessity. In past periods like this, as we gain some clarity on the latest crisis, professional managers will look forward and anticipate when, how and which markets will recover. During this phase we often begin to see the markets start to outperform even though we are not "feeling" the economic change yet. However, many nervous investors remain cautious and may miss the significant returns in the transition out of a bear market. (The start of the bull market)

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If we step back and try to gain some perspective on how our current economy compares with past periods we could gain some insight. With the recent rise in unemployment we are currently at 5.7% nationally. The sustainable unemployment rate is believed to be around 5.2% and the US Congressional Budget Office forecast is for an average 5% unemployment rate 2008 – 2017. In this light we can see that while painful, the overall health of the US economy may not be as dire as the headlines say. As always, we think the truth falls somewhere in the middle!

Monthly Unemployment Rate January 2003 - September 2007



Our experience is that very few of us are consistently good at market timing that is why we concentrate on risk management through portfolio design. We continue to see a second half 2008 market recovery beginning and believe this is one of those times when clients with available funds should be looking for ways to add to their portfolios. In the long run it has historically been better to invest during periods of lower prices.....it is just hard to do both financially and emotionally.

Bob Stanton, Branch manager / Registered Principal:

Summer cannot end sooner! Our boys have become night owls and you can imagine the trouble a 12 and 15 year old can get into when they get bored at

2 am....but hey Joyce and I have learned to sleep with one eye open anyway since Jordan turned 18 (adult!). We did get to go on a date together to celebrate our anniversary and as our gift the boys stayed out of trouble for the night. Hope you all are having a great summer....

Ron Castleton, *Branch manager / Registered Principal:*

Sunny and I managed to get Ari to go to the beach with us this summer and we realized that may have been the last time he would hang out with us. Like the older boys, the prospect of knocking around with “old folks” in public has lost its appeal. I am off to Washington D.C. this month for our national conference and Sunny is going to come too. We are going to get a well deserved few days away from it all under the guise of business ...monkey business that is!

Charity Van Horn, *Client Service Manager:*

I need a vacation! While working with Ron and Bob is great and I love all the wonderful clients.....well you all know Ron and Bob so I need a Vacation! Any suggestions?

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 – monthly change / 07-31-2008

DOLLAR	stronger	NASDAQ	2,325.55	+32.57
10-YR YIELD	3.97%	S&P 500	1,267.38	-12.62
VOLUME	1,452,004,000	DJIA	11,378.02	+28.01

Numbers Provided by Standard & Poor's

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