Market Update

July 25, 2007

Stressful Days Ahead

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Yesterday (Tuesday, July 24) was a difficult day for the stock market; one of the worst since late-February / early-March. We have been seeing increased volatility over the past month or two, as bulls battle bears with greater frequency. We suspect the recent volatility will continue over coming weeks. The Fed remains committed to holding interest rates at 5.25% until inflation subsides to the 2% range.

Yesterday, the S&P 500 lost almost 2% as fears that the housing market's weakness could be spreading to other areas of the market. The correction in the housing market appears to be gaining momentum. The equity style map for July 24 reflects all areas being hit, with value seeing more sell-off than growth. That makes sense as value had outperformed growth (until this year) the past 7 years.

Yesterday (July 24)

	Value	Blend	Growth
Large	-2.5%	-1.8%	-1.6%
Mid	-2.4%	-2.0%	-2.2%
Small	-3.1%	-2.7%	-2.5%

We would not be surprised if most of the selling Tuesday was healthy profit-taking. Nonetheless, the year-to-date Equity Style Map reflects attractive returns by mid-cap and growth style funds.

Year-to-Date - July 24

	Value	Blend	Growth
Large	+6.8%	+7.9%	+9.9%
Mid	+8.5%	+10.6%	+13.3%
Small	+4.3%	+6.6%	+9.8%

We believe the current "bull" market is alive and will continue to run, but the slumbering "bear" is aroused after a 4.5 year nap, and is starting to create a tug-of-war experience. Client portfolios have less stock risk today than 12 months ago. We are still committed to the markets and maintain stock/bond mix per the client portfolio objective, expecting to reap further "bull" market rewards.

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