

# Index Financial Advisors LLC

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Quarterly Market Analysis  
March 31, 2008

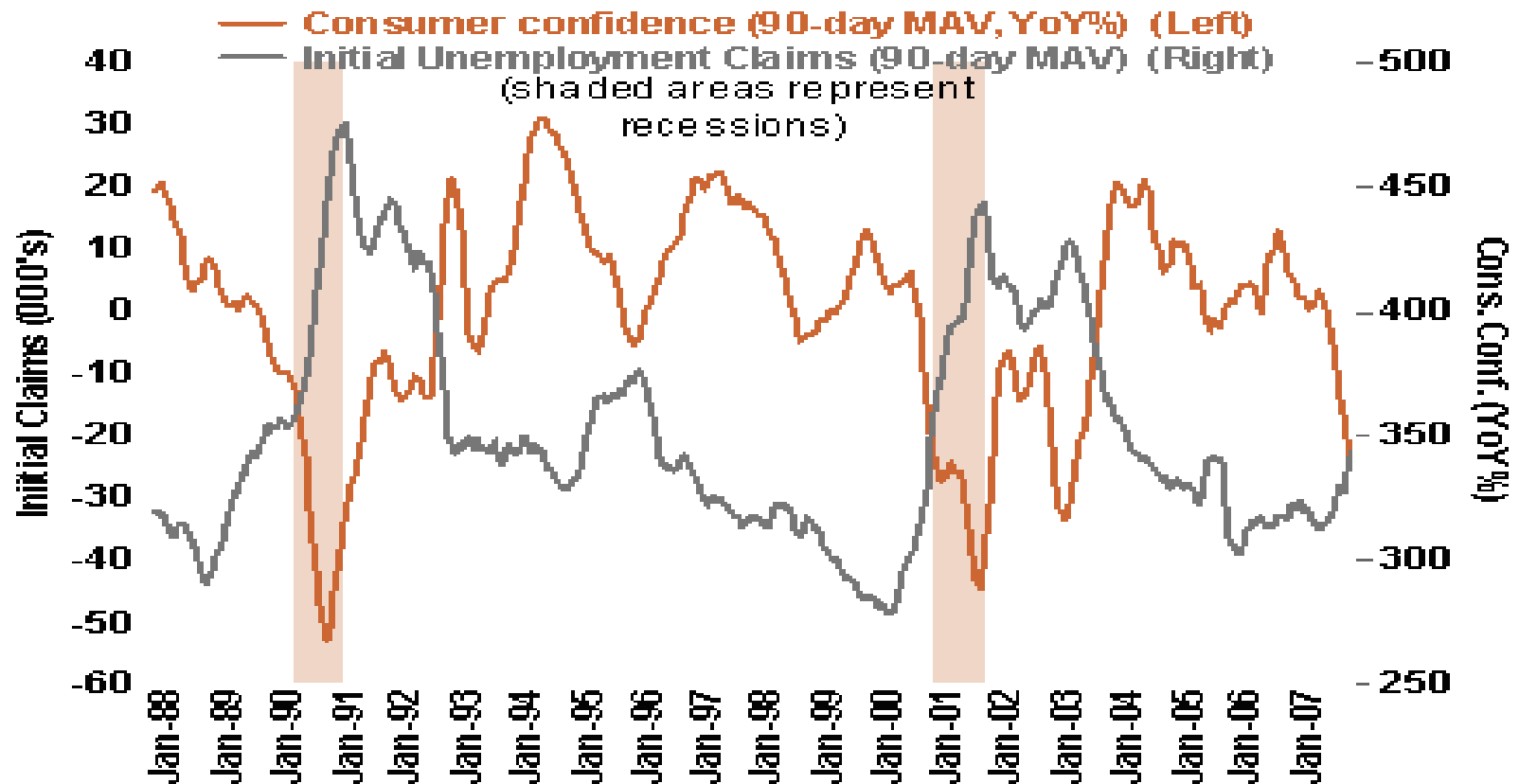
# Market Commentary (1Q2008)

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- ❑ Equity markets worldwide continue to fall in 1<sup>st</sup> quarter
- ❑ US economic slowdown deepens into recession
- ❑ Housing crisis impacts consumer confidence & spending
- ❑ Credit crisis impacts financial institutions like Bear Stearns
- ❑ Commodity prices remain high and volatile
- ❑ Fed takes aggressive action w/ rates, Bear Stearns rescue
- ❑ Congress debates housing bailout, more stimulus
- ❑ Weak dollar and global growth support US economy
- ❑ Most bad economic news is now priced into the market
- ❑ Equity prices seem to stabilize, rebound in late March & April
- ❑ Markets may now begin to anticipate economic recovery

# Weakness in Consumer Confidence and Labor Market Continues

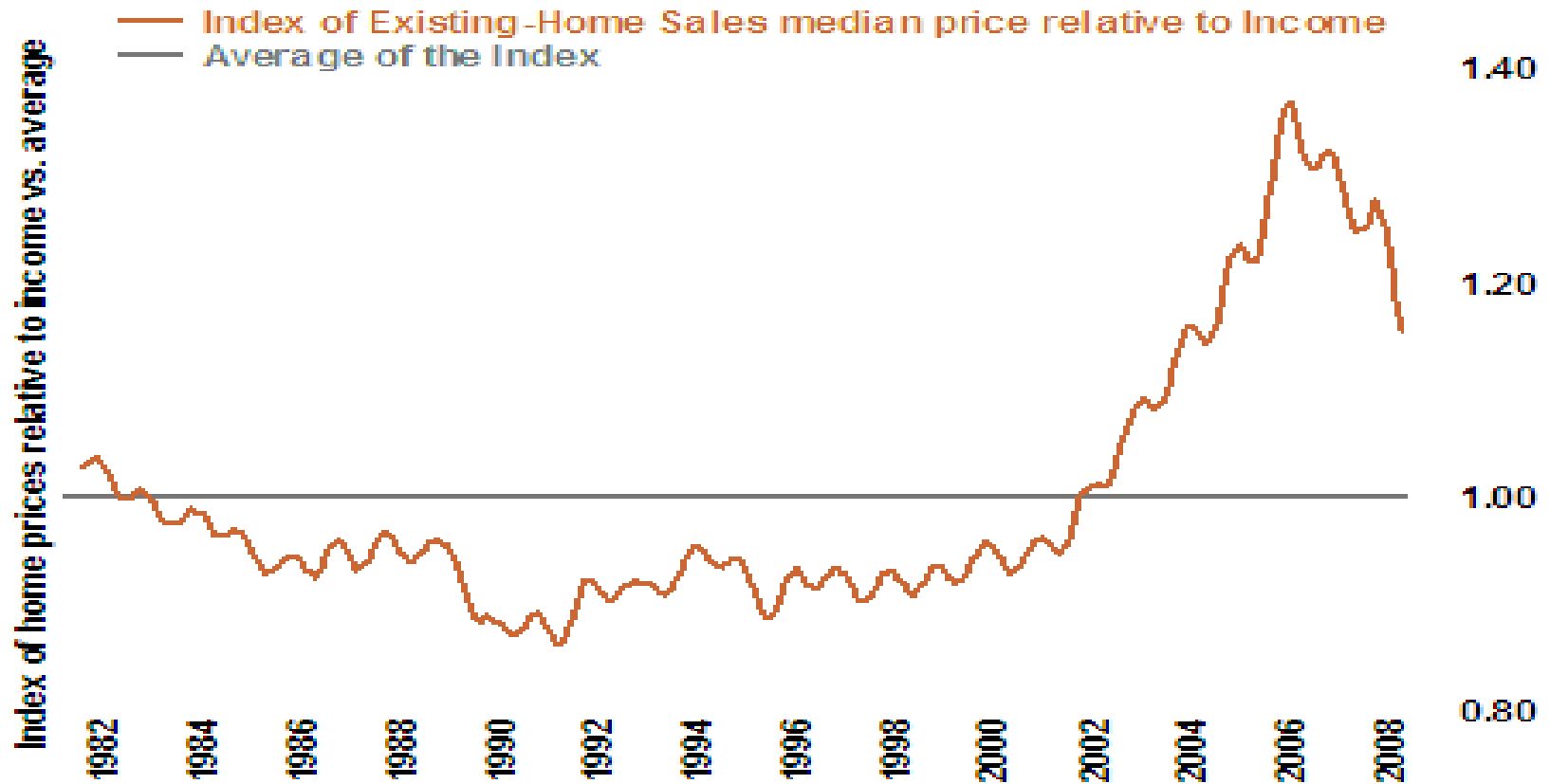
## Consumer confidence falling, job layoffs rising



Source: FactSet, Conf. Board, US Labor Dept (3/14/2008) ©FactSet Research Systems

# Home Prices Continue to Fall

Home prices are still overpriced relative to income

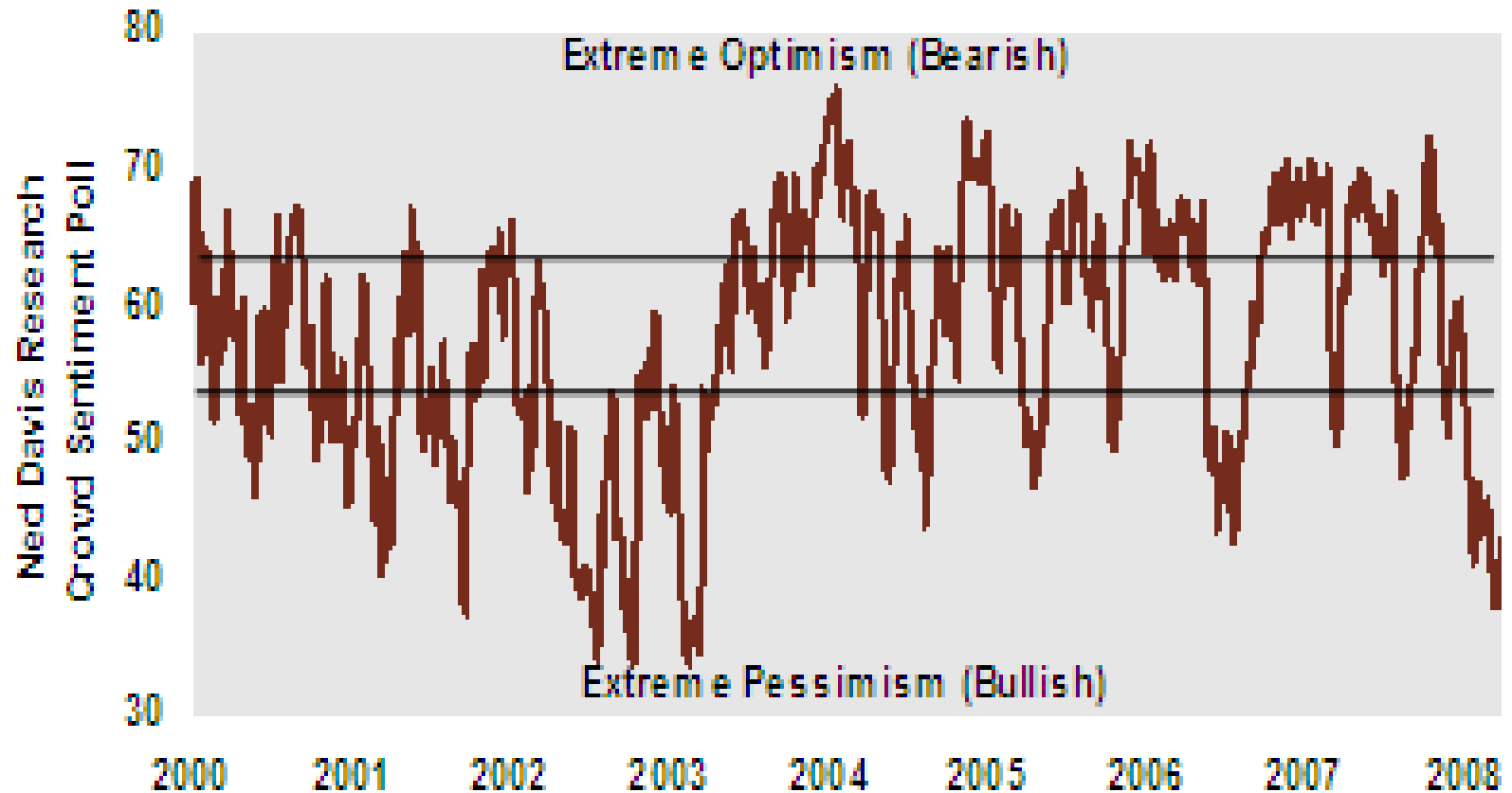


Source: FactSet, NAR (3/31/08)

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# Investor Pessimism Grows

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# Federal Reserve Makes Aggressive Moves During Quarter

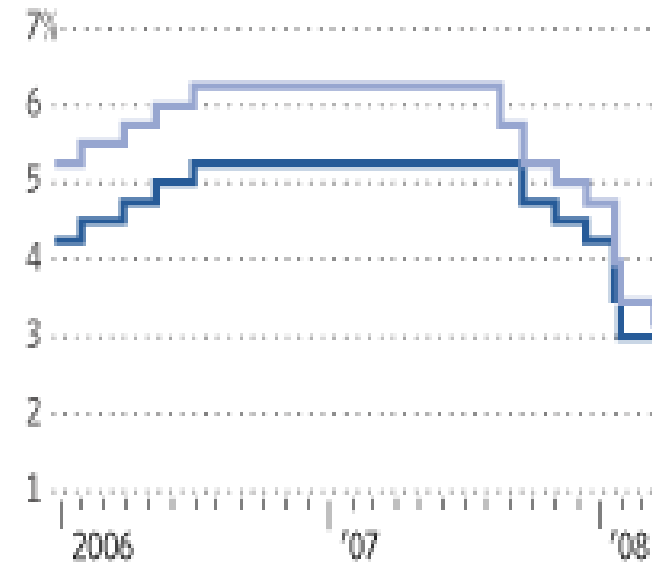


**Ben Bernanke**

## Taking Steps

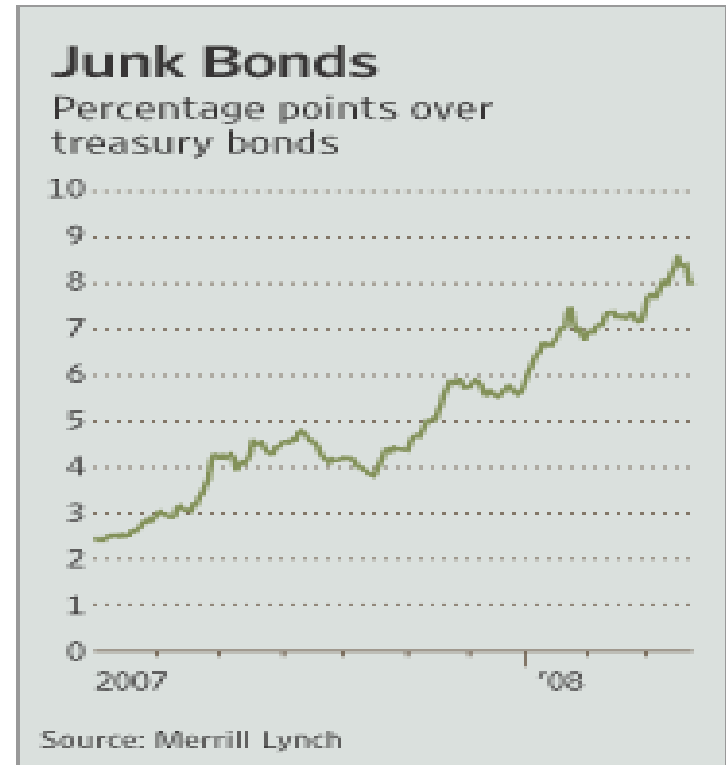
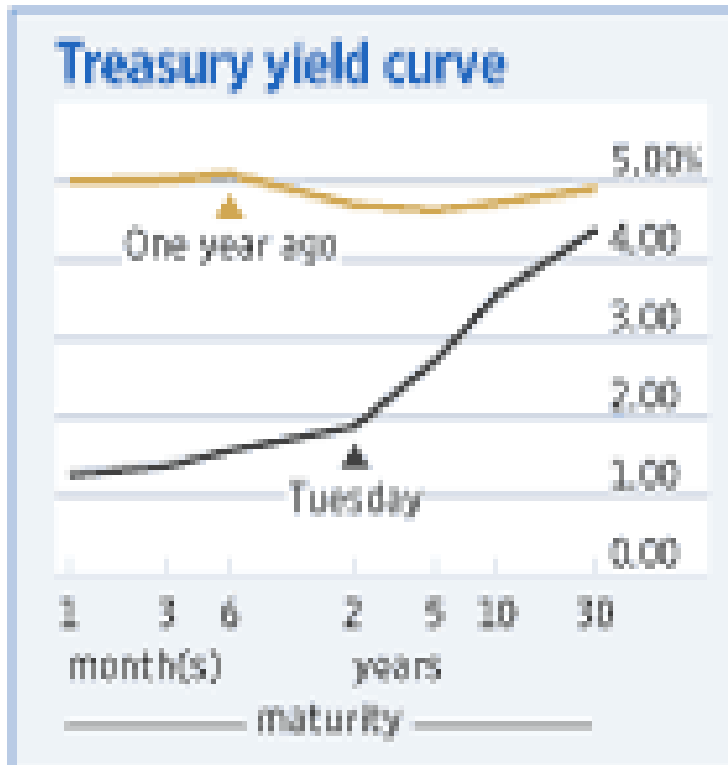
The Federal Reserve cut two key rate targets to stimulate borrowing

— Federal funds — Discount



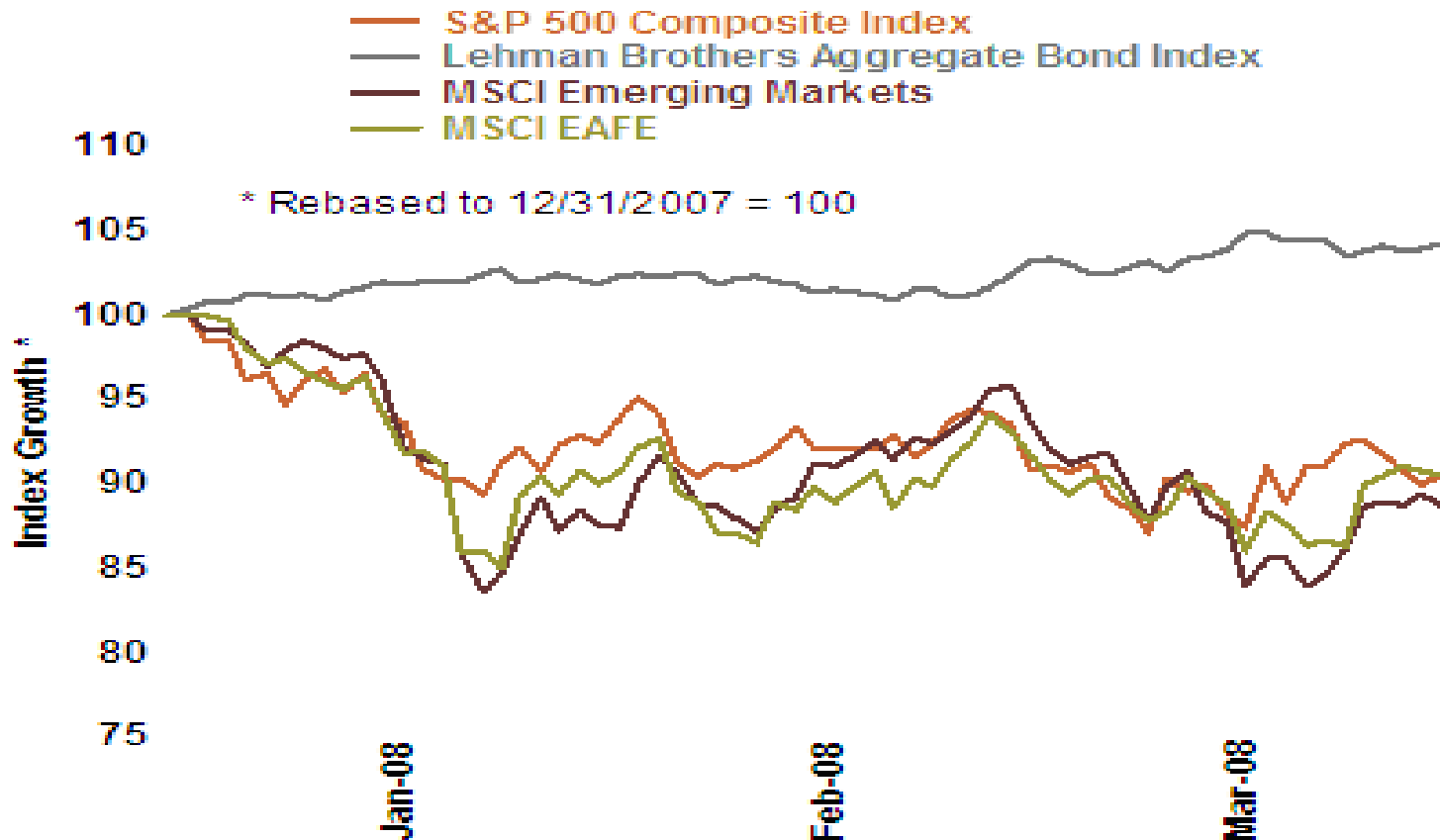
Source: WSJ Market Data Group

# Short Term Rates are Lower Risk Premiums are Higher



# Equity Markets Fall During Quarter and Stabilize at Quarter End

**Stocks stabilize following aggressive Fed cuts**

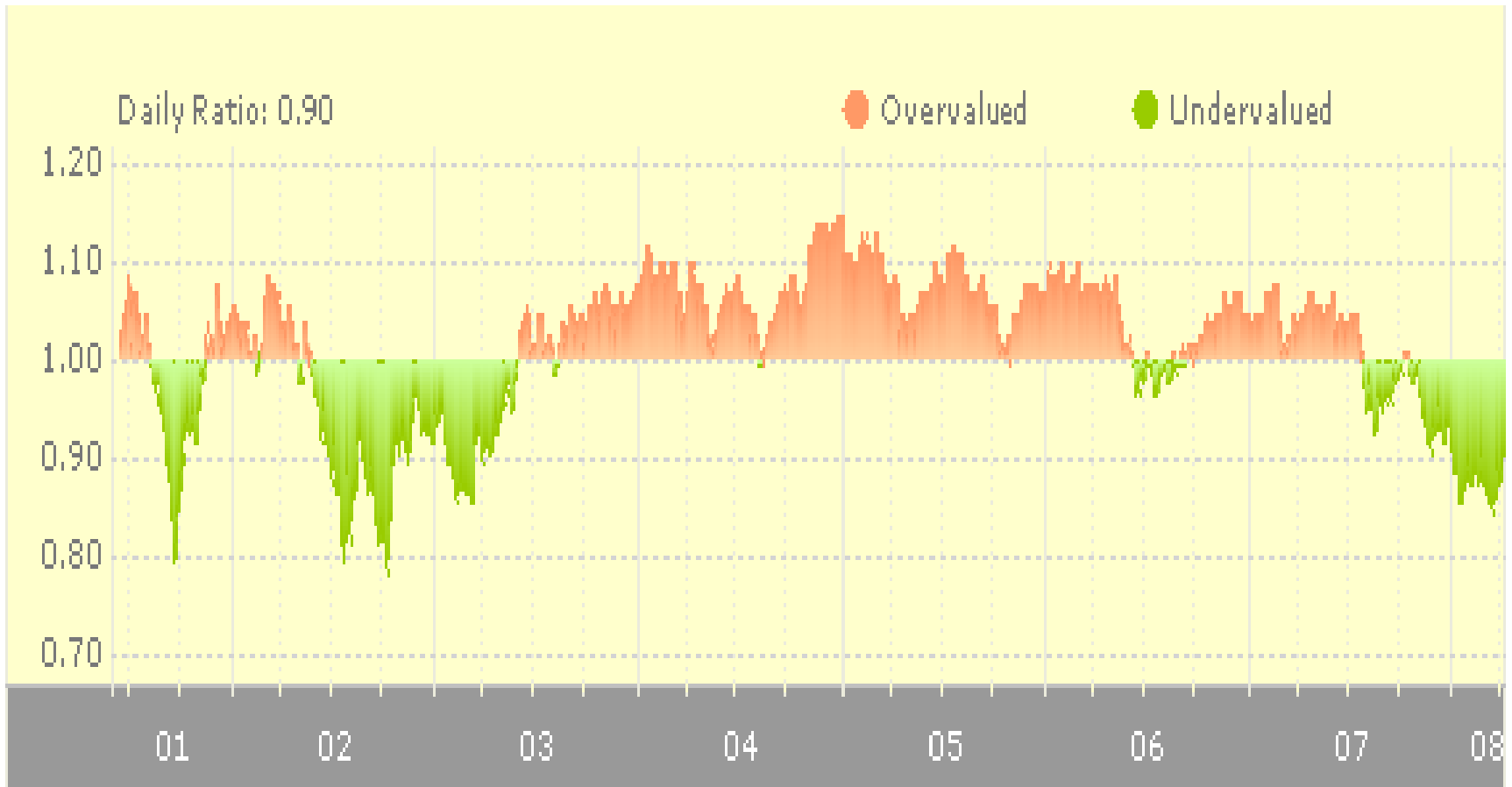


Source: FactSet, MSCI, Lehman, S&P (3/31/08)

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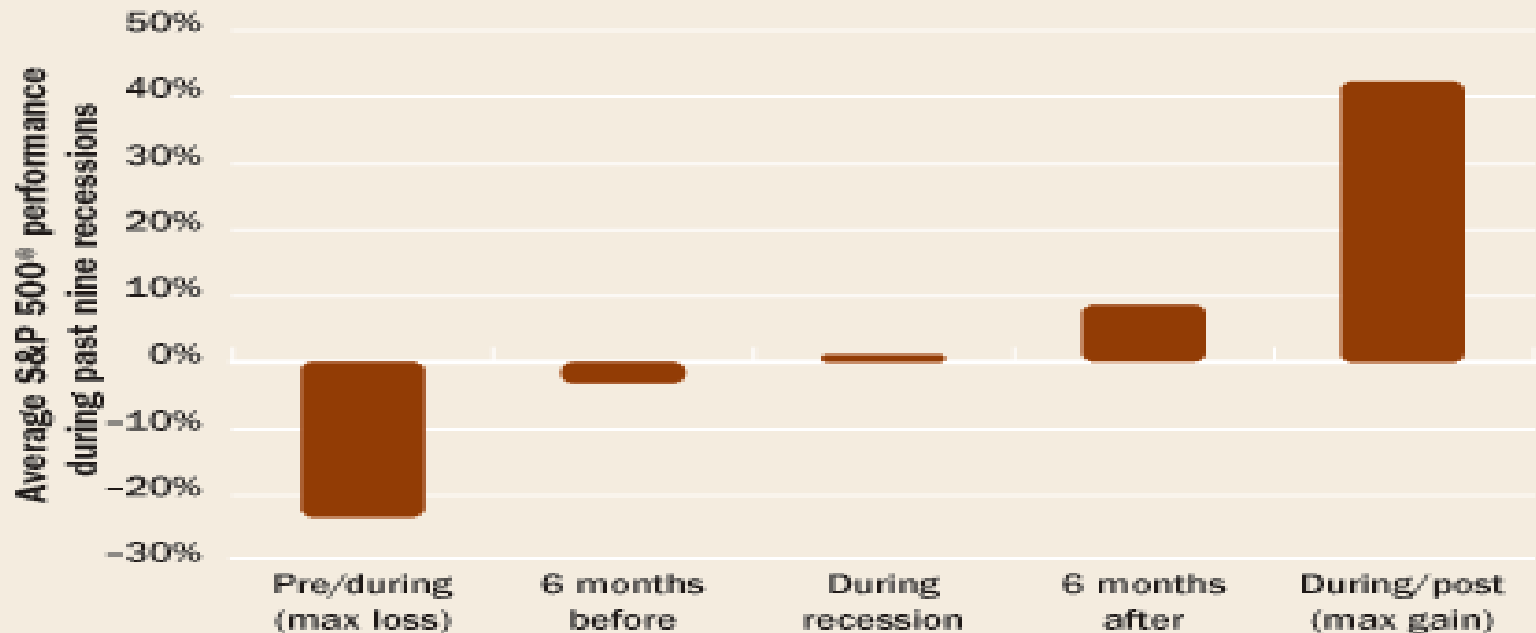
# Morningstar Analysis Indicate Stocks May Be Undervalued



Source: Morningstar Market Valuation Graph

# Markets May Begin to Anticipate Recovery During 2<sup>nd</sup> Quarter

## Markets Anticipate Recessions, Then Surge



Source: Bloomberg, National Bureau of Economic Research. Price performance shown. Max loss period is six months before recession start through recession end. Max gain period is recession start through six months after recession end.

# Market Index Returns (1Q2008)

