



Weekly Commentary
April 28, 2008

The Markets

Here's some positive news. More than half of the institutional money managers surveyed in Barron's semi-annual Big Money poll are bullish on the U.S. stock market through the end of this year. In fact, the survey found that 87% of the money managers expect to be net buyers of stocks over the next three to six months, while only 13% expect to sell more stocks than they buy, according to the April 28th Barron's article.

Lest we get too carried away, it would be wise to remember what Yogi Berra said regarding forecasts, "It's tough to make predictions, especially about the future." With that caveat out of the way, it helps to know what other investors are thinking. Why? Because it helps us figure out what expectations are being built into the market. If we think expectations are too high, then that may cause us to be a little more conservative. If we think expectations are too low, then we may be more willing to step up to the plate.

Ironically, while more than half of the surveyed institutional money managers are bullish about stocks, the general public is in a dour mood. U.S. consumer sentiment hit a 26-year low in April, according to a survey compiled by the University of Michigan/Reuters. The survey identified high prices for food and energy, weak income growth, and declining home values as the key drivers of our bad mood. From a contrarian standpoint, bad news might actually be good news. If we're near the bottom in sentiment, then it might make a U-turn and start heading up. Happier consumers might translate into more spending, which could lead to stronger earnings and rising stock prices.

Returns through 4/25/08	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Dow Jones Industrials	0.3	-2.8	-1.8	8.0	9.2	3.8
NASDAQ Composite	0.8	-8.7	-5.3	7.5	11.1	2.9
Standard & Poor's 500	0.5	-4.8	-6.4	6.4	9.2	2.6

Sources: Yahoo! Finance, Barron's. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. Three-, 5-, and 10-year returns are annualized. Assumes dividends are not reinvested.

NOW THAT TAX SEASON IS OVER, you might be pleased to learn that on average, each household in the U.S. paid about \$4,300 in federal taxes just to cover the interest payments on our \$9.4 trillion public debt, according to Jim Jubak at MSN Money. Jubak also pointed out that we rang up a \$700 billion federal trade deficit in 2007, we have \$950 billion in credit card debt as of March 2008, and we have \$1.6 trillion in auto loans and other non-revolving debt. A trillion here and a trillion there, pretty soon we're talking about serious money!

Part of what's happening in the economy today is a de-leveraging of our financial system. Households and corporations (particularly financial companies) are cutting back on their use of debt. People are beginning to realize that swimming in debt might be fun for a while, but eventually, if we're not prudent with our use of debt, we might be in for trouble. The negative effects of binging on debt are now starting to show up in the form of rising bankruptcy rates, loan defaults, and even marital problems.

The unwinding of the loose credit era may be painful for many people. However, once we get past this period, it may set us up for a new period of economic growth that's based on firmer footing.

HOW DOES THE WORLD'S 24TH RICHEST PERSON spend his money? Well, with an estimated fortune of \$19.5 billion according to Forbes, Russian billionaire Mikhail Prokhorov is launching a new consumer magazine, and befitting his mogul status, Prokhorov is naming his magazine *Snob*. Along with the magazine, he's launching a companion web site and television station. In total, he's looking to invest up to \$150 million in the new venture.

So, how does he define "Snob?" According to a representative of the company, "Snob to us means a person who is a 'self-made man,' a person who has gained a right to snobbishness." In Russia alone, Forbes says there are 87 billionaires. No doubt, many of them are in the magazine's target market.

Weekly Focus – How Much Happiness is Enough?

There's been a lot of talk over the past few years about happiness and what it takes to be happy. Numerous books have hit the bestseller lists extolling the virtues of consciously working toward being as happy as we can be.

On the surface, being happier sounds like a great idea. But, can too much happiness—like too much cookie dough—be a bad thing? Yes, according to some recent studies.

If your objective is to grow your income, advance your career, and add to the material comforts in your life, then having a little "unhappiness" in your life may be necessary. Why? If you are completely satisfied and happy with your life you'll lack the motivation to keep improving it. If you're already a 10 out of 10 on the happiness scale, chances are

you'll walk around with a smile on your face and lack any desire to keep "working" hard to improve your lot in life.

By contrast, people who score 8 out of 10 on a scale of happiness tend to be more "successful" than those who scored a 9 or 10 out of 10. Their slight level of discontent led them to keep working hard toward improving their situation.

Just shows the truthfulness of this old saying, "Be careful what you wish for."

Have a Great Week!

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

* The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

*Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Consult your financial professional before making any investment decision.

* You cannot invest directly in an index.

* Past performance does not guarantee future results.

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