

# Money&Markets

## Today

Coming off Monday's disappointing showing, investors may hold off on any large bets ahead of the Federal Reserve's interest rate decision later in the week. Key reports on housing may give hints as to the Fed's view of the economy.

### The housing market

Earnings from homebuilder Lennar Corp. and the latest report on new home sales likely will be the primary market movers today. Analysts say builders of new houses like Lennar face a huge backlog of homes that have yet to be sold. Prices are fluctuating, with homes in the Northeast continuing to sell for more. Yet most of the country remains firmly in the grasp of a housing slump. New home sales are expected to fall in May after April's gains, which analysts say were due to steep discounts.

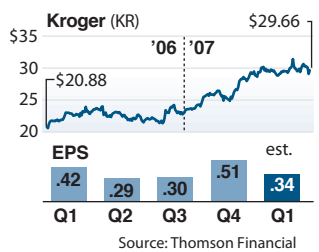
As for Lennar, the home builder is taking charges on land purchases—it can't afford to build on land it has purchased because the market is drying up, analysts say. The second half of the year could shape up to be better, and analysts hope Lennar will echo that sentiment in its outlook.

Signs of economic issues also could crop up in earnings from grocery chain Kroger Co. Analysts say the company is busy cutting costs in order to keep sales high. Margins are expected to improve, but the company is facing higher prices on staples like milk and meat, and that could prompt lower sales in other areas. Forecasts for a stronger economy or a drop in those commodity prices would be a relief for Kroger and others.



### Kroger earnings

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### Briefly

- Unemployment remains low, but is that due to a large number of jobs, or simply fewer people working? Economists at Morgan Stanley say women, older Americans and teenagers are removing themselves from the labor market. That means that, yes, people are working, but there are more of them taking lower-paying, part-time jobs—bad news for an economy struggling to grow.
- After the bell: Earnings are due out from technology bellwether Oracle Corp. (ORCL, \$0.35 est./\$0.29 pvs.) and Nike Inc. (NKE, \$0.86/\$0.70).

—M. Martinez, E. Flach • AP



### Stocks Recap

	HIGH	LOW	CLOSE	CHG.	%CHG.	WK	MO	QTR	YTD
DOW	13488.77	13299.78	13352.05	-8.21	-0.06%	▲	▲	▲	+7.13%
DOW Trans.	5178.28	5108.41	5124.84	+16.62	+0.33%	▼	▼	▲	+12.38%
DOW Util.	494.77	485.02	488.49	+3.12	+0.64%	▼	▼	▲	+6.94%
NYSE Comp.	9912.57	9784.90	9807.21	-41.76	-0.42%	▼	▼	▲	+7.31%
NASDAQ	2605.87	2568.50	2577.08	-11.88	-0.46%	▼	▼	▲	+6.70%
S&P 500	1514.29	1492.68	1497.74	-4.82	-0.32%	▼	▼	▲	+5.60%
S&P 400	900.59	888.25	890.10	-6.32	-0.70%	▼	▼	▲	+10.66%
Russell 2000	837.95	824.66	827.46	-7.29	-0.87%	▼	▼	▲	+5.05%
Wilshire 5000	15301.90	15090.41	15139.60	-63.72	-0.42%	▼	▼	▲	+6.19%

## Economy's crystal ball turns fuzzy

### Inside the LEI

What's moved the index of Leading Economic Indicators this year:

- ▲ Low unemployment  
Rising stock market
- ▼ Weak housing market  
Low long-term interest rates  
Falling consumer confidence

The barrage of headlines on economic reports can frustrate those who try to track the country's growth prospects. One indicator suggests the economy is in a groove (low unemployment), and another suggests it's lost its footing (falling new home sales).

That may explain the appeal of the index of Leading Economic Indicators, a volatility-adjusted average of 10 indicators calculated each month by the Conference Board, a private forecasting group. The board says the index has signaled the last seven economic downturns, earning it a reputation as a good predictor of recessions.

Today, the index has led some to question economists' growing

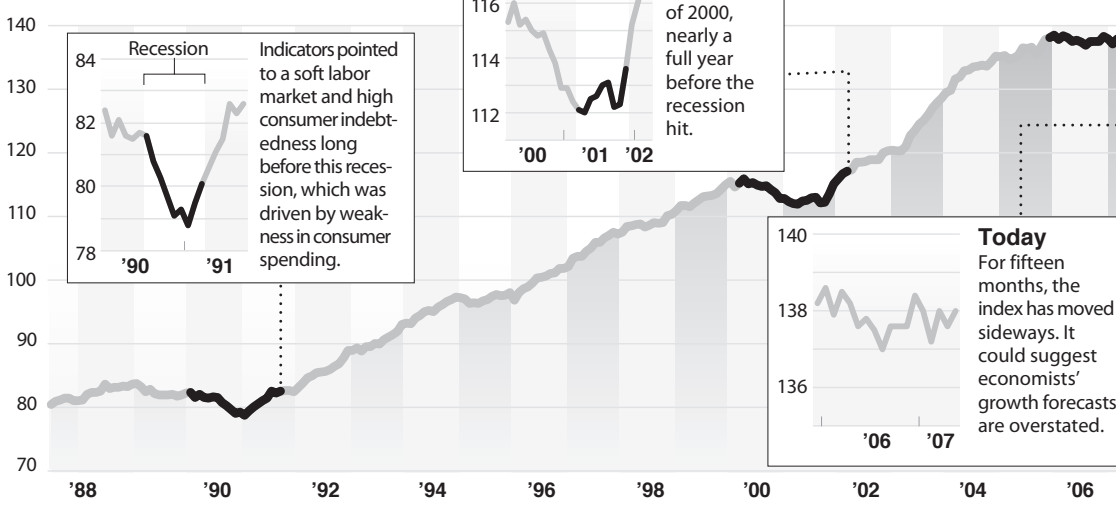
confidence in a recovery. While the index advanced in May, it has remained mostly flat for more than a year. Ken Goldstein, a Conference Board economist, says investors shouldn't worry. "The patient looks to be ailing but is not in any immediate danger," he says, comparing the report to a medical check-up.

For nearly a year, unusually low long-term interest rates have been a drag on the index, since that's historically signaled that the bond market anticipates a slowdown. But in this case, says Jeff Hall, chief U.S. economist with IFR Markets, falling rates have stemmed from heavy foreign buying of U.S. bonds, a positive sign, since it suggests confidence in the country's prospects.

Because of this, he says, the index may be overstating the current risk of recession.

### Predicting the business cycle

The index of Leading Economic Indicators



SOURCES: Conference Board; National Bureau of Economic Research; Thomson Financial

D. Sorid, E. Flach • AP

## Waste management stocks turn rubbish into riches

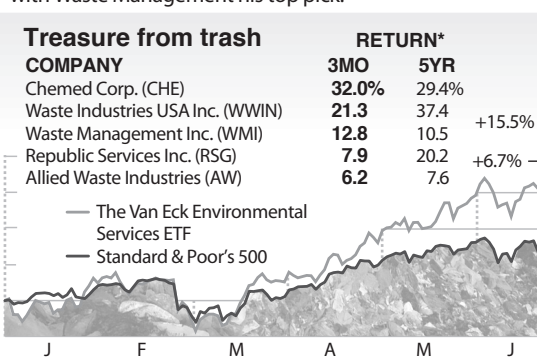
Put aside the mob jokes and commentary about the smell, and you'll find strong returns in the waste management industry. Over the past year, these companies have refurbished their fleets and other mechanical equipment.

They've generated more revenue by cutting under-producing accounts and raising prices. And analysts say they're primed for even stronger returns as they solidify their domestic businesses and expand overseas.

"These companies are making money; they have very high revenue streams," says Adam Phillips, exchange-traded fund director at Van Eck Global, which runs a waste-management ETF. "Environmental services companies have a great deal of growth potential, especially in developing markets."

Jagdeep Ghuman, an analyst with Credit Suisse, says the companies will continue to have pricing power; they are, after all, providing a critical service. And the

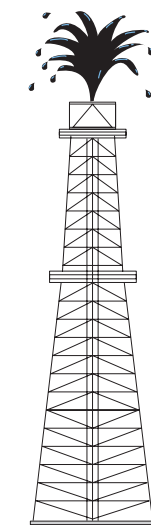
increases in revenue have come even as the volume of business has declined. He has "outperform" ratings on Waste Management, Republic Services and Allied Waste, with Waste Management his top pick.



SOURCES: Morningstar; Thomson Financial

\* Returns include dividends; 5 year annualized.

A. Schreck, L. Bourget • AP



## CashPetroleum

	LAST	PREVIOUS
Fuel oil No. 2 NY hbr bg gl fob	2.0452	2.0393
Gasoline uni prem RVP NY hbr bg gl fob	2.5275	2.5091
Gasoline uni RVP NY hbr bg gl fob	n.a.	2.2554
Dubai \$ per bbl fob	67.26	66.67
North Sea Brent \$ per bbl fob	71.50	72.15
West Texas Intermed \$ per bbl fob	68.71	68.80
Light LA Sweet \$ per bbl fob	73.94	75.90
Alaska No. Slope del. West Coast	71.03	70.99
Natural Gas, Henry Hub, \$ per mmbtu	6.83	7.03

## SpotPrices

	LAST	PREVIOUS
Gold (troy oz)	\$651.30	\$653.50
Silver (troy oz)	\$12.866	\$13.008
Copper (pound)	\$3.4020	\$3.3855
Platinum (troy oz)	\$1291.70	\$1308.00
Lead (metric ton)	\$2645.00	\$2639.00
Mercury (76 lb)	\$500.00	\$500.00
Zinc, HG (pound)	\$1.6684	\$1.7059

## Interest rates



Yields fell after continued worries about a hedge fund that made bets on subprime mortgages prompted bond investors to move to safer Treasuries.

	PRIME RATE	FED FUNDS
YEST	8.25	5.25
PREV	8.25	5.25
WK AGO	8.00	5.00

TREASURIES	YEST	PVS	NET CHG	WK	MO	QTR	1YR AGO
3-month T-bill	4.67	4.60	+0.07	▲	▼	▼	4.84
6-month T-bill	4.86	4.75	+0.11	▲	▲	▲	5.07
1-year T-note	4.96	4.95	+0.01	▼	▼	▲	5.32
2-year T-note	4.85	4.92	-0.07	▼	▲	▲	5.27
5-year T-note	4.95	5.01	-0.06	▼	▲	▲	5.21
10-year T-note	4.97	5.14	-0.07	▼	▲	▲	5.23
30-year T-bond	5.19	5.25	-0.06	▼	▲	▲	5.26

BONDS	YEST	PVS	NET CHG	WK	MO	QTR	1YR AGO
Lehman Bros Bond Idx	5.23	5.30	-0.07	▼	▲	▲	5.38
Bond Buyer Muni Idx	4.86	4.88	-0.02	▼	▲	▲	4.94
Lehman US Inv Grade	5.77	5.77	...	—	—	—	5.89
Lehman US High Yield	7.91	7.91	...	—	—	—	8.69
Moody's Bond Index	5.86	5.89	-0.03	▼	▲	▲	5.96
Bank Index	113.15	113.56	-0.41	▼	▼	▼	105.48
DJ Corp Bond	196.70	195.92	+0.78	▲	▼	▲	182.89

## Foreign Exchange

Reports of weakness in U.S. housing depressed the dollar against the Japanese yen and the British pound, which briefly broke the \$2 barrier. Against the euro, the dollar advanced.



MAJORS	CLOSE	CHG.	%CHG.	6MO. AGO	1YR. AGO
USD per British Pound	1.9985	-0.009	-0.05%	1.9605	1.8188
Canadian Dollar	1.0702	-0.010	-1.1%	1.1570	1.1241
USD per Euro	1.3466	-0.000	-0.0%	1.3145	1.2515
Japanese Yen	123.62	+0.00016	+0.0%	118.76	116.49
Mexican Peso	10.8482	-0.00076	-0.0%	10.8752	11.4106

EUROPE/AFRICA/MIDDLE EAST	CLOSE	CHG.	%CHG.	6MO. AGO	1YR. AGO
Israeli Shekel	4.2569	-0.009	-0.2%	4.1850	4.4737
Norwegian Krone	5.9416	-0.004	-0.1%	6.2281	6.3316
South African Rand	7.1755	-0.004	-0.1%	7.0405	7.4448
Swedish Krona	6.8695	-0.000	-0.0%	6.8454	7.3706
Swiss Franc	1.2278	+0.007	+0.6%	1.2182	1.2479

ASIA/PACIFIC	CLOSE	CHG.	%CHG.	6MO. AGO	1YR. AGO
Australian Dollar	1.1812	-0.003	-0.4%	1.2742	1.3669
Chinese Yuan	7.6238	+0.001	+0.0%	7.8210	7.9978
Hong Kong Dollar	7.8122	-0.000	-0.0%	7.7787	7.7677
Indian Rupee	40.775	-0.001	-0.1%	44.401	46.010
Singapore Dollar	1.5374	+0.004	+0.3%	1.5412	1.5967
South Korean Won	925.93	+0.00002	+0.0%	928.51	955.90
Taiwan Dollar	32.84	+0.001	+0.3%	32.62	32.70

## Story Stocks

Stocks gave up early gains to finish lower Monday, with the upcoming meeting of the Federal Reserve weighing on investor sentiment. There was initial encouragement over a small decline in existing home sales, potentially signaling a coming reversal in the housing sector's fortunes. Yet this was outweighed by rising oil prices and concerns about interest rates ahead of the Fed's rate decision Thursday. Continuing hedge fund problems at Bear Stearns, stemming from investments in subprime mortgages, also pressured stocks. The Dow Jones industrial average finished the day down 8.21, or 0.1 percent, to 13,352.05 despite a 100-point gain earlier in the session. The S&P 500 lost 0.3 percent, while the Nasdaq slid 0.5 percent.

<b>Kroger Co.</b> LOW \$20.48   52-WEEK   HIGH \$31.94 Close: \$29.66 +0.56 (+1.9%) Vol. (3-mo avg.): 8.4 m (6.3 m) Market Cap.: \$21.07 b	<b>Martha Stewart Living</b> LOW \$14.76   52-WEEK   HIGH \$23.21 Close: \$17.43 +0.04 (+0.2%) Vol. (3-mo avg.): 387 k (351.3 k) Market Cap.: \$464.04 m
Texas unions ratified a contract for 13,000 employees, but a California union authorized a strike at the company's stores.	Former Yahoo executive Wendy Harris Millard was named president of media, the publishing and broadcast company said.

<b>Freedom Acquisition</b> LOW \$8.90   52-WEEK   HIGH \$12.40 Close: \$11.18 +0.73 (+7%) Vol. (3-mo avg.): 7.6 m (271.7 k) Market Cap.: \$722.52 m	<b>Nucor Corp.</b> LOW \$45.12   52-WEEK   HIGH \$69.93 Close: \$59.78 -1.78 (-2.9%) Vol. (3-mo avg.): 4.9 m (3.5 m) Market Cap.: \$180.4 b
The investment company will buy European hedge fund manager GLG Partners LP for \$20 billion and take its name.	The steel producer will buy privately held fabricated steel maker Magnatrx Corp. for \$280 million in cash.

NAME	TICKER	52-WK RANGE	◊CLOSE	HI	CLOSE	CHG	%CHG	WK	MO	QTR	YTD CHG	1YR RTN	VOL (Thous)	P/E	DIV
AT&T Inc	T	26.35	▲	41.50	39.08	+2.3	+0.6%	▲	▼	▼	+9.3%	+47.4%	23566	20	1.42
Agrium Inc	AGU	22.10	▲	46.35	44.82	-9.7	-2.1%	▼	▲	▲	+42.3%	+107.3%	1395	cc	0.11
Alaska Air	ALK	25.90	▲	45.85	27.50	-4.2	-1.5%	▼	▼	▼	-30.4%	-28.6%	744	71	...
Alaska Commn Sys	ALSK	11.51	▲	17.15	15.69	+0.2	+0.1%	▲	▲	▲	+3.3%	+35.9%	296	25	0.86
Allstate Corp	ALL	52.93	▲	66.14	61.12	-0.6	-0.1%	▼	▼	▼	-6.1%	+18.1%	2915	8	1.52
Anadarko Petrol	APC	38.40	▲	55.82	52.80	-1.23	-2.3%	▼	▼	▼	+21.3%	+12.4%	4792	6	0.36
Anglogold Ashanti	AU	35.58	▲	51.07	38.13	-8.4	-2.2%	▼	▼	▼	-19.0%	-8.6%	935	...	0.62e
AvisBudget Group	CAR	17.30	▲	31.47	27.56	-1.92	-6.5%	▼	▼	▼	+27.1%	+20.9%	2064	dd	...
BP PLC	BP	58.62	▲	73.28	70.11	+3.5	+0.5%	▲	▲	▲	+4.5%	+8.7%	6109	11	2.42e
Baker Hughes	BHI	61.08	▲	89.95	86.98	-1.64	-1.9%	▼	▼	▼	+16.5%	+17.5%	4297	12	0.52
Berkshire Hath B	BRK/B	2.978	▲	3.825	3.553	-0.25	-0.7%	▼	▼	▼	-3.1%	+16.7%	10	...	...
Block H&R	HRB	18.31	▲	24.95	22.21	-3.3	-1.5%	▼	▼	▼	-3.8%	-4.6%	2756	dd	0.57f
Boeing Co	BA	72.13	▲	101.45	95.57	-3.5	-0.4%	▼	▼	▼	+7.6%	+15.7%	4180	31	1.40
Carnival Corp	CCL	36.69	▲	52.73	48.49	-8.3	-1.7%	▼	▼	▼	-1.1%	+23.2%	4855	18	1.40f
Clear Channel	CCU	27.17	▲	38.58	37.20	-7.9	-2.1%	▼	▼	▼	+4.7%	+28.6%	12101	26	0.75
Columbia Sportswear	COLM	42.85	▲	70.93	67.59	-0.5	-0.1%	▼	▼	▼	+21.3%	+49.8%	139	19	0.56
ConocoPhillips	COP	54.90	▲	81.40	78.04	-7.0	-0.9%	▼	▼						

# EnergyWatch



	OPEN	HIGH	LOW	SETTLE	CHG.
<b>LIGHT, SWEET CRUDE</b>					
					1,000 bbl.- dollars per bbl.
Aug 07	69.27	69.45	67.55	69.18	+ .04
Sep 07	69.87	70.02	68.30	69.77	- .03
Oct 07	70.43	70.50	68.94	70.30	- .05
Nov 07	70.67	70.81	69.59	70.79	- .01
Dec 07	71.24	71.45	69.95	71.22	+ .02
Jan 08	71.50	71.65	70.59	71.59	+ .05
<b>NATURAL GAS</b>					
					10,000 mm btu's, \$ per mm btu
Jul 07	7.006	7.039	6.910	6.940	- .190
Aug 07	7.139	7.174	7.047	7.079	- .181
Sep 07	7.230	7.280	7.137	7.172	- .175
Oct 07	7.370	7.412	7.272	7.320	- .163
Nov 07	8.124	8.160	8.061	8.075	- .163
Dec 07	8.850	8.967	8.776	8.800	- .173
<b>GAS BLEND</b>					
					42,000 gallons- dollars per gallon
Jul 07	2.3190	2.3250	2.2587	2.3025	+ .0159
Aug 07	2.2698	2.2731	2.2173	2.2519	+ .0043
Sep 07	2.2148	2.2177	2.1665	2.1979	- .0017
<b>HEATING OIL</b>					
					42,000 gal, cents per gal
Jul 07	205.06	206.06	199.61	204.24	+ .44
Aug 07	205.35	206.26	200.22	204.64	+ .14
Sep 07	206.45	207.75	202.13	206.24	+ .09
Oct 07	207.39	208.52	203.93	207.79	+ .04
Nov 07	210.01	211.07	206.50	209.59	- .01
Dec 07	211.52	212.95	207.85	211.44	- .01