2008 ANNUAL MARKET OUTLOOK

CORNERSTONE INVESTORS' NETWORK

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FULL HOUSE TRADER: PRIMARY TIMEFRAMES

ANNUAL MARKET OUTLOOK:

- Where are we
- How did we get here
- What are the major forces affecting the economy and the markets?
- The context for drafting the Monthly Forecast

MONTHLY FORECAST:

- Most visible time horizon: a few weeks to a few months
- Within longer-term context, but based on actual current market behavior and trends
- Incorporates "new emerging" trends that could not be foreseen in the Annual Outlook

WEEKLY UPDATE

- Follows the evolution of the Monthly Forecast
- Incorporates any "late breaking" developments

PRIMARY FINANCIAL THEMES & FORCES OF THE PAST DECADE

DOMESTIC ECONOMY

- Highly indebted consumer
- Precarious "housing bubble"
- Baby Boom Retirement conundrum
- Need for Stimulus: Monetary & Fiscal Policy feasibility

GLOBAL ECONOMY

- Emerging economies become primary global "drivers"
- Weak dollar supports U.S. exports & corporate earnings

STOCKS

- Earnings estimates create (or lose) investor confidence
- Buffett Paradox: return to long sideways pattern is possible
- Globally, stock markets tend to move together and to confirm patterns in other markets

BONDS

- Changing corporate balance sheet strength
- Bond and Stock "decoupling" since '97 as in Buffett Paradox

OIL

- At $150/bbl, reaches point of significant behavior change
- Will we (or not) have a couple years of supply relief ?

GOLD

- The insufficiency of social retirement systems and the threat of monetary debasement has been bullish for gold.