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FINANCIAL CONCEPTS, INC. – QUARTER 1 - 2008.

MARKET RESEARCH & INVESTMENT COMMENTARY 2:

Dear Clients:

As the first quarter of 2008 comes to a close, I want to take a moment to share with you our insights about the current state of affairs in the financial markets. Over the past few months and going forward, we see several themes to be noteworthy and significant to domestic and overseas investors.

CENTRAL BANKS:

The Bank of England lowered its key interest rate by 25 basis points to 5% in an effort to stimulate growth, while the European Central Bank keep rates steady at 4%, a six year high, due to growing concerns of inflation. Despite food and energy prices continuing to rise in Europe, the purchasing power of the 15 nation euro currency has remained solid.

The U.S. Federal Reserve lowered interest rates by 25 basis points to 2%, marking the seventh cut in the last eight months. While the Fed has indicated its willingness to cut rates further, it has also expressed a growing concern with rising levels of inflation as a direct result of additional interest rate reductions. *(see footnote 1)*

HOUSING MARKET:

Foreclosures this year continue to rise, as filings surged 57% in the 12 month period ending in February 2008 and bank repossessions soared 129 percent from a year ago, as home owners struggled to make payments. The number of U.S. homes in danger of facing foreclosure notices more than doubled in the first quarter from a year earlier.

Nationwide housing prices are expected to remain stagnant through the rest of this year due to an oversupply of existing inventory, lack of new construction, tighter lending standards, and the rise in payments for adjustable rate mortgages. It is likely to take time for the market to absorb the current excesses and for consumer confidence to improve. *(see footnote 2)*

MONEY MARKETS:

Institutional and retail investors continue to amass an increasing amount of money market instruments, causing yields to fall to around 2.00% on average. This drop in yield has been a direct result of inflows far exceeding outflows as global central bank reserves surged to a record \$ 6.4 trillion in the fourth quarter of 2007, up from about \$ 4 trillion in 2005. Most of these reserves are being held in cash equivalents, as investors seek an even safer haven for capital. *(see footnote 3)*

CONSUMER SENTIMENT:

Consumer confidence has fallen to its lowest level since the 1980's, contributing to fears that Americans are becoming more cautious about personal spending and purchases. Since consumer spending accounts for two-thirds of the gross national product, economists have stated that this stagnation has indicated the economy is still at risk of a recession.

Business has slowed in nine of the twelve regions in which the Federal Reserve divides the nation. Experts believe that the economy will recover in the second half of the year as it begins to feel the full effects of multiple Fed interest rate cuts and the government's stimulus package signed by President Bush starting as early as next month. *(see footnote 4)*

OIL PRICES:

Global oil demand is expected to rise about 1.3 million barrels a day this year to 87.2 million barrels a day, keeping gasoline prices at record levels, and causing experts to predict that oil demand world wide will continue to rise this year.

During 2007 the price of crude oil has nearly doubled to over \$ 100 a barrel, with no clear reason other than a spike in seasonal volatility and increased market speculation. A number of other factors such as growing demand, tighter energy supplies, and a sheer lack of any viable alternative fuel sources, have continued to push oil prices upward. *(see footnote 5)*

LABOR:

The March jobs report sealed the case for a possible recession, as applications for unemployment benefits rose to over 400,000 claims for the quarter, making this figure a 2 year high. The economy has given up about 232,000 jobs in the first three months of this year, and the latest reports add to the belief of many that the economy will remain weak.

The unemployment rate released by the Labor Department showed an increase from 4.8% to 5.1%, making this the biggest job loss statistic since 2003. Employers reduced their payrolls by 80,000 jobs in March, as market turmoil has clearly made a negative impact on the economy and work force. *(see footnote 6)*

EARNINGS:

The Standard & Poor's 500 stock index has traded at 16 times last year's earnings, in line with the market's historical ratio. Many analysts believe that the first and second quarter profits for these 500 companies will collectively remain stagnant, with signs of an advance and overall improvement during the third and fourth quarter of 2008. *(see footnote 7)*

INFLATION:

Consumer prices in the U.S. are projected to rise 2.6% this year, due to the increasing cost for food, energy, and other raw materials. The consumer price index was pegged at 4% during February of this year, and is expected to reach 6.1% in the next year, the highest estimate since 1995. The 15 European countries that are dominated in the euro have experienced a decade high level of inflation at 3.5%, pushing its currency to a new high against the dollar. *(see footnote 8)*

WORLD GROWTH:

The global economy is expected to grow 3.8% this year, compared with 4.7% a year earlier. Growth is expected to slow somewhat this year but accelerate into 2009, powered by vast demand for basic and raw materials on behalf of resource rich nations. The weakening dollar is making U.S. exports attractive to the rest of the world, and has contributed nearly one percentage point to our domestic growth, helping to counterbalance weakness in other areas. *(see footnote 9)*

COMMODITIES:

Surging commodity prices have pushed up food prices 83% in the past three years, as the world is clamoring for minerals, food staples, raw materials, and metals. Some analysts believe that commodities are far from their peak due to stronger demand and decreasing supply levels. Food inflation is expected to reach 8% versus 4% last year. *(see footnote 10)*

In closing,

We are still standing strong by our decision to remain heavily invested in cash for the moment. Presently, we are waiting for the right opportunity to make further investments as we proceed into the year.

Thank you,

Michael S. Standridge
Portfolio Analyst

FINANCIAL MARKET DATA AND STATISTICS FOR MAY 12, 2008

Year to Date Statistics	Current Rates	Current Yields
DOW – DOWN 3.9%	Oil Price - \$125 a barrel	Federal Funds – 2.0%
NASDAQ – DOWN 7.8%	Gold Price - \$884 an ounce	30 Year Mortgage – 5.85%
S&P 500 – DOWN 5.5%	Euro per Dollar – 0.6257	10 Year Treasury – 3.77%
Russell 2000 – DOWN 6.0%	Core Inflation – 3.98%	5 Year CD – 3.54%
Volatility – DOWN 13.7 %	Unemployment – 5.1%	Money Market – 2.38%

Foot Note Source Disclosure:

footnote 1 – The Wall Street Journal, March 2008; footnote 2 – Business Week, February 2008; footnote 3 – The Washington Post, February 2008; footnote 4 – Fortune Magazine, April 2008; footnote 5 – Trader Monthly, March 2008; footnote 6 – Investors Business Daily, February 2008; footnote 7 – Equities Magazine, February 2008; footnote 8 – Barron's, April 2008; footnote 9 – Wealth Manager, February 2008; and footnote 10 – Yahoo Finance – April 2008.

There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment. The price of commodities is subject to substantial price fluctuations of short periods of time and may be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing may lead to higher price volatility. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications, and other factors. Foreign investments involve special risks including greater economic, political, and currency fluctuation risks, which may be even greater in emerging markets. Indexes cannot be invested in directly, are unmanaged and do not incur management fees, costs or expenses. Investors should be aware that there are risks inherent in all investments, such as fluctuations in investment principal. With any investment vehicle, past performance is not a guarantee of future results.