



UNITED ASSET STRATEGIES, INC.

"planning for a lifetime"

July 2007

To our valued clients and friends,

We are entering the last half of 2007 and, as we are frequently asked to forecast the market's direction for the rest of the year, we first look back to the beginning of the year with our last forecast put to you in writing. We expected stocks to outperform bonds and so far they have. U. S. stocks delivered a **6%** return (S&P 500), while Municipal bonds (Muni bond buyer) and corporate bonds (Merrill Lynch Bond Index) returned **-3.96%** and **0.26%**, respectively.

We expected International to put in a strong showing and the broad MSCI-EAFE international index returned **9.1%**. We expected large cap to outperform small cap, which they did. Large cap was up **6%** and small cap (Russell 2000) up **5.8%**.

For the short term, a handful of technical indicators such as lower highs on weak volume, failed midday rallies, lower lows on above average volume and the S&P 500's price earnings (PE) not only at a 52-week high, but in the high end of the long-term median (15.5) are troublesome.

On the intermediate basis, mergers (usually good for the market) and IPO's continue to roll out. With strong ISM trends and results, low unemployment rates, and a soon-to-begin earnings season, expectations are for solid results. Government-reported inflation is still low as is the overall borrowing interest rate. All of this is positive for the US stock markets. However, there is clearly a lack of sector leadership in the U.S. markets when compared to the international stock markets. The exception is energy, which is experiencing high demand for goods and services affording this group pricing power.

To recap, the bull market is still in tact but starting to show technical signs of a pause. The recent high of June 4<sup>th</sup> will need to be taken out before a strong upward trend can resume.

United Asset had a fulfilling June inasmuch as we had 38 concerned citizens sign up to donate blood to the Long Island Blood Services. Our June 14, 2007 Client Loyalty Dinner, held at the Garden City Hotel was a wonderful night of education, food and fellowship.

Enjoy your summer and as always, please call with any questions you may have regarding your account or financial plan.

**The Professional Staff of United Asset Strategies**