PERIGON

THE ECONOMY AT A GLANCE

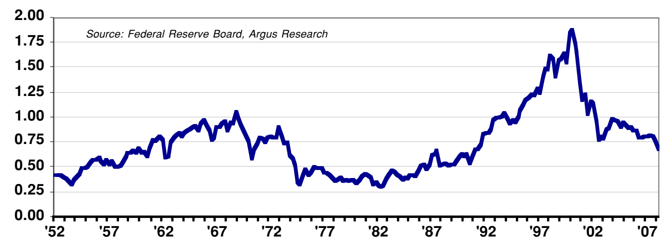
ECONOMIC HIGHLIGHTS

June 30, 2008
Vol. 75, No. 88

TOBIN'S 'q' AT 0.68 IN QI

According to Nobel Laureate James Tobin, the ratio of total stock market value to the stock market's net worth is a reliable indicator of market valuation. When the market trades at a 'discount' to its replacement cost, the market is inexpensive, or cheaper to buy than build. This discount possesses "q" ratios that are less than 1.0. When "q" exceeds 1.0, the market trades at a premium. Encouragingly, the most recent level of 0.68 implies a reasonable valuation of market conditions.

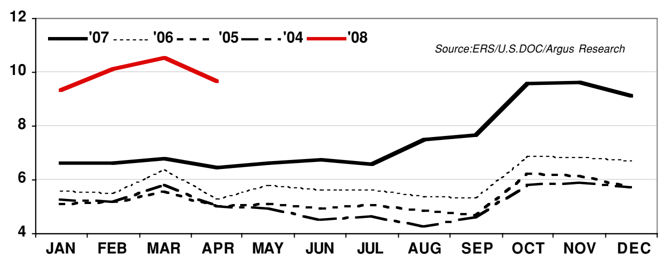
TOBIN'S "q"



AG EXPORTS BOOST ECONOMY

According to the Bureau of Economic Analysis, the total value of agricultural exports slipped 9.0% in April to $9.663 billion. Over the past year, however, ag exports are up a dazzling 45%! Some of the largest exports by volume include nonfat dry milk (61%), vegetable oils (38%), wheat (37%), coarse grains (30%) and vegetables (25%). The annual increases in export values are obviously larger as the prices of essentially all of these goods are rising at a swift pace.

U.S. AGRICULTURAL EXPORTS, $BLNS



RETAIL SALES JUMP!

One of the brightest economic releases of recent weeks was the 1.0% increase in total retail and food sales – which came in at twice the Street estimate. Even more impressive was the 1.2% increase in sales excluding motor vehicle & parts. Over the last year, non-auto sales increased 4.8%. With the lone exception of miscellaneous store retailers, all of the major sub-retail sectors registered gains last month. It is clear that the 50 million or so stimulus checks were put to use during May.

EX-AUTO RETAIL SALES (YOY%)

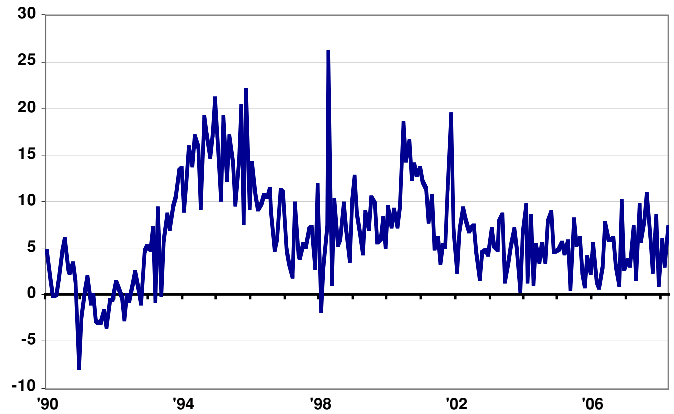
PERIGON WEALTH MANAGEMENT, LLC • 55 SECOND ST., SUITE 1900 • SAN FRANCISCO, CA 94105
TELEPHONE (877) 225-0133

MONETARY HIGHLIGHTS

CONSUMER CREDIT RISES BY 4.2%

The voracious pace of credit card spending by consumers cooled during April. Total consumer spending advanced by an annualized 4.2%, which followed a 6.2% increase in March. The clear driver was a lowly 0.4% increase in revolving, or credit card, debt. This was the lowest increase since an outright decline in May 2005. We suspect that the April 15 tax deadline forced consumers to pull back a bit on spending. Non-revolving debt, which is largely comprised of automotive loans, increased 6.5% in April — up from a 5.5% gain in March. The increased distribution pace of tax rebate checks should provide some additional incentive for consumers to head out and ring cash registers in coming months. Still, it does appear that record-high gasoline will eat away at most of that income.

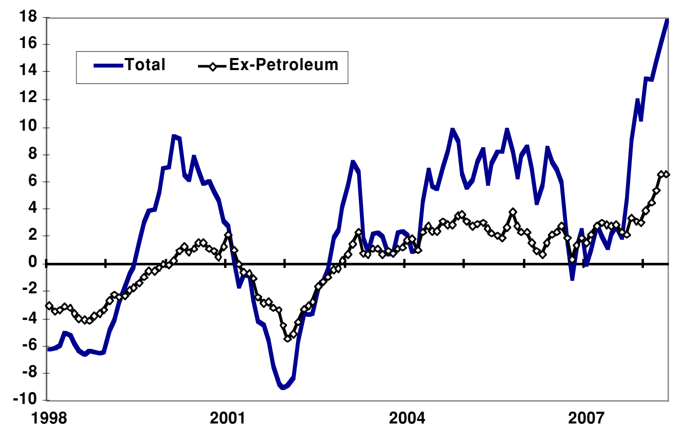
CONSUMER OUTSTANDING CREDIT %



IMPORT INFLATION A CONCERN

The sinking U.S. dollar has engendered a fair amount of inflationary pressure. U.S. import prices jumped by 2.3% in May, which followed 2.4% and 3.0% increases in April and March, respectively. Most of these gains were the result of record-high crude oil prices, but the non-petroleum import price gauges weren't exactly comforting either. Non-petroleum import prices were up 0.5% last month, or 2.9% over the last 12 months. According to the Bureau of Labor Statistics, the prices of imports from China rose 0.6% in May. Over the last year, the volume of imported goods from China ballooned 4.6% — the greatest annual pace since the index was first published in December 2003! There's an inflation problem mounting, and a good portion of it is related to weakness in the dollar.

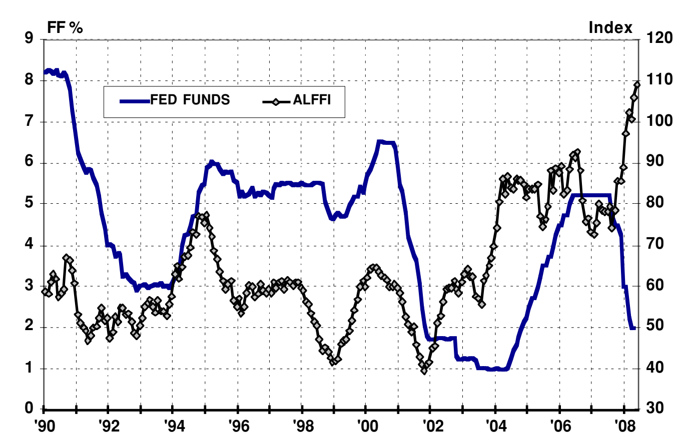
IMPORT PRICES (YOY%)



ARGUS FED INDEX RECORD HIGH

Prices, particularly those at the intermediate stage of production, have climbed to extremely uncomfortable levels. The Argus Leading Fed Funds Index (ALFFI) — our internal barometer of changes in the Federal Reserve's overnight borrowing target rate — jumped more than three points in May. This brought the ALFFI to 109.27, an all-time high. Five of the Index's components registered gains last month, with the sole exception being the ISM Supplier Deliveries Index. The largest contributing gain was registered by the Reuters-Jefferies CRB Index. We continue to believe the Fed will remain on short-term hold due to the uncertainties in the credit markets as well as the fragile U.S. economy. We then anticipate a Fed rate hike of 25 basis points, to 2.25%, at the December 16 meeting.

ARGUS LEADING FED FUNDS INDEX

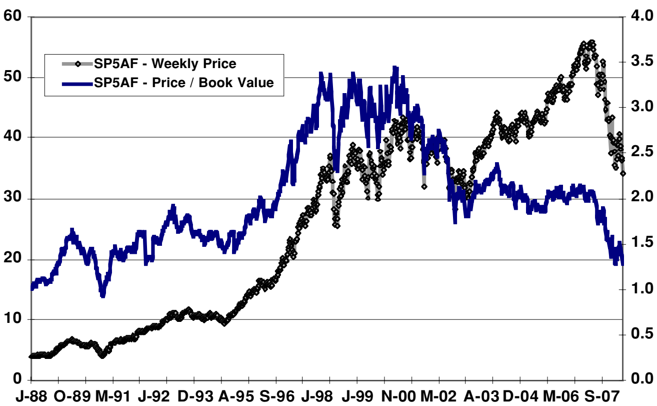


FINANCIAL MARKET HIGHLIGHTS

FINANCIALS: WHERE'S THE BOTTOM?

The S&P 500 Financials index is close to the bottom reached in March 2003, coincidentally about the same time that the broader S&P 500 hit its own bear-market low. This time, however, the S&P 500 is less than 15% from its 2007 peak while the Financials are down by nearly 40%. Probably more revealing is that the Financials index now trades for just 1.2-times reported book value, the lowest level since the last major credit crisis in the early 1990's. At these levels, we'd be ready to sound the 'all-clear' signal if not for the fact that we believe that analysts as a group are still too optimistic about bank earnings. We expect a busy second-quarter pre-announcement period for the banks over the next few weeks which may start to finally dampen expectations for 2008.

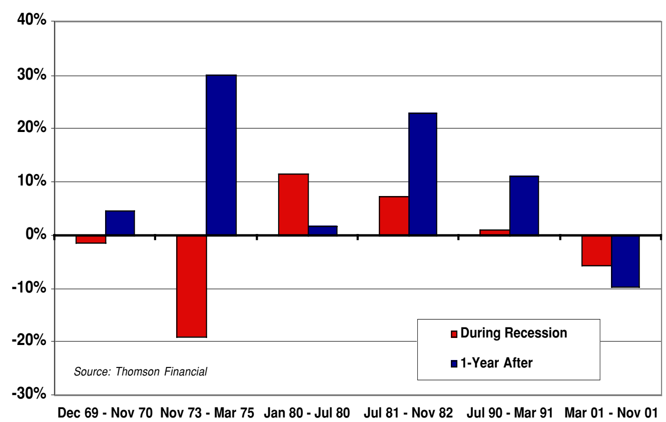
S&P 500 FINANCIALS (PRICE & PRICE/BOOK)



STOCK PERFORMANCE IN RECESSIONS

In two recessions that occurred in the early 1980's, the Dow Jones Industrial Average gained both during the recession and in the year that followed. While GDP was contracting during those periods, the Fed was also hiking rates to break inflation. Stock prices were also very cheap. The major market indices traded at single-digit P/Es, with dividend yields approaching 4%. By contrast, stocks lost ground both during and after the short and shallow recession of 2001. Stocks were more expensive then though there was stimulus on the way from Fed rate cuts and from tax breaks. Today, fiscal and monetary stimulus are also in the pipeline. Valuations for U.S. stocks, however, are somewhere in between the extremes of the early 80's and the late 90's. Inflation remains a concern as well.

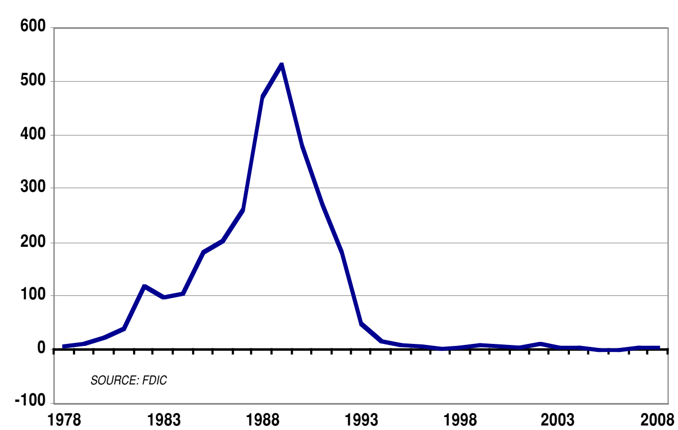
DJIA PERFORMANCE DURING/AFTER RECESSION



BANK FAILURES EXPECTED TO INCREASE

Bank failures exploded with the real estate bust and S&L crisis of the 80's and early 90's. But here are thousands fewer commercial banks today after years of M&A and banks generally hold more capital against their assets. So bank failures have become very rare. For several quarters, from 2004 through late 2006, there were no bank failures in the U.S. at all. However, smaller banks are very exposed to consumer loans and tend to hold mortgages on their books as opposed to securitizing them. While they tend to be more conservative underwriters than the big banks, they are still staring at major losses. And smaller banks tend to focus on lending to local real estate builders and developers, another shaky industry in which the big banks are experiencing rapidly deteriorating credit quality.

NUMBER OF BANK CLOSINGS



THE ARGUS ECONOMIC OUTLOOK

June 24, 2008

	2006 A				2007 A				2008 E				2009 E			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Real Gross Domestic Product	4.8	2.4	1.1	2.1	0.6	3.8	4.9	0.6	**0.9**	**1.4**	**2.0**	**2.6**	**2.7**	**2.5**	**1.5**	**2.6**
Annual:				2.6				2.5				**1.7**				**2.3**
Personal Consumption	4.4	2.4	2.8	3.9	3.7	1.4	2.8	2.3	**1.0**	**1.8**	**1.9**	**2.4**	**2.2**	**2.5**	**1.2**	**2.5**
Durables	16.6	0.8	5.6	3.9	8.8	1.7	4.5	2.0	**-6.2**	**-3.2**	**0.6**	**3.1**	**5.3**	**4.6**	**-1.3**	**4.3**
Non-Durables	4.5	2.3	3.2	4.3	3.0	-0.5	2.2	1.2	**-0.3**	**-0.9**	**1.0**	**2.6**	**0.3**	**1.7**	**1.0**	**0.3**
Services	2.1	2.7	2.0	3.7	3.1	2.3	2.8	2.8	**3.0**	**2.9**	**2.7**	**2.2**	**2.3**	**2.4**	**2.0**	**3.2**
Gross Domestic Investment	4.3	0.6	-4.1	-14.1	-8.2	4.6	5.0	-14.6	**-6.5**	**4.2**	**1.1**	**1.7**	**4.9**	**4.0**	**2.8**	**4.6**
Fixed Investment	7.9	-1.9	-4.7	-7.1	-4.4	3.2	-0.7	-4.0	**-7.8**	**0.8**	**0.2**	**1.7**	**2.6**	**4.0**	**2.8**	**4.6**
Non-Residential	13.3	4.2	5.1	-1.4	2.1	11.0	9.3	6.0	**-0.3**	**-2.5**	**2.9**	**3.2**	**3.1**	**4.5**	**2.9**	**4.1**
Structures	15.0	16.4	10.8	7.4	6.4	26.2	16.4	12.4	**1.1**	**-9.4**	**3.9**	**3.8**	**3.8**	**4.9**	**4.5**	**7.1**
Equip. & Software	13.0	-0.1	2.9	-4.9	0.3	4.7	6.2	3.1	**-0.9**	**1.9**	**2.6**	**3.0**	**2.9**	**4.4**	**2.5**	**3.3**
Residential	-0.7	-11.7	-20.4	-17.2	-16.3	-11.8	-20.5	-25.2	**-25.5**	**-21.3**	**-9.2**	**-3.8**	**0.8**	**2.0**	**2.2**	**6.7**
Change in Pvt. Inventories	38.4	51.4	53.9	17.4	0.1	5.8	30.6	-18.3	**-14.4**	**1.0**	**5.0**	**5.0**	**15.0**	**15.0**	**15.0**	**15.0**
Net Exports																
Exports	11.5	5.7	5.7	14.3	1.1	7.5	19.1	6.5	**2.8**	**6.5**	**5.2**	**6.7**	**4.7**	**2.6**	**2.3**	**2.4**
Goods	15.5	6.5	7.4	9.6	0.9	6.6	26.2	3.9	**1.5**	**6.4**	**5.8**	**5.2**	**4.3**	**2.6**	**2.2**	**2.0**
Services	2.9	3.9	2.0	26.0	1.6	9.6	4.0	13.3	**5.8**	**6.4**	**3.8**	**10.6**	**5.6**	**2.5**	**2.5**	**3.3**
Imports	6.9	0.9	5.4	1.6	3.9	-2.7	4.4	-1.4	**-2.6**	**8.9**	**2.7**	**2.1**	**1.7**	**2.1**	**1.5**	**2.1**
Goods	6.5	1.1	6.2	-0.6	4.2	-2.9	4.8	-2.7	**-3.6**	**9.7**	**2.1**	**1.6**	**1.6**	**1.5**	**1.4**	**1.7**
Services	9.5	-0.1	1.3	14.2	2.3	-1.7	1.7	5.6	**2.7**	**2.7**	**5.8**	**5.1**	**2.0**	**5.1**	**2.6**	**4.4**
Gov't Purch.of Goods & Svcs.	4.9	1.0	0.8	3.5	-0.5	4.1	3.8	1.9	**2.0**	**1.2**	**1.8**	**0.9**	**0.8**	**1.0**	**1.0**	**0.8**
Federal	8.4	-1.6	0.9	7.3	-6.3	6.0	7.1	0.5	**4.4**	**0.9**	**2.4**	**1.0**	**0.5**	**1.6**	**1.2**	**0.6**
National Defense	6.8	2.3	-1.5	16.9	-10.8	8.5	10.1	-0.5	**5.6**	**0.5**	**2.8**	**0.8**	**0.3**	**1.8**	**1.1**	**0.2**
Non-Defense	11.9	-8.8	6.0	-10.0	3.8	0.9	1.1	2.9	**1.8**	**2.4**	**1.6**	**1.6**	**0.8**	**1.3**	**1.4**	**1.4**
State & Local	2.9	2.5	0.7	1.3	3.0	3.0	1.9	2.8	**0.6**	**1.3**	**1.4**	**0.8**	**1.0**	**0.6**	**0.9**	**1.0**
Final Sales of Domestic Prod.	5.4	2.0	1.0	3.5	1.3	3.6	4.0	2.4	**0.7**	**0.9**	**1.9**	**2.6**	**2.4**	**2.5**	**1.5**	**2.6**
Final Sales to Dom. Purch.	5.0	1.5	1.2	2.1	1.7	2.1	2.5	1.3	**-0.1**	**1.6**	**1.6**	**2.1**	**2.0**	**2.4**	**1.4**	**2.6**
Addendum:																
Nominal GDP	8.4	6.0	3.4	3.8	4.9	6.6	6.0	3.0	**3.5**	**4.6**	**5.2**	**5.8**	**5.9**	**5.7**	**4.6**	**5.7**
Personal Con Exp Deflator	1.7	4.3	2.6	-0.9	3.5	4.3	1.8	3.9	**3.5**	**3.7**	**3.2**	**3.7**	**3.0**	**2.9**	**3.2**	**2.9**
GDP Price Deflator (implicit)	3.4	3.5	2.4	1.7	4.2	2.6	1.0	2.4	**2.6**	**3.2**	**3.1**	**3.1**	**3.1**	**3.1**	**3.0**	**3.0**

Richard Yamarone, Director of Economic Research