

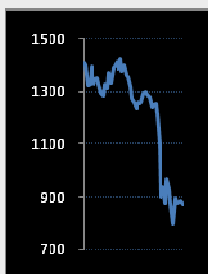
DREXEL INVESTMENT GROUP AP

SUNDAY, DECEMBER 28, 2008

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Weekly Recap

In the face of a short trading week with light volume, continuing trends advanced and investor response remained indifferent—in other words, investors conceded little ground to the relatively poor economic news as the results no longer carry the ‘shock value’ of the past.



S&P 500 Performance for 2008

Throughout the week, oil prices continued their slide on the front-month contract, settling at 37.71, the Fed announced new emergency plans and a wave of reports displayed a continually weakening economy. Particularly, (1) initial jobless number spike to a high of 586,000, (2) durable goods orders fell 1% in the month of November, (3) November existing home sales plummeted 8.6% from October, (4) new home sales hit a 17-year low of only 407,000 units and (5) personal income and spending dropped 0.2% and 0.6%.

Perhaps the most interesting piece of news this week was the continually weakening consumer’s effect on GDP data—on top of retailers resounding poor holiday sales (MasterCard Spending Pulse down 4% from 1-Nov to 24-Dec), consumers stripped 2.8% off real GDP growth—causing an economic contraction of 0.5% for the third quarter. With worsening consumer conditions, a continuing global slowdown and a lack of investment spending (evident in inventory data) significant economic contraction should emerge in the fourth quarter GDP data.

In corporate news, GMAC won bank-holding approval—simultaneously becoming eligible for TARP funds, and pulling GM further from the brink of bankruptcy as credit will be extended to GM through GMAC. This provided broad support for the auto sector and markets as investors vacillated earlier in the week of what consequences a GM bankruptcy would do to capital markets. This approval will not necessarily fix the troubled auto-sector in regard to long-term viability but it establishes more flexibility as Detroit and an incoming administration assess all possible solutions.



FOR THE WEEK OF DECEMBER 28, 2008

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	8579.11	8515.55	-63.56	-0.7	-35.8
Nasdaq	1564.32	1530.24	-34.08	-2.2	-42.3
S&P 500	887.88	872.8	-15.08	-1.7	-40.6
Russell 2000	486.26	476.77	-9.49	-2	-37.8

Continued on Page 2...

Outlook	2
Chart of the Week	3
Earnings	3
Economics	4

The Outlook

“CONSUMERS
STRIPPED 2.8%
OFF REAL GDP
GROWTH; CAUSING
AN ECONOMIC
CONTRACTION OF
0.5% FOR THE
THIRD QUARTER”

Say “Good Bye” to a depressing 2008 and “Hello” to 2009. This year has undeniably been one of the worst years most people have ever seen, and hopefully ever will. Unless we have an unprecedented rise in the market in the beginning of the week, the market will end 2008 down about 40% for the year, making fund prospectus design a challenge in attempt to hide the ugly chart that they used to highlight. This short trading week will close out 2008 with minimal economic data and little news expected. The lack of volume could result in unjustified volatility if any news does hit, creating a false picture of the market perception.

If you have any interest in retail stocks, you might want to spend a few minutes walking around Macy’s or JCPenny. It is a sad scene that has typically been full of bargain shoppers taking advantage of discounts. The discounts are present, but the shoppers are not. This should not be a huge surprise to the market, but more of a reassurance that the sell-off in retailers was justified. Consumer Confidence, Initial Jobless Claims and a handful of manufacturing surveys will be released on Tuesday and will certainly show further economic weakness.

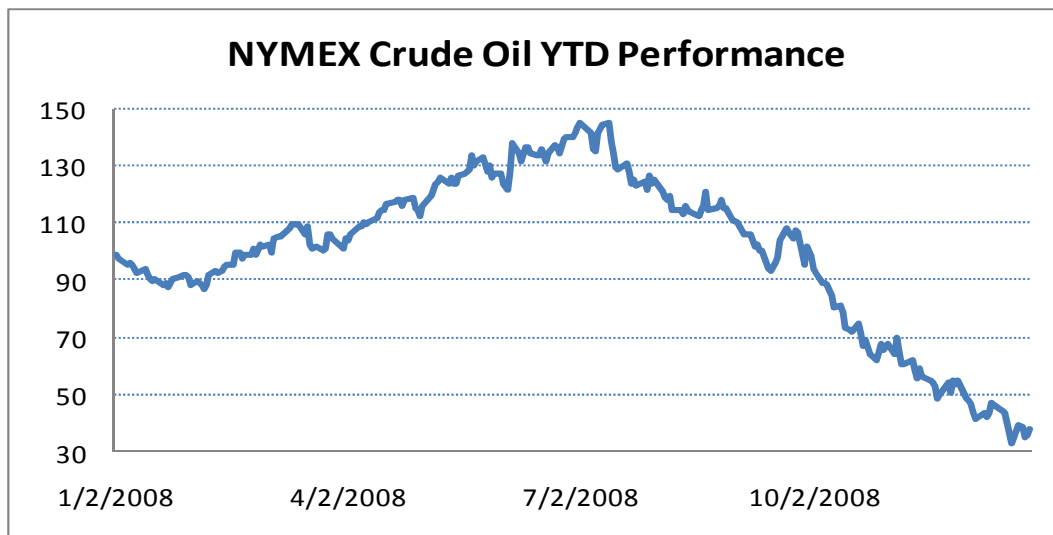
The oil market’s only positive news in the past few months, intended supply cuts and tension in the middle east, should help push oil prices a bit higher after a 75% decline from its peak earlier this year. I laugh to myself every time I think about the news stories back in April and May about the massive inflow of investor funds into

commodities in an effort to gain exposure to the asset class that was producing such high returns. It is kind of ironic that all everyone was talking about at the time was the housing “bubble” and meanwhile they could not wait to jump into the next example of one. I am not saying that I called the drop in oil, but I am smart enough to know that you don’t just put a ton of money into something that has just seen a 50%-90% increase in price and expect it to just keep going at that pace. Typical investment public. Don’t get me started on “Green Funds”.

On a lighter note, the decision by the Fed to give GMAC the title of a “bank” may continue to drive some movement in GM, as the market reacts to GM’s reduced stake in its finance arm. GM rose 12% on Friday in reaction to the news and could continue that move on Monday. As I have said before, the Federal Reserve is turning every company that asks into a bank in order to allow access to emergency funding. At this rate, becoming a bank holding company looks to be like a bad fashion trend that everyone hopes will disappear quickly. The only problem is that this fashion trend comes with contracts and financial regulation that are not easily broken.

Maybe the best thing to do for yourself this week is relax, spend time with family, and go see Marley and Me (score points with your significant other). This is one week that is not really worth wasting your energy on. Au revoir, 2008. See you on the flip side.

Chart of the Week



The above chart shows the performance of oil in 2008. As you can see, oil peaked around \$147 in July and has retreated 75% since then. This drop can be attributed to a large decrease in demand as the world faces weakening economic conditions. At the peak, analysts were still calling for oil to rise to \$200, amid growing concern of a recession. More recently, those same analysts have changed their expectations to a more conservative outlook.

Upcoming Earnings

Monday

After the Close

Company	Symbol	First Call	Yr Ago
Rick's Cabaret	RICK	\$0.23	-

Tuesday

Before the Open

Company	Symbol	First Call	Yr Ago
Ashworth	ASHW	(\$0.25)	(\$0.24)
Shuffle Master	SHFL	\$0.08	\$0.10

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Economic Reports

Tuesday

Time	Release	For	Consensus	Prior
9:45	Chicago PMI	Dec	33	33.8
10:00	Consumer Confidence	Dec	45.2	44.9

Wednesday

Time	Release	For	Consensus	Prior
8:30	Initial Claims	27-Dec	-	-

Friday

Time	Release	For	Consensus	Prior
10:00	ISM Index	Dec	35.4	36.2

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