QUANTITATIVE ASSET MANAGEMENT, LLC
Investment & Advisory Services

Newsletter

July 20, 2008

Dear Clients,

The end of the second quarter for the equity markets kept in tack the bearish trends of the preceding two quarters. The early part of the second quarter showed some recovery, but the month of June ended down over 10%, the second worst monthly decline since June of 1930!

Quarter Ending June 30, 2008		
Year to Date Performance	**YTD**	**Last Full Quarter**
Dow Jones Industrial Averages	(13.36%)	(6.84%)
NASDAQ Composite Price	(14.03%)	0.04%
Standard & Poor's Averages	(11.90%)	(2.71%)
Barclay's Capital Muni Bond Index	0.00%	0.63%
Barclay's Capital Bond Index	28%	(1.51%)
EAFE-Global Markets	(10.58%)	(1.93%)

As a result of our debt crisis the financial sector has declined about 47% from its peak in February of 2007. This has also impacted the equity markets overseas. The MSCI World Total Return Index was down 13% over the last six months, its' worst showing ever. Energy and commodity sectors produced some of the best results, but that is not necessarily good news for our GDP.

Our financial debacles and now the rising cost of energy will mean slower GDP growth, and will likely bring on a recession. Corporate earnings will be under pressure, and so too equity prices. According to the charts we have been in a bear market for almost nine months, and the Value Line Index is entering its' thirteenth month of bear market trends. Since 1947 there have been fifteen bear market periods, averaging eleven months, with the recession led bear market of '74-'75 lasting twenty-one months. My feeling is that we will have a few more quarters of rough times ahead. The market is currently deeply oversold and this summer could provide a brief reprieve. However, I see little ammunition that will reverse the current longer term negative trend. As Bernanke indicated recently the "financial turmoil" will persist into 2009.

For the first time in ten months the Federal Reserve did not cut the fed funds rate, currently at 2 percent, where it is likely to stay for a number of months. The Fed is being pro-active and that will help in the recovery process. Bernanke is concerned about inflation and that will eventually

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lead to higher interest rates once the economy becomes rejuvenated. The system will work off past excesses, but it will take more time.

It will be very difficult for corporations to show any positive earnings comparables over the next few quarters. Looking forward, the media will have plenty of negative news to dwell on as we stumble through our current issues. It's important to realize that the markets will bottom months before there are any signs of a recovery, and our markets will recover.

Quantitative Asset Management will continue to focus on value opportunities, and stress cash flows and defensive strategies to try and minimize the economic impact on equity prices.

Please feel free to call me with any questions or concerns.

Sincerely,

Jeffrey L. Farni Sr.

**As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.*

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