Robshaw & Julian Associates, Inc.
Trusted Investment Advice Since 1979

Investment Matters

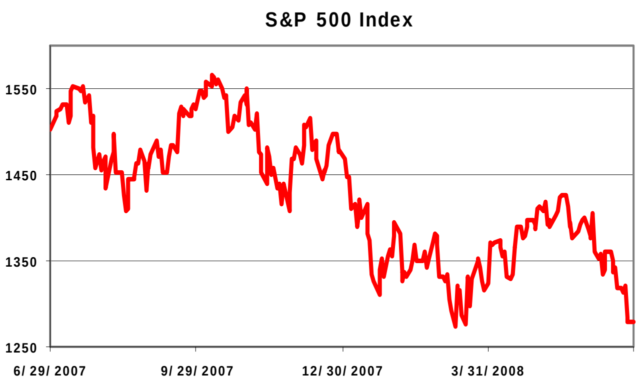
For the quarter ended June 30, 2008

One-Two Punch Knocks Market Down

From an all-time high price of 1576 last October, the S&P 500 Index has fallen over 20%. The chief culprits in this decline are the mortgage finance crisis and the record price of oil.

The mortgage finance crisis is rooted in the decline of home prices which began in 2005. But it wasn't until August, 2007, with the failure of two large hedge funds, that the financial aspects of the crisis were truly appreciated. Even with that, the stock market went up another 11% before peaking in October.

From October until March, growing fear of a financial collapse drove the stock market down 20%. This fear was based on the unlikely but real possibility of a financial chain-reaction default, sort of like the run on the bank in "It's A Wonderful Life", but one which affects the entire financial system. This fear peaked on St. Patrick's Day with the demise of Bear Stearns, a Wall Street powerhouse. But the fall of Bear Stearns did not lead to a financial collapse. What it did do was bring



THE MORTGAGE FINANCE CRISIS AND RISING OIL PRICES HAVE KNOCKED THE STOCK MARKET DOWN

the Federal Reserve into the picture with new powers to prop up the system. With Federal Reserve help, the remaining assets of Bear Stearns were purchased by J.P. Morgan Chase, and the meltdown was averted.

But the other punch was already on it's way. From an already high price of $104/bbl. on March 17th, oil rose another $41 to reach a high of $145. This added to consumer woes but also began to hurt businesses which use a great deal of oil. And there is a new problem created by higher oil prices – the growing inflation threat. The Federal Reserve, which has the twin duty of promoting growth and keeping inflation in check, has been forced to shift more of its attention to inflation and less to growth. With less monetary stimulus, future economic and profit growth is at risk.

Down but not out, the stock market is looking for a break. With Saudi Arabia and Iraq planning to ramp up oil production and with oil demand growth now moderating in much of the world, a lower oil price could be just the relief needed to get the stock market back in the fight.

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When To Take Social Security

The earliest you can start receiving social security payments is at age sixty-two. Even if you are working, you can begin to receive a monthly check soon after your sixty-second birthday. But there are at least three reasons you might want to delay taking social security until you are older.

First, if you expect to receive employment income during your early retirement years, your benefit may be substantially reduced. Here is how it works. If you are working and are under your full retirement age, your Social Security benefit is reduced by $1 for every $2 you earn above the annual limit. In 2008, the limit is $13,200.

Second, your monthly benefit will be higher if you wait. From age 62, when you are entitled to receive 75% of your full benefit, the amount rises each month until your full retirement age, when you are entitled to 100%. If you were born between 1943-54, your full retirement age is 66. This means that by waiting only four years you will receive 1/3rd more each month for the rest of your life. If you live

Continued on page 2.

Social Security: continued

past age 83 your total lifetime benefits will be higher because you waited.

Third, even if you don't expect to work or your health is questionable, your spouse may still benefit from waiting. If your spouse's benefit payment will be less than yours, he or she can switch to receiving your monthly benefit payment after you pass away. If your spouse lives a long life, the higher monthly payments may add up to a much higher benefit than you alone would have received.

For more information about Social Security see their website at www.socialsecurity.gov.

In 2007, for the first time, GE generated more foreign than U.S. sales.

Peak Oil

The world is running out of oil. The big question is when?

The theory of "peak oil" was formulated in 1956 by M. King Hubbard, a Shell research scientist. He wanted to determine the point in time, not when oil would run out, but when the number of barrels which could be pumped each day would reach a maximum level and then begin to decline. Hubbard became famous in 1975, when the National Academy of Sciences acknowledged that his 1956 prediction that U.S. oil production would peak around 1970, once deemed laughable, was in fact correct.

In 1974, Hubbard predicted that world oil production would peak in 1995. Hubbard was wrong because he failed to appreciate the effects of new drilling technology on oil production from both new and existing wells.

Current estimates of peak oil vary considerably. Some experts believe the peak has already occurred or will occur by 2010. They note that for each of the last 25 years, we have discovered less new oil than we pumped to the surface. They also point out that 9 of the 21 largest oil fields in the world are already in decline and that a developing nation like China has doubled oil usage in just ten years.

Optimists predict that peak oil will occur after 2020 or even much later. They cite the fact that huge unconventional sources such as tar sands and oil shale are not counted as part of world oil reserves. With higher prices, they expect increased investment in the production of oil from these inferior sources. They also note that higher prices will lead to better conservation and to the development of alternative energy sources. Other optimists note that large areas of the world, including the continental shelf of the U.S., are not being explored and have tremendous potential based on new deep water drilling technology.

Whoever is right, the stakes are high. Modern civilization runs on oil. When oil production eventually falls below demand, significant adjustments in nearly every aspect of living will be required in order for the world to move beyond its dependence on oil.

In all but one presidential election year since 1952 stocks have gone up in the last seven months of the year. The average increase was 7.2%.

The Bottom Line: 6/30/2008

Market Indicator	Current Value	One Year Change
Large company stocks *(S&P 500 Index)*	1280	-13.1%
Small company stocks *(S&P Small Cap Index)*	365	-14.7%
Short term interest rates *(3 Month T-Bill Yield)*	1.7%	From 4.7%
Long term interest rates *(10 Year T-Bond Yield)*	4.0%	From 5.0%
Inflation *(Consumer Price Index)*	215.1	+4.1%
Energy *(West Texas Intermediate Crude Oil)*	$140/bbl.	+98%
The economy *(Inflation adjusted GDP)*	14.2 trillion	2.5%

QUOTABLE

"Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways."

Robert Farrell

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