

FOURTEENER

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Dow index scales new peak on Wall Street, up 1,000 points in 59 trading days. **BUSINESS 1**

Thursday close 14,000.41



Here comes Harry: Bookstores brace for midnight magic
Review: Rowling's power shines in wizard's finale.
NEWS 37, SPOTLIGHT 34

Rocky Mountain News

WALL STREET'S FOUR-MONTH RALLY

[July 20, 2007]

Euphoria and market reality

The Dow Jones industrial average on Thursday closed above 14,000 for the first time. But with the gains come increased concerns. The Rocky Mountain News asked local market watchers to comment on the factors that could stop the bull run before the end of 2007.

■ **David Peterson, Peak Capital Investment Services:**

"Many things such as terrorist attacks, sudden spikes in inflation, oil rising to over \$100 a barrel or a meteor hitting Wall Street, but the one I'm most concerned about is the housing market. As people suffer sticker shock as their adjustable-rate mortgages change, the housing sector is likely to experience a continued slowdown. Although unlikely, in my opinion, this has potential to derail the market."

■ **Warren Olsen, First Western Investment Management:**

"I think the biggest risk to the market for the remainder of the year is a jump in inflation, which causes the Fed to raise interest rates. Although the market is coming around to the idea that there is a greater likelihood of an interest rate increase rather than a decrease, a rate increase could stop the market in its tracks. A secondary risk could be a major meltdown in the subprime market that triggers a series of other events. I view this as pretty unlikely."



The Dow Jones electronic ticker in New York's Times Square headlines the milestone achieved by the Dow on Thursday. Technology companies rallied on IBM's better-than-expected earnings, sending the Standard & Poor's 500 index to a new high as well.

MARKET: 'Good news out of tech'

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higher.

Sixty-nine of 112 S&P members that have released second-quarter results beat analysts' estimates, according to Bloomberg data. IBM's profit and higher sales at Juniper Networks Inc. improved the outlook for computer-related companies, whose shares have been the best performers in the S&P 500 over the past months.

"We've had very good news coming out of tech," said Thomas Nyheim, who helps manage \$2.8 billion at Christian Bank & Trust Co. in Greenville, Del. "The market marched up strongly."

Financial stocks, however, had another rough day.

Profits at large companies had been expected to start slipping significantly this year, but have held up better than many analysts predicted. In part, that is because the earnings forecasts for companies and analysts devised this year may have been too pessimistic, market speculators suggest.

"The economy is mixed but not as weak as when a lot of people made their earnings

leveraged buyout defaults would cool the flow of money." the P/E of the market, which is getting a little generous unless markets (through tougher



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