

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982
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FEATURED STOCKS - OCTOBER 2008

Boeing Co
Cameron Intl
CSX Corporation
LDK Solar

Potash Corp
Procter & Gamble
Research In Motion
True Religion

ETFs:
Canada
Vanguard Value



Walter D. Pearson
Chairman



Donald E. Pearson
President



Sandra Alberti
Publishing President

CHANGING MARKETS

Today I believe it's safe to say we are all disappointed with our legislators and where our world markets are. The "American Dream" of a house for everyone, and relaxing the regulations for this, has led to difficulties that affect all of us. Many have lost homes or jobs already, and many have lost a significant part of their savings and retirement accounts. I have written often that no one should invest all or a substantial part of their portfolio in their company stock. The days of old when you worked in the factory for thirty plus years, and received a retirement party, a pension, and a gold watch are over. Today we must manage our investments and become well diversified. Market conditions will continue to change and it's important we understand this.

Uncertain markets are something all of us have seen before. We can control many of the factors that cause these problems while others we cannot. Whether you're a small individual investor or a large hedge fund manager, we're all in the same position today. We are listening to our leaders, trying to better understand their proposals for what is needed to correct the lending (credit) process and the mortgage fiasco. How ironic everyone knows what caused the problem, yet these leaders cannot agree on the correct procedure to fix it. Many are

not even certain to what degree the bailout effect will be when it's implemented. This doesn't build my confidence in their ability, but as Warren Buffet and others have said, "this is not the time to be selling and good companies with superior management will stand the test." Companies like AIG and Washington Mutual made reckless decisions, and these decisions have cost investors billions. Home prices here in our country increased for thirty consecutive years, and many thought this cycle would never end. Other companies will succumb to the same fate and it's up to us to separate ourselves from them quickly.

We can look back and learn from other fiascos, such as the savings and loan crisis of the early eighties. History has also taught us there's opportunity here for those that do their homework. Many companies in the upcoming weeks and months will close their doors, while others grow and prosper. Companies with solid balance sheets and positive cash flow will be able to buy their competitors at bargain prices, or their own stock back, creating additional value for those of us who are shareholders. When we look ahead and access the changes within the market and the economy, there will be new challenges and new opportunities. With all the new regulations being placed upon the

financial sector, we will all be reevaluating this sector carefully. Similar to home builders, at one time this was the best sector to own, and today it has little or no upside potential. Both of these sectors will be back, but today it's about change in the market both here and abroad. As we begin to implement our correction or strategy here at home, other key countries watch and prepare their response and contribution.

This has become a world problem now because of the interaction between countries and world markets. Many wait for the US to take the leadership position before they make the necessary moves back on their soil to sustain momentum. China already started two weeks ago. The People's Bank of China cut interest rates by .27% on September 15. This was the first rate cut for China in six years and China state owned companies have been encouraged to buy back their own stock shares. Both of these moves, along with the central bank lowering the reserve ratio for smaller banks by a full percentage point, will free up more money for them to lend. As markets around the world engage, let's hope this recovery plan once implemented does as many believe it will and get the markets both home and abroad started again.

By Donald Pearson

Investment Letters are complimentary to our clients with managed accounts!

TODAY'S STOCK MARKET

Where do we stand today as investors? Is the stock market the place to be? Let's see what the facts are telling us. In the first place we are in one gigantic downturn. This is not just the U. S. stock market; this is worldwide. And the reason behind all of this is that jobs are disappearing in this country and costs are rising.

Businesses are having difficulties depending upon which field they are in. For example, food price inflation averaged 2.1% a year from 1996 to 2006. From June 2007 to June 2008 it jumped 6.1%. The restaurant business is being hard hit for many reasons. Their operating costs have risen, which means they must charge more for their dinners, and fewer people are eating out because of the loss of jobs and the price of gas.

Where does this leave the investor? In most cases he has stocks that were bought at higher prices. Should he sell out, take his losses and depart? It may be a difficult thing to do, but it is important to forget the past and look at things as they are today. If you are holding a stock which cost you \$40 a share and it is now selling for \$10, what should you do? It makes me think of the story about two men who loved to play baseball. They worried as they got older that when they died and went to heaven there might be no baseball there. They made a pact that the first one to die would return and tell his friend. Henry died and shortly after Charley heard his voice giving him the good news. Yes, there is baseball, but the bad news is that you're pitching tomorrow.

The point here is this. Is it really bad news that Charley is going to heaven rather than hell? Is it really bad news that he is changing residence from earth to heaven? Is it bad news that stocks are so much cheaper today than they have been? Remember again that stocks are simply pieces of paper that represent ownership of a company. In order for your stock to become worthless your company must go bankrupt. During this fallout some companies have done this, but many companies have seen the price of their stock drop simply because stock prices are falling. Homes have risen in price but they too are now dropping. It is much more difficult to decide when to step in and buy a home because you don't have all of the information you get on a stock. In the stock market you don't need to wait for a bottom of the market; it is simply necessary to find a bottom area for one particular stock.

In my opinion the time has come to search out extra cash because the sale is on. Many stocks are still falling in price, but there are a good number that have turned and started on the upside. Another thing to bear in mind is that many stocks dropped for good reason; but it is also necessary to remember that this causes a bear market and ALL stocks come down in price. There are numerous companies today that have few foreseeable problems and are increasing earnings each year, but their stock price has dropped as they, too, are in the bear market.

One of the nice things about a market of this kind is that you can have the Internal Revenue Service participate in making up your losses. The further your stock has retreated in price the better for you. It is only necessary to check out the company's prospects, and if you can see a forward look, it is simply necessary to join hands with the IRS and reap your profits. Your partner will then assimilate a portion of your losses. It works this way: Suppose you had bought 100 shares of a \$30 stock which has now come down to \$3. It still looks good so by investing another \$3000 you pick up 1000 shares. After 31 days you may sell the original purchase and the \$2700 loss is shared by your new buddy. When your stock moves up three points, you have reached the strong money making area. Here's a company that is making you a thousand dollars on each point rise rather than the hundred it used to be, and you don't have to wait until it gets back to \$30 in order to get even. But perhaps the nicest part of the whole thing is to have the IRS stepping in to participate in your loss.

By Walter Pearson

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Source Rating Key for *PCI's* featured stocks: **Pearson Investment Growth Rating** measures long-term past and future growth.

Pearson Value Rating measures current value in terms of potential for the dollar. **Investors Business Daily** measures growth and relative price strength.

S&P measures financial quality and growth potential. **Value Line** measures timeliness, value and safety.

Information & data obtained from other sources is believed to be reliable, but its accuracy and completeness can not be guaranteed.

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department.

He is the author of the book, "Investing for the Millions" and Publisher Emeritus for the Pearson Investment Letter.

At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc.

He is a contributing columnist for various publications and is listed in Who's Who in America.

"Remember the Lord your God, for it is He who gives you the ability to produce wealth. Deut. 8:18"

PEARSON CAPITAL'S RECOMMENDED STOCKS FOR OCTOBER 2008

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THE BOEING COMPANY (BA) NYSE PRICE: \$57.35

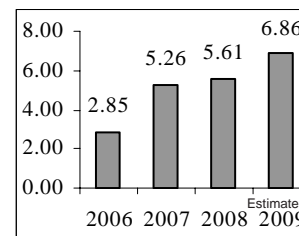
BA is involved in the design, development, manufacture, sale and support of commercial jetliners, military aircraft, satellites, missile defense, human space flight, and launch systems and services. The Company operates in five principal segments: Commercial Airplanes, Precision Engagement and Mobility Systems (PE&MS), Network and Space Systems (N&SS), Support Systems and Boeing Capital Corporation (BCC). PE&MS, N&SS and Support Systems comprise the Company's Integrated Defense Systems (IDS) business. The Other segment classification principally includes the activities of Engineering, Operations and Technology, an advanced research and development organization focused on technologies, processes and the creation of new products. On July 8, 2007, Boeing unveiled its lightweight, carbon-composite 787 Dreamliner.

Type: Growth
Sector: Industrial Goods

Institutional Holdings: 619
Industry: Aerospace

Ratings & Recommendations Earnings per share

Current P/E Ratio: **10.3**
Annual Yield: **2.70%**
Annual Dividend: **\$1.60**
Investor's Business Daily: **C**
Pearson Growth & Value: **B**
Morningstar Rating: **B**
Standard&Poor Rating: **B**
Value Line Rating: **C**



CAMERON INTERNATIONAL CORPORATION (CAM) NYSE PRICE: \$38.54

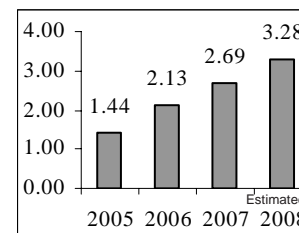
CAM is a provider of flow equipment products, systems and services to worldwide oil, gas and process industries. The Company's operations are organized into three business segments: Drilling & Production Systems (DPS), Valves & Measurement (V&M) and Compression Systems (CS). DPS is a provider of systems and equipment used to control pressures, direct flows of oil and gas wells and separate oil and gas from impurities. V&M is a provider of valves and measurement systems primarily used to control, direct and measure the flow of oil and gas as they are moved from individual wellheads through flow lines, gathering lines and transmission systems to refineries, petrochemical plants and industrial centers for processing. CS is a provider of reciprocating and integrally geared centrifugal compression equipment and services.

Type: Growth
Sector: Energy

Institutional Holdings: 500
Industry: Oil / Equipment

Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.2**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **B+**
Pearson Growth & Value: **A**
Morningstar Rating: **N/R**
Standard&Poor Rating: **C**
Value Line Rating: **B-**



CSX CORPORATION (CSX) NYSE PRICE: \$54.57

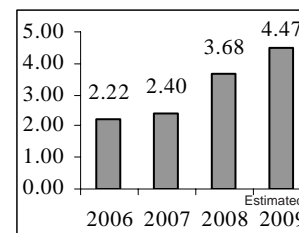
CSX is a transportation company. It operates in two business segments: rail and intermodal. The rail segment provides rail freight transportation over a network of approximately 21,000 route miles in 23 states, the District of Columbia, and the Canadian provinces of Ontario and Quebec. The intermodal segment provides integrated rail and truck transportation services and operates a network of dedicated intermodal facilities across North America. CSX's principal operating company, CSX Transportation, Inc. (CSXT), provides a link to the transportation supply chain through its approximately 21,000 route mile rail network, which serves 23 states east of the Mississippi River, the District of Columbia, and the Canadian provinces of Ontario and Quebec. CSX Corporation was founded in 1827 and is based in Jacksonville, Florida.

Type: Growth
Sector: Services

Institutional Holdings: 447
Industry: Railroads

Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.4**
Annual Yield: **1.60%**
Annual Dividend: **\$0.88**
Investor's Business Daily: **A**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Standard&Poor Rating: **B**
Value Line Rating: **A**



LDK SOLAR CO., LTD (LDK) NYSE PRICE: \$30.02

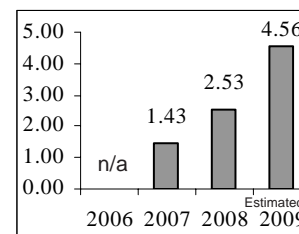
LDK is a manufacturer of multicrystalline solar wafers. Solar wafers are the principal raw material used to produce solar cells, which are devices capable of converting sunlight into electricity. LDK sells multicrystalline wafers globally to manufacturers of photovoltaic products, including solar cells and solar modules. It produces and sells multicrystalline solar wafers between 180 and 220 microns in thickness. In addition, LDK Solar provides wafer processing services to monocrystalline and multicrystalline solar cell and module manufacturers. LDK Solar manufactures multicrystalline ingots from polysilicon feedstock in its directional solidification system furnaces (DSS) furnaces, as an interim step in producing wafers. The company was founded in 2005 and is headquartered in Xinyu city, the Peoples Republic of China.

Type: Growth
Sector: Technology

Institutional Holdings: 22
Industry: Divers. Electronics

Ratings & Recommendations Earnings per share

Current P/E Ratio: **11.6**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Standard&Poor Rating: **C**
Value Line Rating: **N/R**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR OCTOBER 2008
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POTASH CORPORATION OF SASKATCHEWAN, INC (POT) NYSE PRICE: \$132.01

POT is an integrated fertilizer and related industrial and feed products company. The Company's potash is produced from six mines in Saskatchewan and one mine in New Brunswick. Its nitrogen operations involve the production of nitrogen fertilizers and nitrogen feed and industrial products, including ammonia, urea, nitrogen solutions, ammonium nitrate and nitric acid. It has nitrogen facilities in GA, LA, OH and Trinidad. The Company's phosphate operations include the manufacture and sale of solid and liquid phosphate fertilizers, animal feed supplements and industrial acid, which is used in food products and industrial processes. It indirectly holds all outstanding interests in PCS Joint Venture, Ltd., which formerly manufactured, processed and distributed fertilizer and other agricultural supplies from plants located in Florida and Georgia.

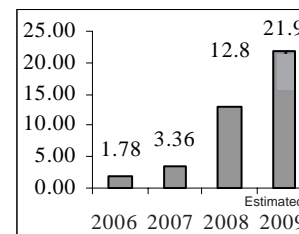
Type: Growth
Sector: Basic Materials

Institutional Holdings: 417
Industry: Agricultural Chem.

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **20.5**
Annual Yield: **0.30%**
Annual Dividend: **\$0.40**
Investor's Business Daily: **A-**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Standard&Poor Rating: **A**
Value Line Rating: **A**



THE PROCTER & GAMBLE COMPANY (PG) NYSE PRICE: \$69.69

PG is focused on providing branded consumer goods. The Company's products are sold in over 180 countries around the world primarily through mass merchandisers, grocery stores, membership club stores, drug stores and in high-frequency stores, the neighborhood stores, which serve consumers in developing markets. During the fiscal year ended 06/30/08 (fiscal 08), one product category accounted for 10% or more of consolidated net sales. The laundry category constituted approximately 16% of net sales during fiscal 08. In fiscal 08, the company was organized into three Global Business Units: Beauty; Health and Well-Being, and Household Care. PG had six business segments under US Generally Accepted Accounting Principles: Beauty; Grooming; Health Care; Snacks, Coffee and Pet Care; Fabric Care and Home Care, and Baby Care and Family Care.

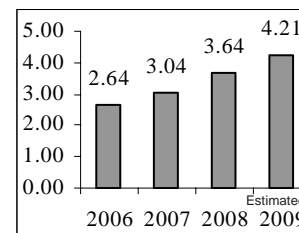
Type: Growth
Sector: Consumer Goods

Institutional Holdings: 1009
Industry: Personal Products

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **19.1**
Annual Yield: **2.30%**
Annual Dividend: **\$1.60**
Investor's Business Daily: **A-**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Standard&Poor Rating: **A**
Value Line Rating: **A**



RESEARCH IN MOTION LIMITED (RIMM) NASDAQ PRICE: \$68.30

RIMM is a designer, manufacturer and marketer of wireless solutions for the worldwide mobile communications market. Through the development of integrated hardware, software and services that support multiple wireless network standards, RIMM provides platforms and solutions for seamless access to time-sensitive information including email, phone, short message service (SMS) messaging, Internet and intranet-based applications. RIMM technology also enables an array of third party developers and manufacturers to enhance their products and services with wireless connectivity to data. RIMM's portfolio of products, services and embedded technologies are used by organizations worldwide and include the BlackBerry wireless solution, software development tools, and other software and hardware. RIMM operates offices in North America, Europe and Asia Pacific.

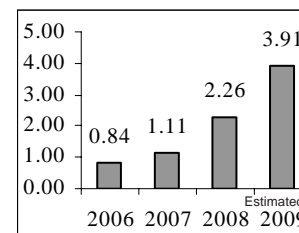
Type: Growth
Sector: Technology

Institutional Holdings: 560
Industry: Divers. Tech. Serv.

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **25.2**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A-**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Standard&Poor Rating: **C**
Value Line Rating: **A**



TRUE RELIGION APPAREL, INC (TRLG) NASDAQ PRICE: \$25.85

TRLG designs, markets, distributes, and sells apparel under the brand name True Religion Brand Jeans to consumers in more than 50 countries on six continents: North and South America, Asia, Africa, Europe and Australia. The Company's products are sold in the United States in national premium stores, including Bloomingdale's, Neiman Marcus, Nordstrom, Saks Fifth Avenue, and in over 2,000 boutique and specialty stores. Its products can be categorized as denim, knit and non-denim, and most come in tops and bottoms. Knit styles include hoodies, t-shirts and sweats, and non-denim fabrics include corduroy and twill. The Company sells men's women's and kid's styles for its products. True Religion operates in four segments: United States Wholesale, International Wholesale, Consumer Direct and Corporate, which includes licensing activity.

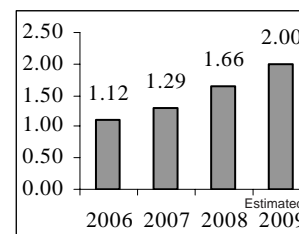
Type: Growth
Sector: Consumer Goods

Institutional Holdings: 115
Industry: Textile Apparel

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **18.3**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A+**
Pearson Growth & Value: **B+**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **A**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR OCTOBER 2008

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ISHARES MSCI CANADA INDEX FUND (EWC) NYSE PRICE: \$26.34

The investment seeks to provide investment results that correspond generally to the price and yield performance of publicly traded securities in the Canadian market, as measured by the MSCI Canada index. The fund normally invests at least 95% of assets in the securities of its underlying index and in ADRs based on the securities in its underlying index. It uses a representative sampling strategy to try to track the index. The index consists of stocks traded primarily on the Toronto Stock Exchange.

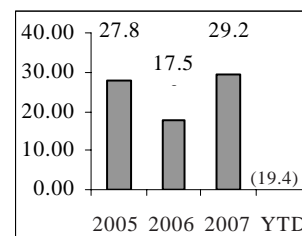
Fund Inception Date: 03/12/1996

Location: Canada
Category: Large Value

Type: 100% stocks-98
Industry: Finc/Manufact.

Ratings & Recommendations Performance by %

Current P/E Ratio: **N/A**
Annual Yield: **1.66%**
Annual Dividend: **\$0.44**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **A**
Morningstar Rating: **A**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



VANGUARD VALUE (VTV) NYSE PRICE: \$54.36

The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization value stocks.

The fund employs a passive management investment approach designed to track the performance of the MSCI US Prime Market Value index, a broadly diversified index of the stocks of large U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

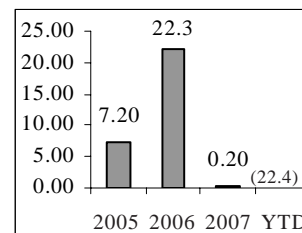
Fund Inception Date: 01/26/2004

Location: USA
Category: Large Value

Type: 100% stocks-418
Industry: Diversified

Ratings & Recommendations Performance by %

Current P/E Ratio: **N/R**
Annual Yield: **3.30%**
Annual Dividend: **\$1.79**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **B+**
Morningstar Rating: **C+**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



Alternative Energy

As the focus on drilling and oil continues, so will the interest in alternatives. Wind, solar, and nuclear power will all play a part along with additional drilling. Every month we've featured oil drillers, or alternative stocks, or ETFs. Our lawmakers are now voting to increase drilling here and this will accelerate the sector even more. The alternative with the most upside potential and volatility, in our opinion, will be solar. Experts expect the solar market to grow from \$7 billion today here in the US to \$30 billion by 2010. Over ninety percent of the energy needed by the entire US can be delivered by solar thermal power. Last month we recommended ETF-TAN.

Bank Foreclosures & Coverage (General Information)

Washington Mutual's failure is the biggest ever in the nation's banking sector. The thrift became the 13th financial institution to fail this year. The failure of WaMu, with \$307 billion in assets, dwarfs the second-biggest bank failure in U.S. history — the 1984 demise of Illinois National Bank, which had \$40 billion in assets. The government seized IndyMac in July, which had \$32 billion in assets.

Bank accounts are typically insured to a limit of \$100,000 per depositor per insured bank. That limit is pushed to \$250,000 for certain retirement accounts, such as individual retirement accounts (IRAs), and you can get even more coverage with so-called "pay on death" accounts that name beneficiaries. If you name your three children as beneficiaries on a POD account, for example, each child would get \$100,000 of coverage, for a total of \$300,000 for the account.

By Donald Pearson

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Our fee is extracted quarterly from the account at 25% of one percent by TD Ameritrade. Immediately following any quarterly management fee extraction, it is posted within your account's history information available on line. It is also posted in your TD Ameritrade monthly statement.

Fourth Quarter October-November-December-see your October statement.

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WALL STREET INDEXES

Indexes	2002	2003	2004	2005	2006	2007	YTD
S&P 500	(23.4%)	26.4%	9.0%	3.0%	13.6%	3.6%	(20.7%)
Dow Jones	(16.8%)	25.3%	3.2%	(0.6%)	16.3%	6.4%	(18.2%)
Nasdaq	(31.5%)	50.0%	8.6%	1.4%	9.5%	9.8%	(21.5%)
Russell 2000	(21.6%)	45.4%	17.0%	3.3%	17.0%	(2.8%)	(14.1%)
Market Average	(23.3%)	36.8%	9.4%	1.8%	14.1%	5.6%	(18.6%)



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic flows: First, the Federal Reserve decided not to back

Lehman Brothers and to instead back AIG from failing. It has made the decision to hold rates steady and to use the accommodating language that it does not see inflation in the near future. Then the Treasury, with the Fed's backing, has made its move by creating a \$700 billion proposal to buy the bank's bad mortgage debt in an effort to unfreeze the nation's credit markets.

The current administration in Washington has overseen a war and now a bank bailout that has caused taxpayers over a trillion and a half dollars. This will certainly help accelerate the devaluation of the dollar. Asian economies that hold our dollars will probably help finance the bailout at least for now.

Key point: The bailout will only exasperate the long-term devaluation of the dollar.

Earnings flows: Earnings season is starting as October decides the mood at the end of the year. There will be plenty of pre-announcements from many companies as they determine their stance in this slowing economy. Even though the bailout will relieve some problems in the economy, earnings are slowing down for many companies. Banks will still be loathe to loan out to new customers until the entire crisis fully passes. With the market down, there is a sea of cash waiting on the sidelines. Any company with greater than expected earnings will probably do very well.

Key point: Third quarter earnings are about to begin.

Cash flows: Hedge funds and other institutions are selling natural resource and other commodity stocks anticipating a huge decrease in demand from a slowing world economy. Many companies such as Joy Global, and Foster Wheeler, are stating that their companies have been oversold and have made the decision to buy back their stock. They believe that their companies have a much better outlook than the market is making them out to be. Now with the bailout, banks have extra capital to buy other banks. Look for continued consolidation in the financial stocks as banks will grow their business externally.

Key point: Cash rich companies are going to start buybacks to buoy their stock prices or consolidate within their industry.



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