



Harloff Capital Management  
815 Crocker Road, Suite D-10, Westlake, Oh 44145  
440-871-7278

Monthly Update

2006, volume 1, Year 13 JANUARY 2006

## Gold, Energy, Latin America, and Tech Opportunities

**The investment theme today is the same one we have had most of last year. Commodities, foreign markets, and technology are the investment opportunities ... still. Yields on US 10 and 30 year interest rates are dropping along with the US dollar vs. other currencies. These drops foreshadow a further slowing of the US economy in 2006. We recently attended an institutional hedge fund meeting in California. Most Hedge funds returned about 4 to 6% last year. What surprised us was that The California Public Employees' Retirement System (CalPERS), is investing in the construction and sale of residential homes in Latin America. Many are investing overseas to capture growth that is so illusive in the US. Good international investment opportunities are evident in our HVI rank on pages 4 and 5, viz. Japan, Latin America, Emerging Markets, and Europe. Also thriving are oil, gold, and semiconductors.**

**Overseas heavy industry expansion is growing, and is the reason for commodity price increases, especially in China and India. For the time being our technology is in demand. But, with China and India producing more engineers and scientists, and the US support for basic research diminishing, we wonder how long the US will lead in this technology age. 1984 is not yet here.**

**We remain on a buy for the S&P500, NDX and for Precious Metals. Our bond yield model is on a sell indicating that large institutional and foreign investors are buying bonds. Financial stocks are to be avoided. In the "style box", value and small beat large cap growth by a small amount. We don't see a bear market yet since large cap growth will lead for several months before the next bear market starts.**

**Because the markets can turn quickly, be ready. May the market be with you!  
(January 6, 2006)**