



Harloff Capital Management  
795 Sharon Drive, Suite 226, Westlake, OH 44145  
440-871-7278

## Monthly Update

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# **Bear Market; Bottoming Now!**

**This world's equity markets have sold off significantly. For example in the U.S.: the S&P500 index is down 16.27% from 10/9/07 to 1/22/08, the NDX index is down 20.07%, and 10 year government bond yields have fallen 25.32% from 10/12/07 to 1/23/08. The NDX and government bond yields are squarely in bear territory.**

**A cause of this bear market is the massive bank and broker dealer write downs from the subprime mortgage defaults that have cost some of these CEO's their jobs. But don't worry for these ex-CEOs, as their bail out compensation is in the (1, 2, 3, ...many) millions. With the write downs came a "sell anything" to raise cash mantra. The world markets all suffered at the same time from the selling cabol. The central banks and sovereign funds have provided enough liquidity to save the banks from going under. Their profit margins will increase immensely due to the reduction in their borrowing (Fed Funds) rate.**

**The banks have the luxury of changing credit card terms on the fly and raising rates with time. They are one of the few companies that can change terms of an agreement when it suits them. Banks and real estate are a good buy at this time.**

**Our average portfolio gained 20.8% last year. Our original graphical analysis, see page 2, indicates that the S&P500 index is bottoming now and the bond prices are peaking out. The flight to safety to bonds is nearing an end.**

**Because the low appears to be in at 1/22/08 or 1/23/08 levels, we chose to hold our positions from last month. It is too late to sell at this time and we think the worst is over. Because the markets can turn quickly, be ready. May the market be with you! (January 25, 2008)**