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Monthly Update

2005, volume 10, Year 12 OCTOBER 2005

Possible April 2006 Recession

Recently in Kodiak, Alaska, the Kodiak bears didn't have enough berries to eat in the summer. They were food stressed and needed more meat before hibernation. When hunters shot deer and processed the deer in the field, bears were attracted to the meat and sometimes attacked the hunters; two hunters were severely mauled and one was killed. Eight other bears were shot in similar situations in Kodiak the same year. Imagine what a bear grip feels like. This is what is happening now in the equity markets - a bear grip is on the U.S. equity markets. Consider for example that on October 4 most equity markets around the world all went down. The hedge funds cabal operate worldwide and can force the world's markets down all at once.

Since October 3, the S&P500, NDX, and XAU are all lower. In the last 9 trading days, Profunds Oil and Gas (ENPIX) is down 13.53%, the NDX is down 3.82%, and the S&P500 is down 3.27%, and the latter two indexes are negative for the year. In contrast, the long term bond yields and dollar are going higher. These increases signal lower GDP growth rate as the economy slows down. Nearly all the funds analyzed herein are going down, except for the short funds. Even precious metals have weakened, while the XAU index remains on a buy since 5-13-05. Based on recent market activity, we see a possible recession starting April 2006. Farewell Dr. Greenspan.

Latin America funds including Fidelity's FLATX and Scudder's SLAFX moved to a sell. Fidelity and others charge hefty redemption fee that can hurt. It makes sense to buy exchange-traded funds instead of redemption fee charging mutual funds. In contrast to the industry standard redemption fees, Rydex, Profunds, and Potomac and ETF's do not charge redemption fees.

Because the markets can turn quickly, be ready. May the market be with you!
(October 14, 2005)