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Monthly Update

2007, volume 11, Year 14, November 2007

Broad based sell off continues!

We computed broad based sell signals on October 17th that seem to be quite timely. For comparison, IBD computed a sell signal on November 9. Our index signals changed to bullish on October 29 and November 1, but we stayed in money market with our newsletter portfolios, see pages 2 and 3. The end of October was the beginning of a nasty correction lasting even now. So it seems our timing models were early, but were wrong in going back into the markets.

The global sell off, from November 1 to now, is associated with the U.S. sub-prime mortgage write downs reaching around the world. Or just as likely, is due to margin call selling. As with most corrections we think this correction is overdone, since many portfolio managers are writing down 100% of their subprime mortgages whereas only about 14% may go to zero.

There are those who see this correction as a beginning to a U.S. bear market. Central bankers seem to be supplying plenty of money and interest rates are going down. The U.S. economy seems sound here and we will have to wait a little longer to see if we go into a bear market.

If one has not sold by now, one strategy is to wait it out. If this is a correction this will be a sound strategy. If this is a bear market this is not a sound strategy. Our view is that we are in a correction, not a bear market, and we are very close to a bottom.

Because the markets can turn quickly, be ready. May the market be with you!
(November 23, 2007)