



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

Monthly Update

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Commodities, Foreign Markets, and Tech Opportunities

The investment theme today is the same one we have had most of the 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. A yield curve inversion is possible. As we have previously mentioned, an inverted yield curve correlates with a recession about 50% of the time. Due to Fed over tightening, Dr. Greenspan will leave a challenging economic environment to his successor in 2006.

Overseas heavy industry expansion is growing, and is the reason for commodity price increases, especially in China and India, while our heavy industry is not growing. 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. The service industry can only continue if someone in the US makes something tangible. We need to outsource the Congressional jobs.

Oil, gold, basic materials and utilities are thriving this month, whereas oil and utilities were weak last month. We remain on a buy for the S&P500, NDX and Precious Metals. Our bond yield model has changed to a sell indicating that large institutional 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!
(December 16, 2005)**