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Monthly Update

2011, volume 12, Year 18, December 2011

2011 Bear and Recession Not Coupled!

A really volatile year was 2011. The gold and silver index, XAU, is down 18.3% YTD. From 7-7-11 to 9-22-11 the S&P500 fell 16.53% and the 10-year bond yield fell 45.74%. From 9-22-11 to 10-27-11 the S&P500 gained 13.72% and the 10-year bond yield gained 40.74%. From 10-27-11 to 12-19-11 the S&P500 fell 6.17% and the 10-year bond yield fell 24.79%. Yield % changes are about 2 to 4 times S&P500 % changes. In the last few months, single-day 3 and 5% DJI moves were observed, as well as single week plus and minus 10% DJI moves. Highly volatile moves challenge our quantitative market analytics.

Many sectors and regions were in bear market territory, -20 %, from 7-7-11 to 9-22-11. Consider: AMX-I Amex M/S Commodity Eq Weight Index -23.71%, XOI-I Amex Oil Index -22.72%, RUO-X Russell 2000 Growth Index -25.03%, RMV-X Russell Mid Cap Value Index -20.96%, DJAP- DJ Asia/Pacific -23.29%, DJ-IC DJ Internet Composite Index -21.06%, DJ-20 DJ Transportation Index -26.13%, DJ-AF DJ US Air Freight index -23.92%, DJ-Au DJ US Automobiles Index -32.85%, DJ-CH DJ US Chemicals Index - 25.55%, DJ-CN DJ US Construction & Materials Index -27.72%, DJ-CE DJ US Consumer Electronics Index -27.99%, BKX-X Phlx Bank Sector Index -29.87%, and the list goes on.

This international sovereign banking-induced bear market is different, e.g. shorter and more volatile, than the usual wage-employment induced business cycle induced bear market. (See our analytical business cycle paper “Wage-Employment-Driven Business Cycle Model” found at <http://harloffcapital.com/articles.html>.) Thus, we do not see a U.S. economic recession in the next 3 to 9 months.

Because the markets can turn quickly, be ready. May the market be with you (December 23, 2011)!