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Monthly Update

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US Market in Transition

The investment theme today is different than the one we have had most of last year. Japan equity and energy prices have come down significantly. Commodities have weakened. It feels like the commodity drivers, the growth rates in China and India, are slowing down. Overall the US market is weak with only a few areas moving higher. These areas include: electronics, telecommunication, small caps, and the Dow Industrials. Telecommunications are moving higher most likely due to the new build out along the Gulf coast.

The hedge funds had a run at pushing the markets lower and we think that is behind us for now.

On the overseas front, Latin America, emerging markets and Europe are poised to move higher. Germany and England both have stronger equity markets than the US market. In spite of our huge deficit, the US dollar has strengthened due to higher short-term interest rates in the US.

Our long-term timers have changed. We are on a sell for: 1) US 10-year bond yields (bonds are going higher), 2) gold, and 3) the NDX100. The NDX sell might be temporary as we are just getting through a sell off period as discussed above. Gold goes down when oil goes down since oil producing countries prefer gold as their currency of choice.

**Because the markets can turn quickly, be ready. May the market be with you!
(February 17, 2006)**