



Harloff Capital Management
795 Sharon Drive, Suite 226, Westlake, OH 44145
440-871-7278

Monthly Update

2011, volume 2, Year 18, February 2011

Bull is alive...still

U.S. equity markets are still alive at the end of February. There was a sharp sell off in equities this past week, which appears to be over. Most likely this equity selling was to buy oil. At hand is widespread regime-change sentiment in several Middle East oil-producing countries. The Saudi Arabian oil giant can theoretically pick up any oil production lost by smaller oil producer countries. In the middle East: social networking, Google, and cell phones are devices that easily illustrate how rich oil king's families are and how poor are younger citizens by comparison. This wealth-gap revelation is leading to unrest in wealthy oil countries. The US is also in play with well to do union government workers pitted against taxpayers who lack wealth-transfer union muscle.

We have new signals: buy on gold and sell on bond yield.

We like energy, small cap, mid cap, and large cap companies at this time. We also like semiconductor and precious metal companies. Our sector picks from best to worst are: oil, semiconductor, and gold. This overall ranking is similar to last month's ranking. The US index is all right; however both Frankfurt and London markets are quite weak. The US dollar, and emerging markets are on a sell at this time.

For the style box, small beats large, and the OTC index is weaker than the former indexes, see page 2. The S&P500 trend is up at this time, even with a pull back in the last week or so. A graph illustrates this behavior on page 2.

We presented our new business cycle modeling capability at an academic meeting of the Academy of Economics and Finance in Jacksonville, FL a few weeks ago.

**Because the markets can turn quickly, be ready. May the market be with you!
(February 25, 2011)**