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## Monthly Update

2005, Vol. 3, Year 12 March 2005

### Dollar down; internationals & gold up

The US dollar is dropping again due to continuing large trade deficits; viz. \$58 billion in January. Recall that the debtor's 1st law is to pay debt with cheaper dollars.

The 10-year bond yield has rapidly increased, over the last month, by 11.3% to 4.55%. This sharp yield increase does not appear to be caused by an increasing economic growth rate or by wage inflation. Instead, this yield increase, along with strengthening international stock prices, is a sign that foreign bond dollars are moving out of US bonds in search of higher return.

Our analysis indicates that money is flowing into international markets, precious metals, and basic materials- where a weak US dollar improves investor return. In particular China, Russia, Europe, Nordic, Japan, and South East Asia are all favorable investing areas. We like Rydex Large Cap Europe, RYEUX. Additionally, a sector we like in the US is pharmaceuticals.

Our analysis also hints that oil may be peaking, although this is a difficult call at the moment. Oil may continue to be richly priced for a time to satisfy the growing world demand for liquid energy. When the US dollar goes down commodities like oil, basic materials, and gold usually go up. We like Rydex Basic Materials, RYBIX.

On the domestic front, the Dow index continues to be stronger than the NASDAQ and this is a sign that large investors are nibbling on the equity market. Our independent research shows that value stocks are favored over growth stocks. We are bullish on Gold, and long bond

**yields, mildly bullish on the S&P500, and neutral on the NDX-100 index. Small cap and tech stocks are weak.**

**Because the markets can turn quickly, be ready. May the market be with you. (March 11, 2005)**