



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

## **Monthly Update**

**2004, Vol. 4, Year 10 April 2004**

### **Japan & Small Caps**

**The first stock market correction of 2004 appears to be over, just in time for earnings reporting season. Our timing models, summarized on this page, are bullish for S&P500, NDX, XAU, and bond yields (i.e. we recommend shorting bonds). Our timing graphs are illustrated on page 2. Our style analysis indicates that small growth and value beat large growth and value. Large institutions appear to be in cash. This means that there is “fuel” for higher equity prices. Because small caps are outperforming, we like Rydex Mekros (RYMKX) and Profunds Ultra Small Cap (UAPIX)**

**Our analysis indicates that the economy is starting to awaken with semiconductors, Internet, and technology as buys. We list on page 5 an unusually high number of 24 country/region funds with high levels of our HVI indicator. A probable reason is that these countries are increasing their technology manufacturing (and profits) in Asia and the Far East. We like Japan (UJPIX and RYJPX). This broad based Asian equity price growth is an early sign of business buying technology and suggests that our economy will pick up in a few months.**

**Even though gas prices are high in the US, energy stocks (XOI) are falling, winter is fading in the North, and refineries are switching from heating oil to gasoline. Gas prices at the pump will fall soon.**

**The US dollar (DXY-Z) is weak again, even as the administration SAYS it is for a strong dollar. We are long gold.**

**Real estate remains strong due to extremely low interest rates. We expect low rates until October 2004.**

**Because the markets can turn quickly, be ready. May the market be with you. (April 3, 2004)**