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## Monthly Update

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### **Bears are hibernating!**

Good earning reports are pushing the U.S. markets higher and the bears are hibernating. Our market timing indicators for S&P500, Nasdaq 100, bond yield, and gold are all on buys. Strong sectors are pharmaceutical, biotech, and oil. Emerging and international markets are strong, and correspondingly the US dollar is weak.

Our indicators for the style box indicate that large cap are beating small cap equities, and value beating growth. A few leading ETF's are listed on page 2 and are all international. These include countries of Brazil, Malaysia, S. Africa, China, and Latin America.

The world markets continue to be highly correlated and the 3-year correlations employed by the financial establishment are invalid at this time and portfolios derived from these correlation coefficients are not "optimal" or even solutions. An example of a time-dependent asset allocation is: 56% long, 25% bonds, and 19% bear, see illustration on page 2.

We have dropped several Fidelity funds with redemption fees and replaced them with several Direxion funds. Some of these new funds are leveraged long and short funds and professional portfolio management may be needed.

Because the markets can turn quickly, be ready. May the market be with you! (April 20, 2007)