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Monthly Update

2004, Vol. 6, Year 10 June 2004

Broad Rally Underway

Our analysis shows that the latest sell off is over and a broad rally is underway. Long term interest rates and gasoline pump prices have peaked (for now) and are lower. U.S. real estate investment trusts, along with the Japanese markets, and precious metals are recovering from massive sell offs during the last several weeks. The N.Y. cabal must have changed its investments from short to long. With presidential elections only six month away, we expect more employment and higher markets.

Our timing models, summarized on this page, changed from last month and are bullish for the S&P500, NDX, XAU indexes, and bearish for bond yields. Our timing graphs, illustrated on page 2, show bull markets in the S&P500 and the NDX.

Our style analysis indicates that none of the style corners stand out, and that a broad market rally is starting. Leading sectors include: wireless, telecom, and healthcare. The US dollar is weakening again. Someone said that when your house goes from \$100,000 to \$200,000 you haven't made a profit. Rather, you actually lost 50% of your buying power due to a cheaper dollar. We have seen a lot of dollar weakness recently. Just as one expects, the strong gold market usually correlates with a weak dollar.

Regarding world indexes, the EAFE, DAX, FTSE are all weak. Japan is the strongest Asian market and is tightly connected to China for growth and prosperity.

Because the markets can turn quickly, be ready. May the market be with you. (May 29, 2004)