



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

Monthly Update

2008, volume 6, Year 15, June 2008

Retest of March Lows!

Our analysis of the US equity markets indicates that we are back in a bear market. Previously we thought the bear market was over, but recent price action suggests otherwise. We think a retest of March lows is ahead.

Our chart on page 2 of the Direxion short emerging market fund, DXESX, indicates that even the emerging markets are in a bear market. These markets have led the upside for the last few years so this price action is especially troubling. Our HVI analysis, on pages 4 and 5, indicates a widespread weakness in many sectors as indicated by negative HVI values. Coincidentally, bear or inverse funds have positive HVI values indicating that bear funds are increasing in price. Additionally, for long funds we have many more sells than buys again this month; see individual fund signals in the last column on pages 4 and 5.

We have money market signals for S&P500, NDX100, US 10-year bond yields, and precious metals or gold.

The style box indexes have weakened since last month with negative HVI values of most indexes indicating a negative market. The three exceptions are small cap growth (DTSGX), utilities (DJ-15), and the US dollar (DXY-Z). Yet even these three positive HVI indexes are not far above zero.

A glimmer of hope can be seen in the apparent bottoming of the financial/banking sector, see funds ranked # 122, 124, and 125 on page 5. Energy funds are highly ranked # 13 and 19, yet these funds display weakness. The whole free world is beginning to reduce oil consumption due to excessive OPEC prices.

Because the markets can turn quickly, be ready. May the market be with you! (June 20, 2008)