



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

Monthly Update

2010, volume 6, Year 17, June 2010

New Buy Signal Holding

Our latest buy signal of May 28 is holding.

Markets worldwide are recovering. The uncertainties in Greece, Euro currency, BP paying for spoiling the Gulf of Mexico, and China growth slowdown appear to have been partly resolved. Some talking heads are calling for a double dip recession and a continuation of the bear market. Perhaps the double dip and bear market exist in their crystal balls. But, we don't see either in our models. Many pundits, in our view, confuse a supposed equality of the economy and the stock market. However, it is well known by casual observers that the stock market leads GDP and GDP leads employment.

Nearly all countries, all sectors, and all indexes are recovering at this time. Germany and emerging markets are leading the country recovery. Gold, utilities, and semiconductors are leading the sectors. Large cap growth and value are leading small cap growth and value. Possibly the time for small cap to outperform is past.

We like real estate, utilities, technology, and basic materials. Real estate is recovering from a massive bear market sell off. Utilities pay dividends. Technology benefits when companies want to increase production before increasing employment. Basic materials are rising due to the growth in the emerging markets.

Because the markets can turn quickly, be ready. May the market be with you! (June 18, 2010)