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## Monthly Update

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# Sell Off Continues!

The world's equity and basic and precious metal markets continue to sell off, beginning May 12, 2006. Our independent research indicates that the recent worldwide sell off was induced by hedge fund over-speculation in basic materials and emerging markets. From May 11 to June 23, the closed India fund, IFN, is down 25.1%, Telecom Brazil, TBH, is down 25.0%, Oppenheimer Gold and Special Minerals, OPGSX, is down 22.1%, and Fidelity Emerging Markets, FEMKX, is down 20.8%. And these have improved somewhat over their lowest values. For example during the same time period the closed India fund, IFN, was down 37.4%, Telecom Brazil, TBH, was down 28.2%, Oppenheimer Gold and Special Minerals, OPGSX, was down 31.6%, and Fidelity Emerging Markets, FEMKX, was down 25.2%. Thus these areas are showing some improvement, yet are still weak.

Our (HVI) analysis contained herein, indicates that the sell off is not over yet. Thus our model portfolios are still in money market. Only the short funds (the funds that go up when their underlying index go down) are buys.

We show that large companies are better for investing than small companies, but neither is good now. Gold is the weakest sector, and correspondingly the U.S. dollar is quite strong. Gold usually moves inverse to the dollar, as it is doing now. The dollar has strengthened due to a rise in short term interest rates.

The markets are difficult to follow now and one must be nimble. Due to the monthly nature of this newsletter, we moved our hypothetical positions into money market.

Our only timing model on a buy is the 10-year U.S. bond yield (yields going higher).

Because the markets can turn quickly, be ready. May the market be with you! (June 23, 2006)