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## Monthly Update

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### The Summer Rally Continues!

The S&P500 and NDX indexes, higher this month than last, still have zero and negative returns year-to-date, respectively. We like small and mid- cap stock index funds, energy, energy services, precious metals, and electronics. Our analysis indicates that the entire market should move higher. The summer rally continues!

Oil appears to have real staying power and closed the week at \$59.63 a barrel. This is below the recent price of \$60./ barrel even with: a) the London rush hour transportation bombing by terrorists, and b) hurricane Dennis moving North in the Gulf of Mexico. Our analysis indicates that oil will go higher. Some day, our lawyer politicians might realize we need a national energy plan.

This month the small caps are stronger than large caps as was the case last month. This indicates that speculative money is in the market, and large caps should follow higher in a few months. There is little difference between value and growth, so the current move is a pure small cap play. Our model portfolios are invested in: energy, energy service, utility, small cap and medium cap index funds. We think these sector and index funds will increase over the next month. We think biotech is over bought now and it is not a good time to buy. Our bond yield model changed to a buy this month, and gold/precious metals continue to look promising. We are worried about the real estate bubble collapsing; a lot of stock market money has gone into real estate and real estate speculators are looking for that greater fool.

London has our best world rank, followed by emerging markets, Frankfurt, and the US SP500 index and we expect them to increase over

**the next month. The US dollar continues to appreciate, most likely due to the Fed increasing the US short-term interest rates.**

**Because the markets can turn quickly, be ready. May the market be with you! (July 08, 2005)**