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Monthly Update

2008, volume 7, Year 15, July 2008

Oil Lower: New Bull!

Our analysis of the US equity markets indicates that we have successfully retested March lows and are in a new bull market. Our chart on page 2 of the Rydex Mid Cap Value fund, RYAVX, indicates that mid cap value stocks have bottomed. Also, we have buys on Rydex Small Cap value fund, RYAZX, and ProFunds Small Cap fund, UAPIX. Furthermore, we have had more than 40 individual-fund buy signals (not listed here) over the past several days. Thus, we think the lows are behind us. We also find bargains in the financial sector in the ProFunds Banks fund, BKPIX, transportation sector in the Rydex transportation fund, RYPIX, and small cap area in Rydex RYAXZ. Biotechnology is also trending higher, consider ProFunds BIPIX and Rydex fund RYOIX.

Interestingly we do not yet have firm buy signals for the S&P500, and NDX100 indexes. We have a buy signal for US 10-year bond yields (bonds going lower in price), and a sell on precious metals or gold.

Our style box analysis on page 2 indicates that small cap value index is the only positive index. The Amex oil index, XOI is very negative and we see oil prices dropping further by \$20 to \$40/barrell over the next 8-12 weeks. Lower oil prices means that speculators will move from long oil to long other sectors. In 2000 speculators moved from technology to real estate and they are on the move again.

Because the markets can turn quickly, be ready. May the market be with you! (July 25, 2008)