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Monthly Update

2006, volume 7, Year 13 July 2006

Bear Claws

This market feels like a bear market. The volatility is high with large down and up days occurring often. 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. Funds on buys are mostly short funds that go up when their reference index goes down.

There are a few long funds on a weak buy. These include pharmaceuticals, utility, oil, government bonds, real estate investment trusts, banks, and financial funds.

Our (HVI) analysis contained herein, indicates that the sell off is not over yet. Thus our model portfolios are still in money market.

We show that large companies are better for investing than small companies and value is better than growth, but none of the style box funds are good now. Semiconductor is the weakest sector, and gold is second worst. Gold usually moves inverse to the dollar, as it is doing now. The emerging markets are on a weak buy and the U.S. dollar is strong. The dollar has strengthened due to a rise in short term interest rates.

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

Our bond model changed to a sell this month. None of our only timing models are on a buy.

Because the markets can turn quickly, be ready. May the market be with you! (July 21, 2006)