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Monthly Update

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Money: from US with Love

The S&P500, NDX, XAU, and US 10 year bond yields are all higher this month than last. Precious metal, black gold, and international funds dominate our highly ranked funds. International funds of Europe, Japan, Latin America, and Asia are rated better investments than most US funds with emerging markets and Germany leading. In summary, investments appear to be flowing from the US to other international markets. And no wonder with the US dollar depreciating so quickly.

Oil appears to have real staying power and closed the week at \$66.86 a barrel. Our analysis indicates that oil should go higher. The recently passed Energy Policy Act of 2005 might help lower the cost of energy, eventually. But wait, part of the plan is to produce more ethanol even though it takes more energy to produce ethanol (a gasoline “filler”) than it contains. Does anyone know a politician who can add BTU’s?

Small and mid-cap stock index funds have fallen out of favor. Large cap funds are better investments than small cap. This may be an early indication that large institutions are finally buying into the equity markets. Technology, utilities, and finance sectors are lagging the other markets that are discussed above. Real estate investment trusts (REITS) took a big 6-8% drop last week as the 10 year interest rates moved up to 4.24%. As many of you know, rising interest rates cause bond prices to drop. We don’t recommend owning or buying bonds in this part (rising interest rate) of the business cycle. Muni bonds are now yielding about 3.6% per year and should not be held in IRA accounts. When interest rates rise, the more risky preferred stocks and lower quality bonds will lose more principal than higher rated ones.

Because the markets can turn quickly, be ready. May the market be with you! (August 12, 2005)