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Monthly Update

2007, volume 8, Year 14 August 2007

Liquidity Correction Over

The world wide markets sold off beginning July 27, 2007 due to US subprime mortgage defaults in worldwide portfolios. Investors holding this debt sold anything and everything to raise cash and others bought puts on everything. Everything including gold went down together indicating indiscriminate panic selling. Some hedge funds, that were holding the lowest grade portion of partitioned debt instruments, lost it all.

This correction is over.

Our forecast of new buys, in order of attractiveness, include: 10 year notes, precious metals, Japan, transportation, Latin America, Large Cap Growth, Nasdaq 100, basic materials, and technology. Hot sectors that have a short buying time that will decline in a few weeks include: real estate, banking and biotechnology. Avoid the bear and short funds as their day in the sun is over for now.

Emerging markets, technology, energy, and long bonds are our investment themes now. Our timing models are long the S&P500, NDX, gold, and short US bond yields.

**Because the markets can turn quickly, be ready. May the market be with you!
(August 24, 2007)**