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Monthly Update

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Money still flowing out of the U.S.

The S&P500, NDX, and XAU are all higher this month than last. Precious metal, black gold, and international funds dominate our highly ranked funds. International funds of Japan, Latin America, and emerging markets are rated better investments than most US funds. In summary, investments appear to still be flowing out of the US into other international markets.

Oil has slipped recently and closed the week at \$63.00 a barrel. Even though they are not our first choice, we continue to like oil and oil services funds. Hurricane Katrina, a devastating category 5 killer for the Gulf coast, will decrease the U.S. G.D.P. growth by about 0.5%. Our hearts go out to the Katrina victims.

The Fed will probably raise the fed funds overnight rate from 3.5% to 3.75% on September 20. The next FOMC meeting is November 1 and Dr. Greenspan retires in January with 17 years experience. The U.S. Treasury yield curve is currently relatively flat with 2 year near 4.00% and 10 year (to maturity) near 4.26%. When short-term rates are higher than long-term rates a recession occurs about half the time due to tight monetary policy. We believe the Fed caused the last recession (2001-2002) due to excessive money supply contraction from 2000 to 2001.

Utility funds are strong now and value funds are somewhat preferred over growth funds. Our model portfolios are invested in Japan, utilities, energy service, precious metals, and Brazil.