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Monthly Update

2007, volume 9, Year 14, September 2007

Time to be fully invested again

Our prediction last month was correct, i.e. that the sub-prime mortgage induced liquidity correction was over. The reduction in US Fed Funds and overnight rates really helped the US market. However, most of the price appreciation is in the emerging markets; the US dollar is going lower. And precious metal and commodity funds have more upside potential.

Many hedge funds were sold to the public and pensions as being both long and short, and actively managed. But many were actually heavy eaters at the sub-prime mortgage trough and consequently many hedge funds took a performance hit last month. Instead of management skill to get constant 9 % return per year, many hedge funds rely on buy and hold the sub prime interest rates. Go figure.

Momentum has shifted to the long funds and one should avoid the short funds. Emerging markets, commodities, basic materials, technology, and energy are our investment themes now.

Our timing models are long the S&P500, NDX, gold, and US bond yields (short bonds).

**Because the markets can turn quickly, be ready. May the market be with you!
(September 21, 2007)**