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MARKET WATCH

A Sampling of Advisory Opinion

Edited by ANITA PELTONEN

Changing Lanes: New Drivers

U.S. Market in Transition by Harloff's Intelligent Fund Investor

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Feb.: The investment theme today is different than the one we have had most of last year. Japan equity and worldwide energy prices have come down significantly. Commodities have weakened. It feels like the commodity drivers, the growth rates in China and India, are slowing down. Overall, the U.S. market is weak, with only a few areas moving higher. These areas include: electronics, telecommunication, small-caps, and the Dow Industrials. Telecommunications are moving higher, most likely due to new buildout along the Gulf coast.

The hedge funds had a run at pushing the markets lower, and we think that is behind us for now. Overseas, Latin America, emerging markets and Europe are poised to move higher. Germany and England both have stronger equity markets than the U.S. market. In spite of our huge deficit, the U.S. dollar has strengthened due to higher short-term interest rates in the U.S.

-- Gary Harloff
