STAAR℠ Strategies Report

Market Comments

April 2, 2001

No April Fool!

Simply Put, BUY

Right now, I see the U.S. Stock market conditions combining many of the characteristics of both 1987 and 1990. If my observations are reasonably accurate, then it is likely that a few years from now we will look back on the period between March and June of 2001 as an excellent buying opportunity. There is still downside potential, but consider the following:

1987: "Irrational exuberance" saw the market rise too fast, too far. A correction was necessary. The drop was precipitated by a series of interest rate hikes and a slowing of earnings. There was fear of recession, but no recession materialized. After hitting bottom in October and November, the market began a recovery from which it never looked back -- those price levels were never seen again.

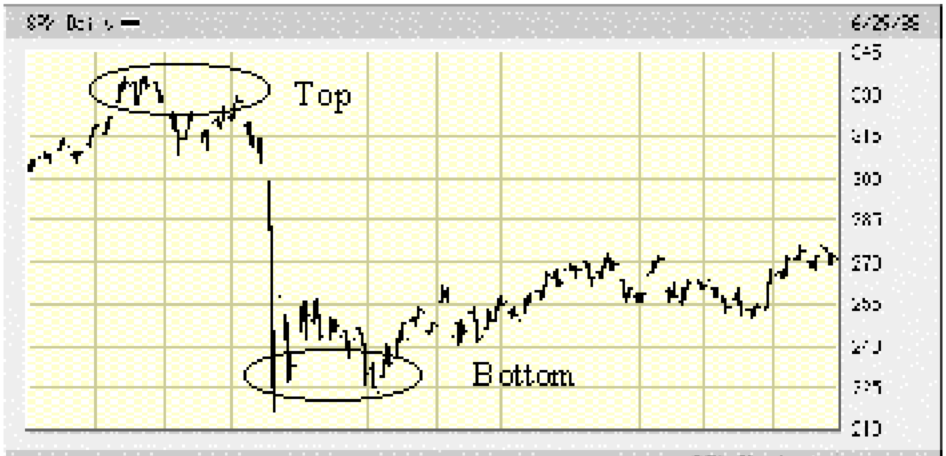
1990: Again, the market had risen strongly in spite of rising interest rates in the first half of the year. As an International crisis unfolded (Iraq's invasion of Kuwait) the economy slipped into a brief recession. The market dropped significantly, then recovered in a very short time due partly to the mildness of the recession and partly to the positive psychology and stimulus of the Gulf War. Again, after hitting bottoming during the Fall, the market began a recovery from which it never looked back -- those price levels were never seen again.

2001: Stocks reached all-time highs in 2000. The technical sector especially reached an apex of "irrational exuberance". A correction was certainly appropriate. However, significant interest rate hikes due to inflation fears exacerbated a slowdown in earnings. As companies fell below estimates and fears of recession surfaced, first the NASDAQ, then the other indices fell dramatically. All major indices recently were off 20% to 60% off their high marks.

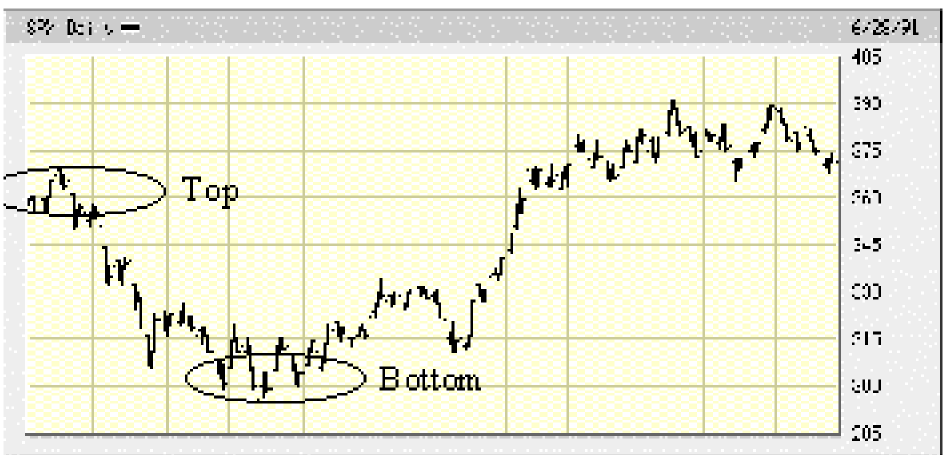
Historically, the best times to buy stocks are generally halfway through a recession, after a 20% or greater correction (bear market) and during a war. In 1987 we had the correction. In 1990 we had a 20% plus correction, a war and a recession. Today we have a 20% plus correction, and if we are in recession, we should be about half way through if it is going to be a mild one.

The following charts are offered for your visual edification.

S&P 500 Index July 1987 through June 1988



S&P 500 Index July 1990 though June 1991



S&P 500 Index One Year Ending 3/30/01