



Market Comments

By Andre Weisbrod (4-3-00, 1:15 PM)

Mostly Positive Conditions, Though Problems Exist

With the agreement of oil producers to increase production, a significant inflationary factor is mitigated. The market has signaled its acceptance of at least one more interest rate hike by the Federal Reserve. Interest rates have largely settled; while short-term rates have continued to rise, long term rates have come down. Overall it is a relatively positive environment for stocks.

My one to three-month outlook follows:

Larger Company Stocks -- Favorable

After more than a 16% downturn, the DOW has come back strongly. "Value" oriented "old economy" stocks are looking much more attractive. Right now they are showing more strength than the "new economy" companies.

The Nasdaq dropped over 13% from its intraday high on March 10 to the end of trading on March 30th. While tech stocks have turned down, their long-term up trend has not yet been broken. A buying opportunity for these could be near. *Expect more volatility*, but until something more negative occurs support for stocks should be reasonably good.

Smaller Company Stocks -- Neutral to Favorable

After a tremendous run-up of over 40% in just over four months, the Russell 2000 was due for a correction. It is now down over 10% from its peak reached at the beginning of March. Growth oriented funds were up even further and have corrected further. Small Value stocks are looking stronger than growth right now. While we are not ready to call it solidly Favorable just yet, it is very possible the current correction will soon present a buying opportunity.

International Stocks -- Favorable

After edging downward since peaking at the beginning of the year, international equities are showing signs of

strength over the last couple weeks.

Alternative Categories -- Selectively Favorable

Among the categories that have shown recent strength are real estate, China and health care. Technology is still showing weakness, though the long-term upward trends are still intact. In particular, biotech stocks have experienced a significant correction making them more attractive.

Intermediate Bonds -- Neutral to Unfavorable

Alan Greenspan has given indication that the Fed is not through raising short-term rates. This means that one to three year rates could rise a bit more even if long-term rates stay the same.

Long-Term Bonds -- Neutral to Unfavorable

Interest rates are something of a mystery. Even with higher short-term rates, higher gas prices and an economy that grew at a 7.3% during the last quarter, long-term treasury rates actually decreased recently from over 6.5% to below 6%. The easing of oil prices should help significantly. But until the Fed stops raising rates and inflation is clearly stable at 3% or less, it is hard to see long-term rates going much lower.