



By Andre Weisbrod

## Encouraging Signs

OK, let's review:

March 2, 2003 – STAAR Report suggested that the “Last Big Buying Opportunity” was near. The market bottomed on March 11.

May 2, 2003 – STAAR Report states, “This market wants to go up.” It did.

June 2, 2003 – “This is the best the stock markets have looked in three years. If the DOW can advance to near 9100 or better, that would set the stage for a consolidation and then further advances.” It has.

It is July and the DOW has successfully and resiliently defended the 9000 support level a couple times after advancing as high as 9323, up almost 24% from the March low of 7524.

The economy is showing healthier signs and interest rates and tax cuts are positive stimuli. Overall, the economy is recovering at a modest pace. While there are definitely some negative aspects that will take some time to overcome, the stage is set for increased growth by year-end.

A very positive market scenario would have the DOW rise to 9400-9500 where it will meet significant resistance. More backing and filling would be healthy, with a drop back to the low 9000 level again. It would not be too alarming if it retreated as far as 8500-8600. By year-end the DOW could finish above 9500 (up 15% or more for the year and 4%-7% from yesterday). A drop to 8500 (-7%) would be a reasonable bull market correction.

Of course, this does not have to happen and a major terrorist event or significant negative economic news could still stall this fledgling Bull. If you didn't buy at the bottom, don't fret over it. You may have missed the best opportunity, but that's no reason to be shy. There is always risk, but over the long haul stocks have outperformed bonds and money markets.

One strategy would be to increase your stock positions when the market dips as it recently has. Another would be to move money into stocks every month or even weekly or bi-weekly (“dollar-cost-averaging”). If you are confident in the long-term health of the economy, you could simply look at your allocation and arrange it for a “buy and hold” strategy indefinitely. Or you could discuss with us the possibility of privately managing your account.

### PLANNING CORNER:

**New Tax Cuts Favor Mutual Funds** – Lower rates for capital gains after May 6 make stock gains more powerful. The same goes for lower rates on dividends. One aspect for mutual funds is that funds can apply expenses against higher-taxed income first, weighting dividends to those that will be taxed at the lower rate.

**Variable Annuities Hurt** – Since all income coming from annuities is considered ordinary income, there will be no favorable capital gains or dividend treatment.

**CD's and Money Funds** – they do not qualify for the new lower tax rates.

**BEST WISHES FOR A PLEASANT INDEPENDANCE DAY HOLIDAY!**

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Outlook for Rest of Year		
Index	Short-Term Upside Potential	Reasonable Correction downside
DOW Industrials	3.9%-6.6%	-7.0%
S&P 500	5.7%-17.7%	-9.4%
NASDAQ	7.2%-19.2%	-10.6%
Russell 2000	9%-14.4%	-10.2%
EAFE (International)	6.2%-15.2%	-5.5%
<i>Above is not a prediction of performance. It is intended solely as an aid in evaluating market potentials based on technical charts and other historical factors. Actual performance could vary significantly from these parameters. Reasonable correction is the downside that could be expected in a generally bullish trend and does not indicate a worst-case crisis or bear scenario, which is significantly lower.</i>		