

The “Y2K” Blues

*Money so they say
Is the root of all evil today
But if you ask for a rise
It's no surprise
That they're giving none away*

Pink Floyd

Perhaps these words were penned by this venerable group with the actions of Alan Greenspan in mind. Investors have been hard pressed to turn a dollar as the Fed chief engineered 6 consecutive interest rate hikes totaling 1 ¾%. If warnings of earnings shortfalls are any kind of a barometer, the Federal Open Market Committee has succeeded in reigning in the business expansion they perceive to be an inflationary threat.

Pity the poor investor who saw a stock market plagued alternately by apathy, volatility, and days when the S&P 500 went one way and the NASDAQ Composite went the other. The "fluff" was taken out of many new issue technology stocks and even the established companies ran into profit taking. Pharmaceuticals and financial stocks fared better, but their support was still not enough to keep the indices above water.

So much for history, what do we do now? Economic data point to an economy that is slowing to a range acceptable to the Fed. This diminishes the chance of future rate hikes, and eventually could lead to an easing posture, which most likely would be embraced by the stock market. Many former growth companies have now become better values and the fire sale in the technology sector is sure to lead to gains in the next 12-24 months. Further, many stocks of companies have been hammered as they are perceived as low or no growth companies. Many are selling at 10 year lows yet have benefited greatly from improving productivity thru the use of new technologies.

Quality is the watchword, revenues and earnings do count, and patience we feel will be well rewarded. We continue to add to positions in the telecommunications, selected software, semiconductors, financials; pharmaceuticals and others that we believe offer the chance of above average returns.

<i>Quarterly Scoreboard Q3-2000</i>	
<i>Dow Jones Industrials</i>	<i>+1.94%</i>
<i>S & P 500</i>	<i>-1.24%</i>
<i>NASDAQ Composite</i>	<i>-7.39%</i>

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