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The Averages
(market close: 7-28-06)

DJIA 11,185.68

ytd +4.37%

NASDAQ 2091.47

ytd -5.16%

S&P 500 1276.66

ytd +2.27%

Russell 2000 700.56

ytd +4.06%

August 2, 2006 NEWSLETTER

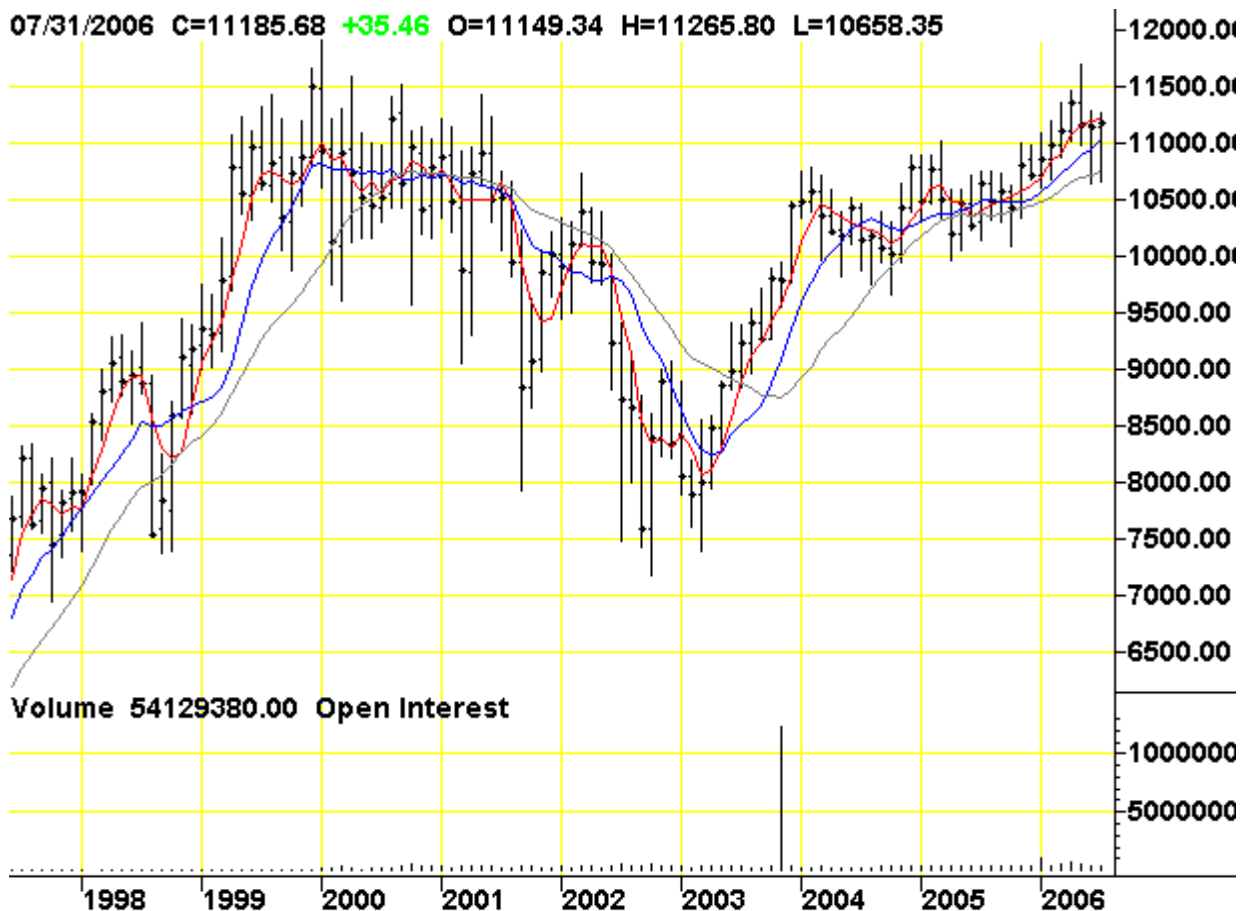
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Dow Jones Industrial Average

07/31/2006 C=11185.68 **+35.46** O=11149.34 H=11265.80 L=10658.35



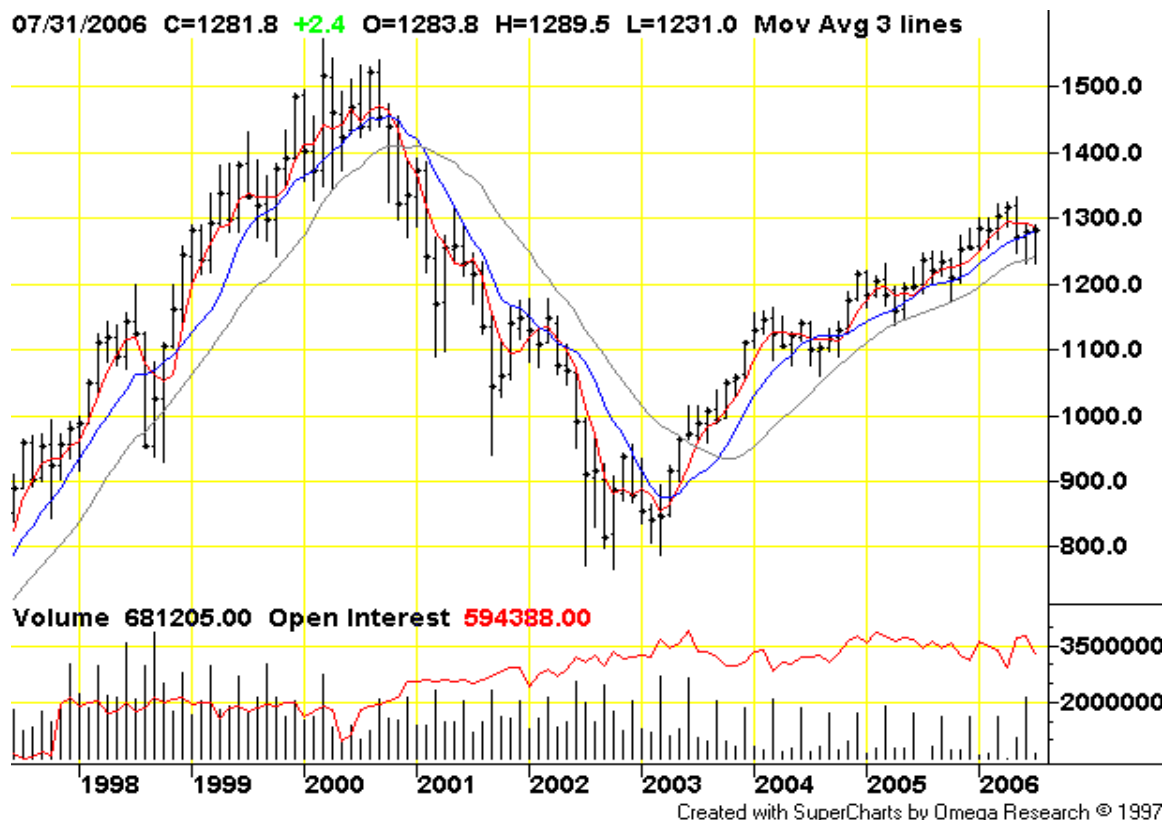
Created with SuperCharts by Omega Research © 1997

Investor complacency continued during the month of July as the market continued to be volatile and move sideways. Overall sentiment remains tepid while the market continues to evaluate economic data that will take center stage when the Federal Reserve meets again midway through this month. The question is whether they will push rates higher or pause in their two year rate hike campaign.

Unfortunately the market failed to gain any significant momentum from 2nd quarter earnings announcements and outlooks for the 3rd quarter. Although earnings and future guidance were by no means horrid, they were not significant enough to provide a catalyst that would shift the focus away from inflation and the escalating cost of energy. Higher oil and natural gas prices spiked significantly this month on renewed fighting in the middle-east and a recent heat wave that hit mainly in the Midwestern U.S.

Thus, we find ourselves again in a choppy trading environment until the FOMC decides its next course of action. Economists and various Fed experts put the need for further interest rate increases at "50-50". In uncertain times like the one we find ourselves in now the market tends to overreact in either direction to news and events that may be signified as a short-term catalyst. This tends to benefit the traders and hedge funds the most. However, when the pendulum swings to the other direction, as we think it will sometime soon, long-term wealth building and growth investing will come back to the fore.

Michael Campbell
(8-1-06)



S&P 500

Pause or not, after the Fed announcement on August 8th, the optics should return to focusing on corporate performance to get a glimpse into the future.

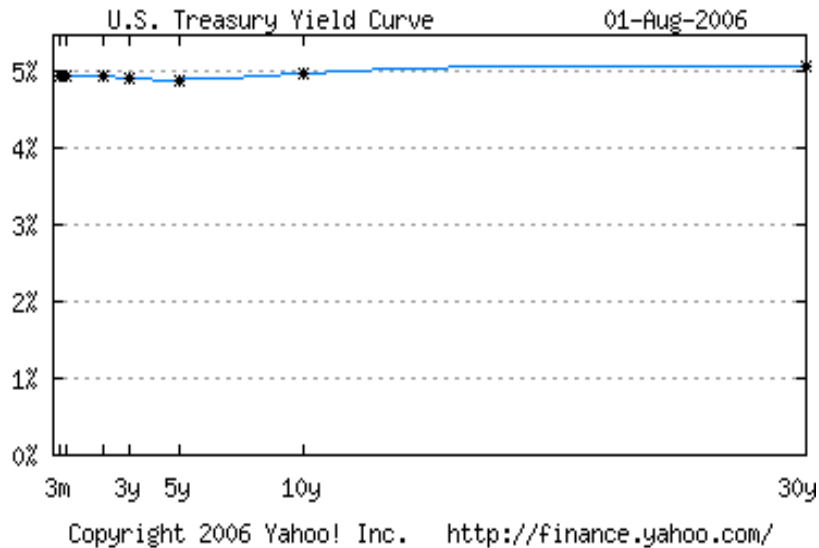
The real unanswered question in my mind is: Are we talking about an economic “soft landing” or will it be worse? A further Fed rate hike would likely tip thinking toward the “it will be worse” side of that question. A better read on that question is to actually get into the corporate earnings & let the numbers tell the story. So far corporate earnings look alright going into the 3rd quarter. Broadly speaking though, although earnings numbers generally have been pretty good, there is still quite a bit of worry about slower economic growth, high energy costs & the US consumer.

As this economic cycle continues to play out, rather than the worry or the emotion of the day, adhering to an intrinsic value framework in determining what a company’s stock is worth anchors investment decision making on valuation work. As the news comes in, good or bad, I’ll continue to adjust client accounts accordingly.

Ron Medley
(08/03/06)

HISTORICAL TREASURY YIELDS

	03'	04'	05'	Jul
<i>Funds</i>	1.44	1.06	4.25	5.25
<i>90 day</i>	1.10	0.91	4.08	5.14
<i>180 day</i>	1.11	1.00	4.38	5.19
<i>Year</i>	1.18	1.24	4.47	5.13
<i>2yr</i>	1.50	1.83	4.41	4.97
<i>3yr</i>	1.88	2.24	4.37	4.93
<i>5yr</i>	2.72	3.15	4.37	4.91
<i>7yr</i>	3.31	3.69	4.35	4.94
<i>10yr</i>	3.80	4.13	4.36	4.99
<i>20yr</i>	4.83	4.98	4.40	5.18
<i>30yr</i>	4.82	4.95	4.58	5.08
SLOPE:				
<i>90D-30yr-</i>	3.72	4.04	0.50	-0.06
<i>2yr- 30yr</i>	3.32	3.12	0.17	0.11
<i>90D-10yr -</i>	2.70	3.22	0.28	-0.15



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