

FOR IMMEDIATE RELEASE

Cyclical Investing E-mail bulletin: "Buy"

Technical breakout above 8,700

November 8, 1998: With the Dow now at 8795, breaking through two levels of resistance, the U.S. stock market has exhibited a convincing short-term turnaround. You will recall my October 16, 1998 cover letter suggested that penetration the 8700 level should be interpreted as a technical trigger to reenter the market with speculative funds. Accordingly, I am recommending that subscribers re-enter the U.S. stock market with a 20% allocation for aggressive, growth oriented liquid portfolios.

However, keep in mind that the stock market faces many potentially daunting obstacles in the months ahead, including ongoing international crises and domestic economic uncertainties which could adversely affect corporate earnings. Moreover, apparently responding to the inflationary threat posed by the rapid expansion of the M2 money supply, the bond market has sagged in recent weeks with the interest rate for the Government's bellwether 30-year bond around rising to 5.38%. If these inflationary prospects begin materializing, the Fed will be forced to clamp down on the money supply, which will have two effects: 1) raise interest rates and 2) cut off the supply of new money which has been supporting stock prices recently. Both effects would tend to depress stock prices.

Accordingly, while technical factors support a tentative re-entry into stocks, you should keep one foot in the door, ready to exit the market again if the Dow falls below 8000 in response to these potential negative developments. Likewise, be ready to shorten bond maturities in both income- and growth-oriented portfolios if the 30-year Treasury bond yield rises above 5.5%.