
Steeplechase Investments

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Farewell to Arms. Let's hope so. I pray we are not going to become the "bouncer" of the world. Anyway, this treatise will be short (thank God, they say). My mind about the market has not changed very much since the 1st of the year. I think the market is poised to have a nice run, but the volatility will continue. We added onto many of our positions in the last quarter. We have built up good sized positions in our key stocks. I believe this strategy will pay off as the year progresses. Even though some studies show after markets bottom, small caps usually outperform, I think this time will be different. People will want the safety of big cap stocks that yield more than ten year treasuries, than own the bonds themselves. And you know my feelings about bonds at this point in the juncture: they are still overvalued. The market will go up in fits and starts for a good period of time. When all is said and done, the path of least resistance is up (my belief).

\$3,000,000,000,000 dollars is on the sidelines. That is 3 trillion for anyone that is counting. That money will even-

tual find its way into the market. And that is when we will have the "big bang". Once there is stabilization on the geopolitical front, the economic front, the market front, those dollars will find themselves back in the market. Technically speaking, the NASDAQ is comfortably above the 200 day moving average. The other 2 key indices, S&P 500 and the Dow Jones Industrial average are engaged in a tug of war with that average. A new bull market will be confirmed why they get and stay above the 200 day average.

The third year of a presidential term has always been positive for the stock market. There is no reason why this year will be any different. Politicians are still going to promise us the "world", they are still going to pander. How much of the tax relief that has been proposed in the president's plan we ultimately receive is open to debate. George W. has spent his allowance and them some. Any tax relief would be welcomed by the equities market.

We will have more to say in June. Not many pearls of wisdom to spew this quarter. Good health to all.

God bless these young children defending us overseas. May they return home soon without too many scars. When you really think about it, these kids are just puppies. They are all so young, so valiant, and so innocent!

Ed

A good new chairman of the Federal Reserve Bank is worth a \$10 billion tax cut.

—Paul H. Douglas

Capitalism without bankruptcy is like Christianity without hell

—Frank Borman