

Market Comments

7/3/00

Market Performance Year-to-Date: 1/1/00 - 6/30/00

Dow Jones Industrial Avg -9.1%

S&P 500 Index -1.0%

NASDAQ -2.5%

Russell 2000 +2.5%

EAFE (International) -4.6%

Merrill Lynch Corp Bond Index +2.2%

Leh Bros Intermediate US Gov Bd Index +3.5%

The Federal Reserve left interest rates alone in June, but it is still possible for them to raise rates in August. While interest rates have stabilized for the time being, there is no confidence that they will go lower. Overall, the economy is still growing, but more companies are showing signs of slowing. Expect more volatility in stocks. Overall conditions are relatively neutral, though opportunities do exist.

This is the kind of environment where good money managers earn their keep. Many mutual fund managers are beating the DOW, S&P500 and other indexes this year.

If you have been dollar-cost-averaging and/or buying on dips this year, you may be doing better than buy and hold. I am still optimistic that the year can end well, but there are still some significant risks.

In many ways, it would be healthy for the S&P 500 to end up with a modest year (+8-10%). Investors would still be in good shape, avoiding bad psychology, yet expectations would be tempered to a more realistic level.

People have forgotten that stocks do have years where they lose money. In fact since the early 1900's, the stock market has lost money an average of about 2.5 years out of every 10 years. Periodic losses should not be too worrisome for long-term investors.

Outlook:

Category	Short-Term (1-3 months)	Long Term (5-10 years)
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Intermediate Bonds	Neutral	Neutral
Long Term Bonds	Neut. to Unfavorable	Neutral
Larger Stocks	Neutral	Favorable to V. Favorable
Smaller Stocks	Neutral to Favorable	V. Favorable
International	Neutral to Favorable	V. Favorable
Alternative Categories	Selectively Favorable	V. favorable