Steeplechase Investments

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Alrighty Then. What a difference a year makes. When I wrote the January newsletter in 2003, I wrote that we were on the cusp of a new era. I felt it was one of the best times in our lifetime to own stocks. I said that bonds and real estate would dramatically under perform the stock market. For those of us that have CRS (can't remember sh...), the Dow was hovering around 8300, the S%P 500 was at 880, and the indomitable NASDAQ was trading at 1336. I said that the herd would probably continue to embark on their foolhardy ways of selling first and asking questions later. In the 1st quarter of 2003, they did just that. The Dow plunged 11%, the S%P dropped 13%, and the NASDAQ plummeted 18%, which set up a beautiful bottom in mid March. The Dow stands today at 10,453, the S%P at 1112, and NASDAQ at 2003, "Those who are ignorant of history are condemned to repeat it". My oh my, how things have changed. The economy did <u>not</u> fall off a cliff, the Dow did <u>not</u> go down to 5,000, and the "fearful" did not make money and made fools of themselves. The shorts in the market were caught by their proverbial "short hairs". So, we at Steeplechase, brought from the fearful and we will eventually sell to the greedy. We have been taking some profits along the "yellow brick road". Speaking of yellow, the yellow metal (gold) broke out of its 21 year bear market. Speaking of yellow, the Chinese market has been the hottest thing since the dot.com mania. By the way, we missed both moves. Oh well.

This coming year is shaping up to be an exciting one. Commodities and commodity based companies are making new highs. The $buck is making new low against the euro. Real estate is pausing after a phenomenal run. Bonds are going down after yields hit a 45 year low. We had a nice orderly correction in the NASDAQ a couple of months ago. I think we could very well have a similar year as the last one. There is still a lot of "doubting Thomas's" out there, which is welcomed. The short interest is climbing once again, especially in the NASDAQ. There are still many sectors that have not joined in on the party. So, some stocks are fairly valued, some stocks are overvalued, and some stocks are undervalued. When the NASDAQ faltered a little, the money did not leave the market. It rotated into pharmaceuticals, telephones, and some good yielding stocks. I don't feel it a stretch to say the Dow could reach 11,000, the S%P could reach 1300, and the NASDAQ could climb to 2,500. The multinationals should do very well with the weakness of the dollar. We will continue to buy, we will continue to sell. We did have some major profits in more than a few issues. Some situations (ADVP, MATK, FBF, BAC, EBAY, and WM to name a few) we took all the money off the table. In others, (AMAT, LRCX, DELL, INTCQQQ, SPY, C, YHOO) we sold we sold pieces of our positions.

So, I am happy to report that I feel the market still has oomph left. I would expect some kind of correction in February or March when the IRA money has been finished being put to work. I am watching, listening observing any signs of the crowd entering the market. To this point, I have not seen that much . Nor oddly enough have I seen many shorts "giving up the ghost".

I want to thank one and all for staying the course during the unprecedented 3 year bear market we experienced. I am glad that we did not allow ourselves to tyrannized by the fear that had such control of not only the market, but people's lives. I am truly blessed to have the kind of clients and friends that I have. I hope in some small measure, oh hell, maybe in some large measure; I was able to alleviate your stress throughout these very trying times. Thanks again for having faith in me, in Steeplechase.

The average account made around 15% for the year. So, we are back in the recovery mode. We have come along way at Steeplechase the last nine years. But we still have a long way to go. Now, if we could just fast forward to springtime. Till then,

Ed

Knowledge born from experience is the answer to why one profits; lack of it is the reason one loses.

—Gerald Loeb