



Curves ahead!

MONEY MANAGER NEWSLETTER

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INVESTMENT CONSULTING GROUP, INC.

Donald R. Stanforth, CIMA



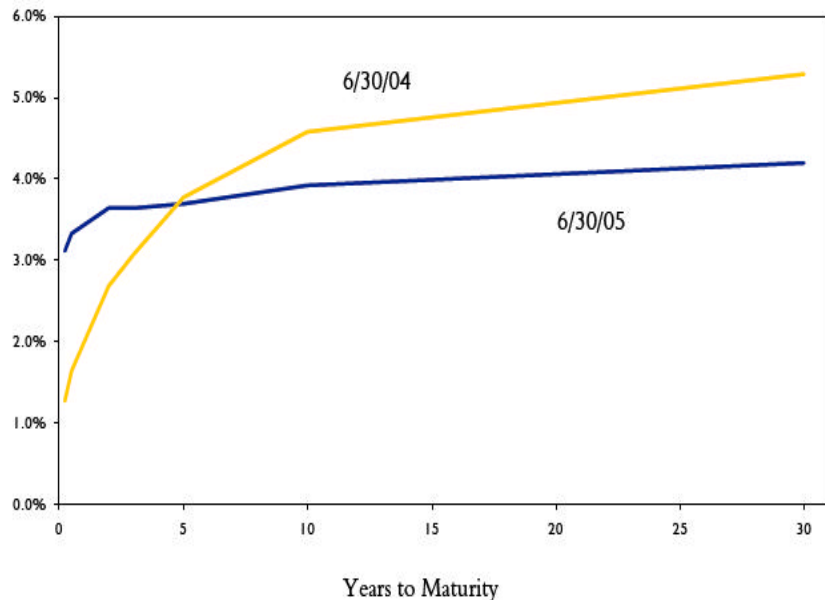
“\$49 - \$65 a barrel”

Richmond Capital Management

During the 12 months ending June 30, 2005, the Federal Reserve has raised the Federal Funds rate from 1.0% to 3.25%, an increase of 225 basis points. Over the same one year, 30 year treasuries have declined from 5.29% to 4.19% or 110 basis points. This negative correlation of short-term rates rising and long-term rates falling is unprecedented. Alan Greenspan called it a “conundrum.” When chairman Greenspan is confused you know we are in uncharted waters.

Using history as a guide, a flat yield curve is a predictor of an economic slowdown. However, if the Federal Reserve is near the end of its tightening cycle, history may not repeat. The Federal Reserve governors appear to be determined to take back the “Low Federal Funds rate” stimulative. This will help unwind some of the excesses that low interest rates created (i.e. housing market) and limit inflationary forces of improving job market.

U.S. Treasury Yield Curves



Donald R. Stanforth, President

An overview of information with China’s offer to buy U. S. Chevron makes this an issue of not just capitalism but also politics. China’s recent rapid economic growth and the size of its domestic market have made it a major player in world trade. China’s consumption of major raw materials now accounts for more than 20% of global demand. We investors must understand the impact of China’s growth and the industries that will lead as winners and some incumbents that will lose. It is sure what Chinese companies do domestically and internationally will affect all of the world economies.

One additional note: as I talk to Investment Managers and read the newsletters, everyone is writing about the Federal Reserve and interest rates. They mention China, but no one wants to discuss the stock market, wonder why?

Well.....Here is someone always ready to talk stocks.

David Como – Trainer Wortham

The stock market has been close-minded. Oils and Real Estate (REITS) have forged ahead with no appearance of a decline. The investor is not into stocks right now, they want Bonds and the perceived safety. The stock market is an awesome place to invest right now in the long-term especially individual stocks. Back in 97-99 growth stocks had tremendous returns, while value was tapped as “never to return”.

In the early 80’s, I started with Trainer Wortham as an oil analyst. Current estimates on oil are \$49 - \$65 a barrel. Reserves are increasing, which is positive. The oil industry is very cautious right now. Their capital expenditures are based on \$35 a barrel. In the past five years, only 2 rigs have been constructed for production. The oil speculators have all of us duped at \$60. But consider this - gas is \$7.50/mcf. The price ratio of oil is six times gas. Gas is regulated. But at \$60 oil, gas should be \$10. Something has got to give. We think it will be oil.