MONEY MANAGER NEWSLETTER
JULY 2001

Donald R. Stanforth, President

The table below shows the stock market returns following a Federal Reserve interest rate easing since 1954.

SIT INVESTMENT ASSOCIATES, INC.

S&P 500 PERFORMANCE FOLLOWING FEDERAL RESERVE EASING

DATE	DISCOUNT RATE CUT TO	S&P 500 CLOSE	S&P 500 CHANGE		
			3MOS.	6MOS.	12MOS.
02/05/54	1.75%	26.30	7.6%	17.0%	40.5%
11/15/57	3.00%	40.37	2.4%	7.4%	31.5%
06/10/60	3.50%	57.97	-3.8%	-1.9%	15.0%
11/13/70	5.75%	83.37	18.3%	23.2%	10.5%
11/19/71	4.75%	91.61	14.9%	19.0%	26.1%
12/09/74	7.75%	65.60	29.5%	39.0%	33.1%
05/30/80	12.00%	111.24	11.2%	23.3%	19.2%
11/02/81	13.00%	124.20	-5.0%	-6.0%	10.7%
11/21/84	8.50%	164.52	9.5%	15.3%	22.4%
12/19/90	6.50%	330.20	11.0%	13.6%	15.8%
01/31/96	5.00%	636.02	2.9%	0.6%	23.6%
10/15/98	4.75%	1047.49	18.7%	26.3%	19.1%
AVERAGE			9.8%	14.7%	22.3%
MEDIAN			10.3%	16.2%	20.8%
NEW CYCLE 01/03/01	5.75%	1347.56	-17.9%	-7.8%	N/A

New Tax Law

Based on consumer statistics, 35% will save their tax rebate and 65% intend to use it to pay bills, splurge, and travel.
(Turbo Tax)

Jeffrey Schoenfeld – Brown Brothers Harriman

Recent moves by the Federal Reserve will pump even more liquidity into the financial system. We expect that liquidity will find its way into the stock market, sparking a strong market in the second half. We are confident equities **will** significantly outperform fixed income. We maintain our recommendations that 10-15% of equity portfolios be allocated to international equities.

Robert Harrigan – Sit Investment Associates, Inc.

The Federal Reserve reduced rates 25 basis points on June 27th, the sixth time in 2001, making this series one of the most aggressive easing cycles on record. Our review of technical, psychological, and fundamental factors impacting the domestic equity markets continue to confirm that a bottoming market is unfolding (we are at the bottom). It is our view that a recession, defined as two back to back quarters of negative real gross domestic product growth will be avoided. Common measures used to gauge a recession are still far from conditions associated with past recessions. The manufacturing sector is experiencing relative weakness beyond a normal slowdown but even this sector's decline is less than half associated with normal recession. Therefore we believe the outlook for inflation is for reasonable stability during the period ahead.