

CHART OF THE MONTH

George Dagnino, PhD

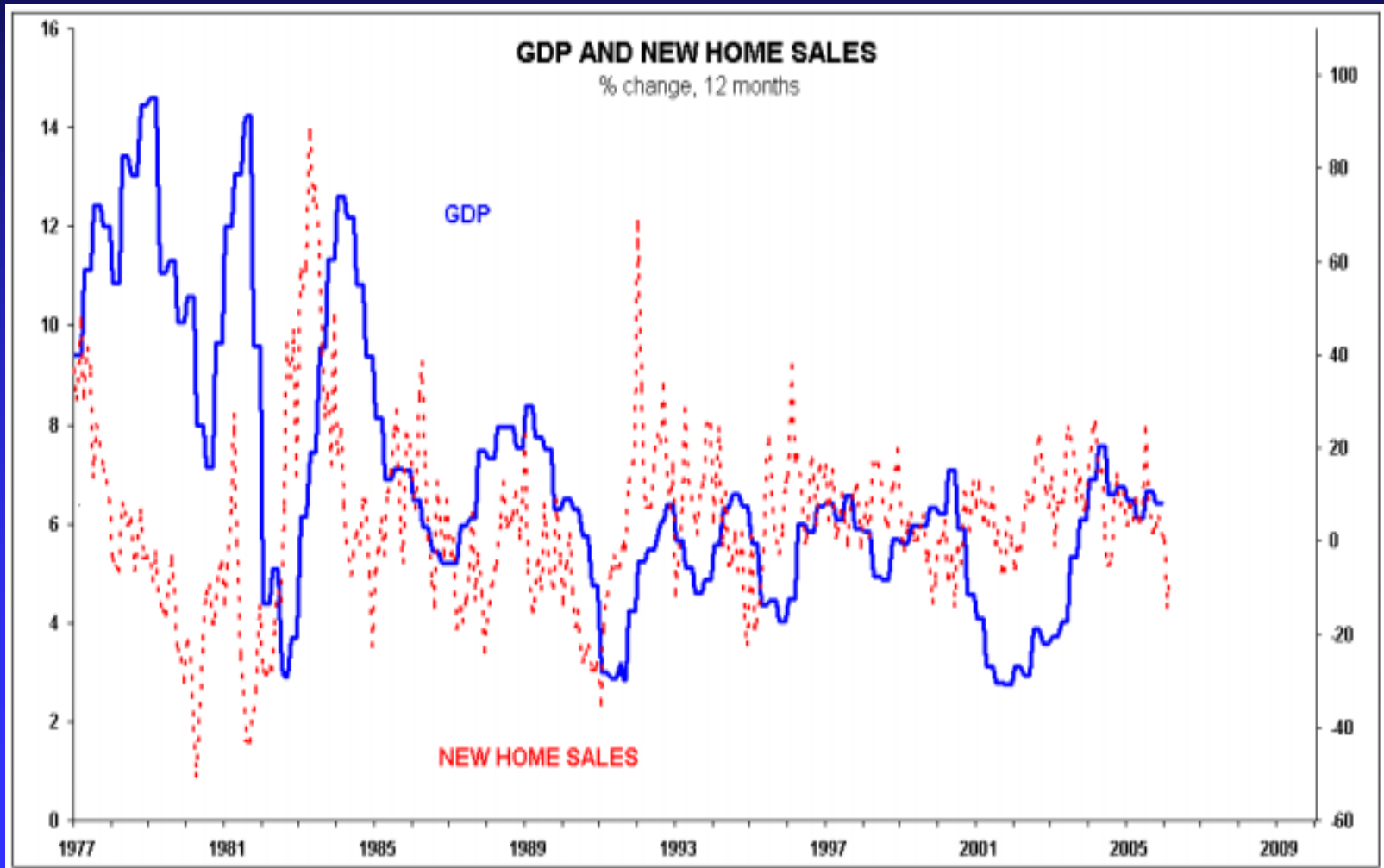
The Peter Dag Portfolio
Strategy and Management

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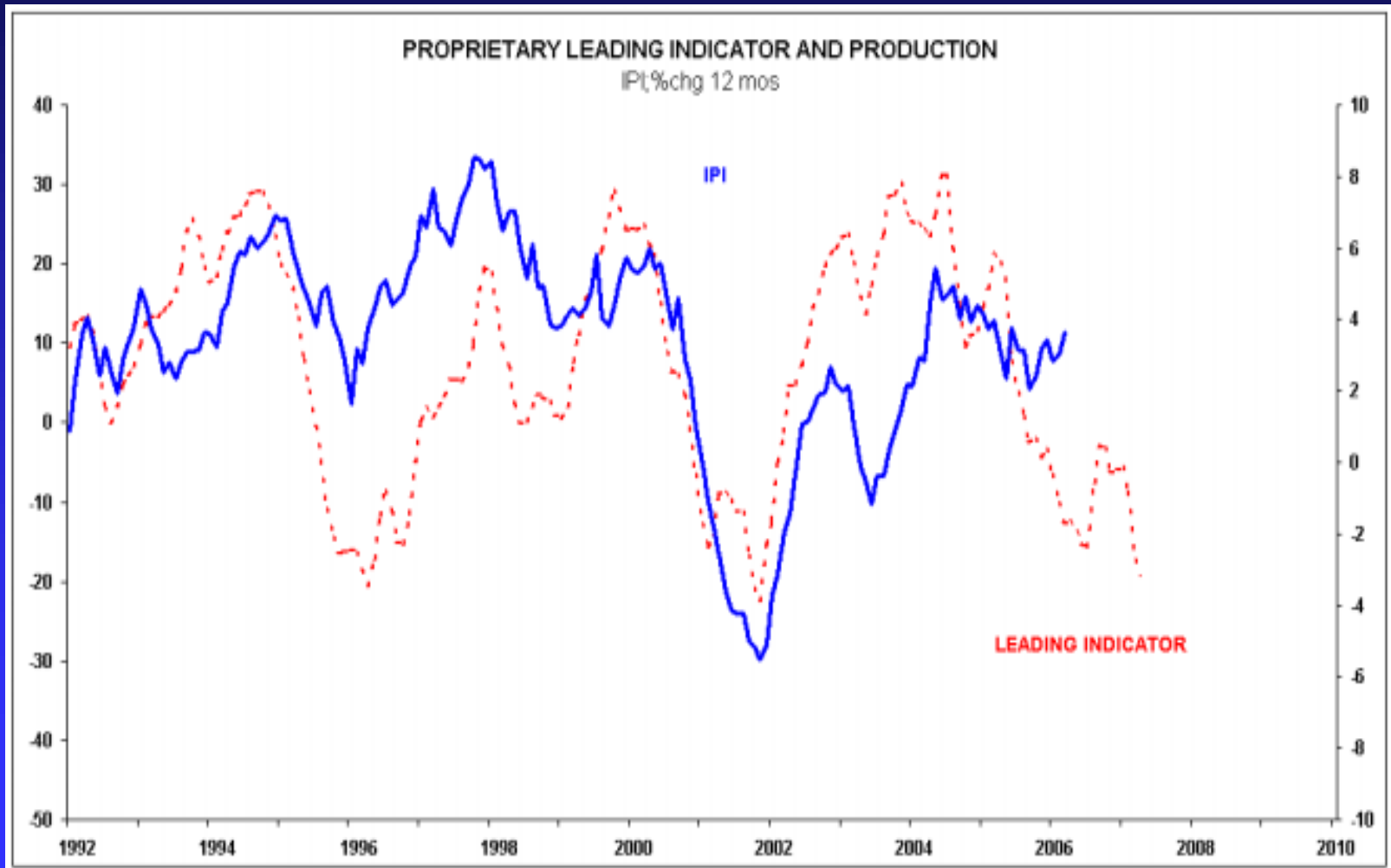
OUTLINE

- What is going to happen next?
- Real interest rates: getting there
- Their impact on stock sectors

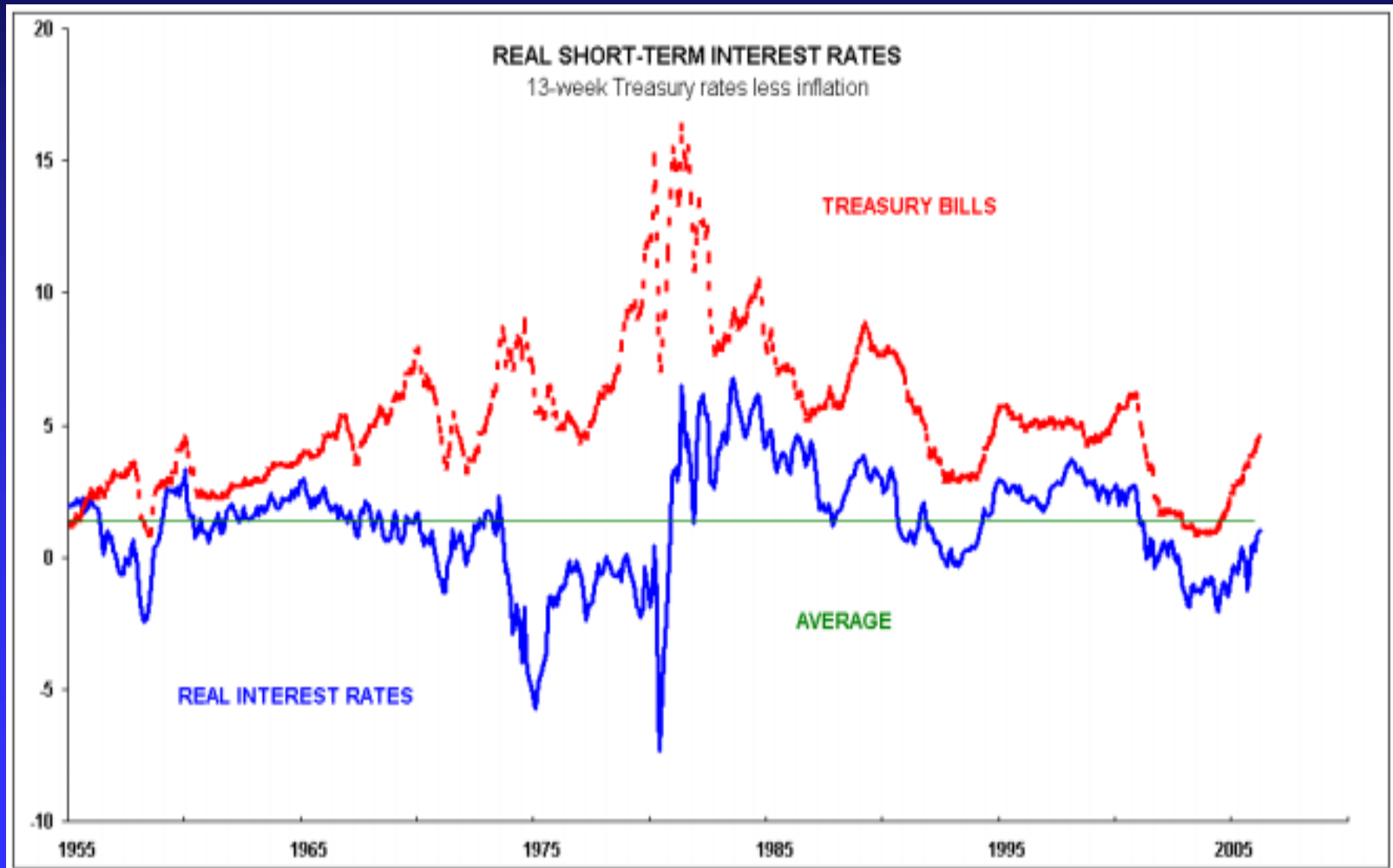
NEW HOME SALES: SLOWER GDP GROWTH AHEAD



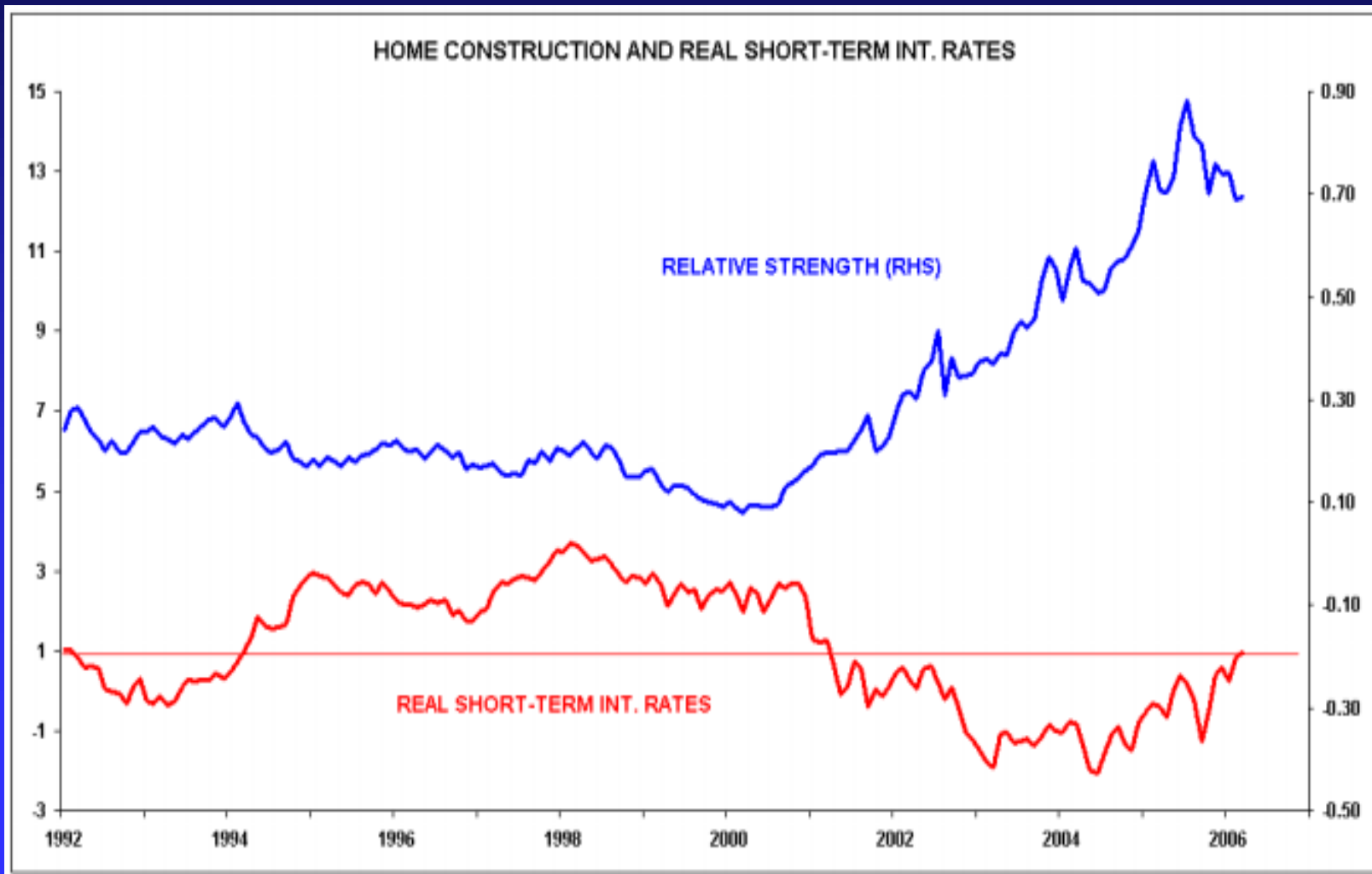
PROPRIETARY INDICATOR: SLOWER GROWTH UNTIL 2007



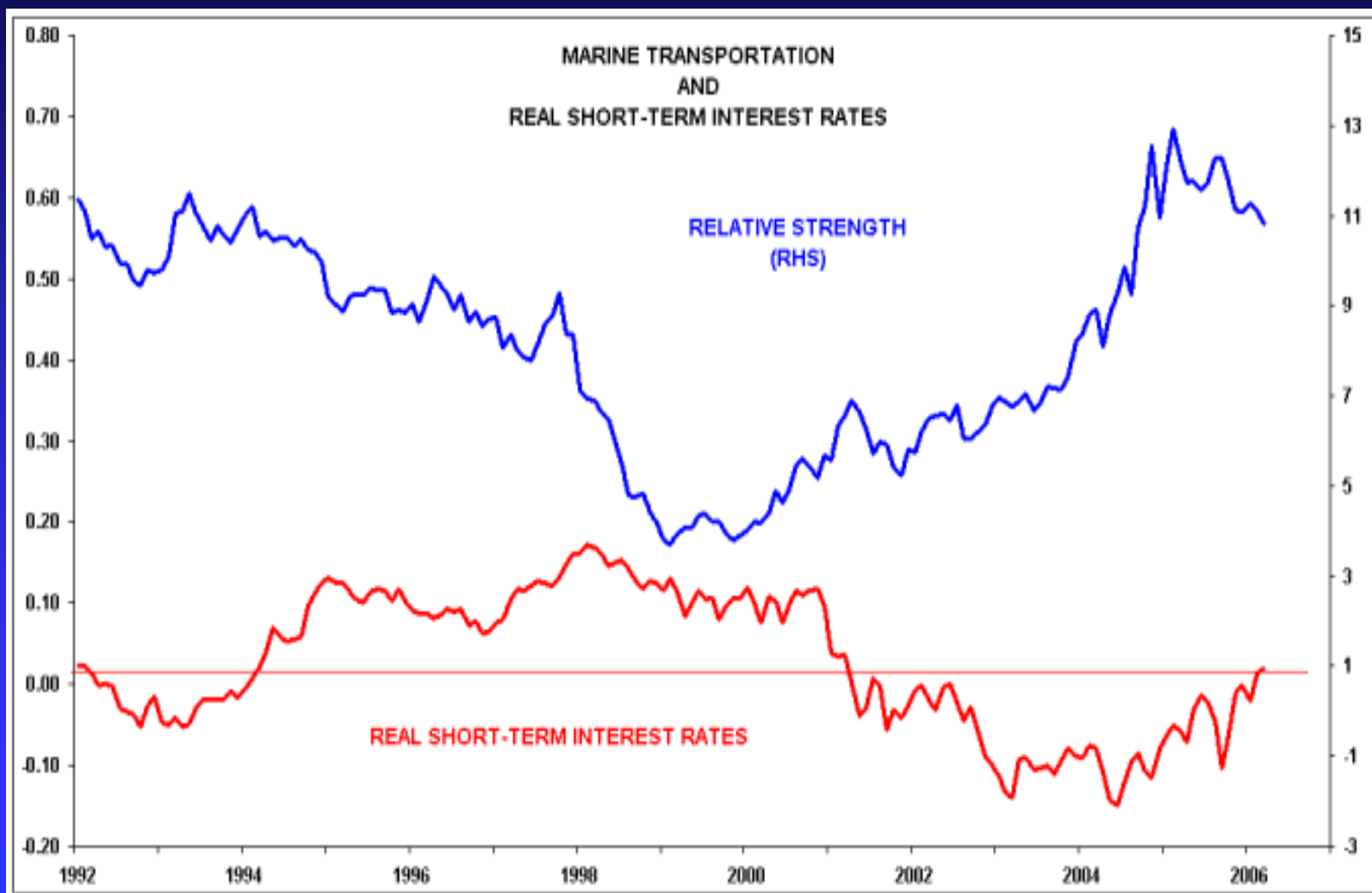
REAL INTEREST RATES: RISING, BUT STILL LOW



HIGHER REAL INTEREST RATES: BAD NEWS FOR THIS SECTOR



HIGHER REAL INTEREST RATES: BAD NEWS FOR THIS SECTOR



CONCLUSIONS

- THE US ECONOMY IS GOING TO SLOW DOWN UNTIL 2007.
- **REAL INTEREST RATES ARE RISING, BUT ARE STILL TOO LOW. THEY NEED TO RISE FURTHER TO PIERCE THE COMMODITY BUBBLE.**
- RISING REAL SHORT-TERM INTEREST RATES ARE BEGINNING TO IMPACT THE MOMENTUM OF COMMODITY-DRIVEN SECTORS.

(See details on www.peterdag.com)