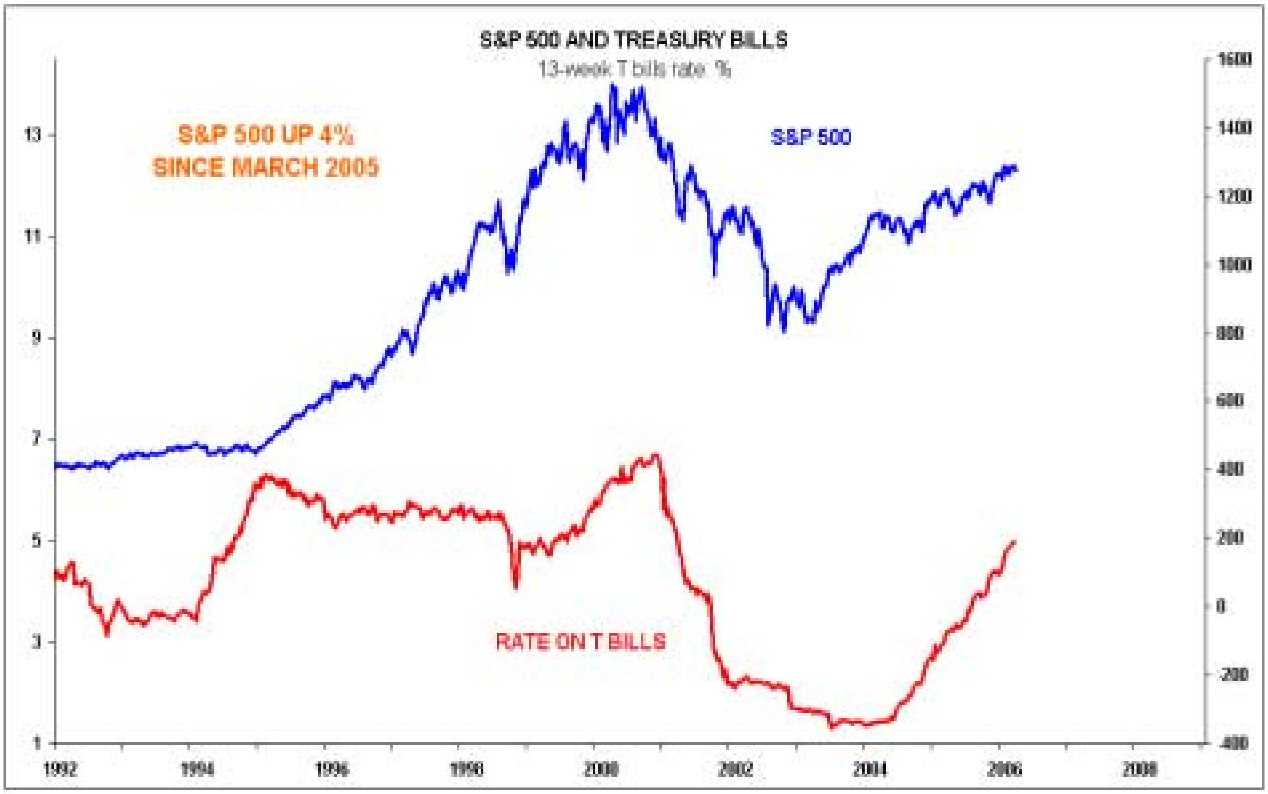
CHART OF THE MONTH: MARCH 2006



This is the most important indicator to assess **stock market risk**: The trend of the rate on 13-week Treasury bills. These are my rules.

- **Declining or stable** rates on 13-week Treasury bills suggest market risk is decreasing and investors should become more aggressive. Market returns will be above average during such times.

- **Rising** rates on 13-week Treasury bills are an important signal suggesting market risk is increasing and investors should become more conservative. Market returns will be below average during such times.

In the past 12 months, the S&P 500 increased only 4%. This below average return was achieved during a period of rising short-term interest rates. There are overwhelming odds pointing to continued sub-par performance in the broad equity market as long as short-term interest rates are rising.

George Dagnino, PhD
Editor, The Peter Dag Portfolio Strategy and Management