

MARKET COMMENTARY

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August 2, 2007

Due to the recent market volatility we thought you may appreciate a brief follow-up to our March 28, 2007 letter, a copy of which is enclosed for your reference.

Our S&P 500 upside objective of 1535-1550 was reached on multiple dates in mid-July with the index finally hitting a top of 1555. The current break, according to a few trusted analysts, could be a buying opportunity ahead of a final and furious flurry to the upside. If this is to happen, the markets should hold their 200-day moving averages which are currently being tested to the downside. However, given the commentary as outlined in the stock section of our March 28 letter, we are much more concerned about a downside move of approximately 20% sometime in the near or very near future. As a cautionary item, please note the 200-day moving average of the S&P 500, denominated in Euros, has already been tested and broken. (See enclosed)

Since March 2007, crude oil has broken through the \$68 technical resistance level we indicated and has moved to all-time highs. Our opinion concerning natural gas remains essentially the same. We believe natural gas is still cheap relative to crude oil. If we were to have a more significant stock market break, there could be a flight to quality and the cyclical advance we have been anticipating in bonds could occur. (Please reference the March bond commentary)

<i>Prices as of August 2, 2007 Close</i>	
30 Year Treasury Bonds (CBI)	111-7/32 4.91% Yield
Dow Jones Industrial Average	13,463
S&P 500 Index	1472
Oct. Crude Oil Futures	\$76.86
Oct. Natural Gas Futures	\$6.10
Oct. Gold Futures	\$676.60

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