

Heritage Capital, Inc. News Release

For further information, contact:
Paul Schatz, Founder and President
Heritage Capital, LLC
(203) 389-3553

For Immediate Release

Look To BUY Bonds When The Fed Meets Next Week Says Paul Schatz Of Heritage Capital

WOODBIDGE, CT – JUNE 25, 2004 – The key to the market's direction in July isn't the June 30th Federal Reserve meeting or the handover of Iraq to the new government, but the days leading up to June 30th, maintains Paul Schatz, founder and president of Heritage Capital, LLC, an investment advisory firm based in Woodbridge, Connecticut.

“If the market sells off in the next four trading days, July should be a good month for stocks, adding up to a great buying opportunity. If the market moves up strongly before the 30th, it's going to be a lot tougher to achieve a positive return for July. Regardless, there's no significant correction on the horizon between now and the election,” says Schatz.

Recent media reports cite four key reasons investors are waiting for the 30th to make investment decisions:

1. The potential for the Federal Reserve to raise interest rates at its June 30 meeting,
2. The transition of power in Iraq on June 30,
3. Rebalancing of the Russell indices on June 30,
4. The pending release of corporate earnings reports.

But all four reasons are really irrelevant to market direction, according to Schatz.

“The Federal Reserve rate increase is pretty much a *guarantee*. The question is just whether they raise the Fed Funds lending rate 25 or 50 basis points,” explained Schatz. “Regardless of what the Fed does, it is not setting interest rate policy as much as responding to what is already happening in the market. The bond market has already been decimated. From mid March through mid May, interest rates went straight up. When the Fed finally raises its rate, longer term interest rates overall should come down, creating a screaming buy in bonds.”

As for the June 30th Iraqi handover, Schatz says expectations are already built into current market values making it non-event for the market. The absence of warnings on corporate earnings indicates the quarter end earnings reports will be good, adding up to another positive for the market. The Russell rebalancing will cause movement among certain stocks, but have little overall market impact, he explained.

“This is a classic case of buy on rumor, sell on facts,” said Schatz. “Waiting til after the 30th is more likely to cost investors than produce any more certainty in the market.”

While Schatz expects the market to continue upward through the election, he anticipates the real rally to follow the Democratic convention in Boston in late July. Those expectations mirror the presidential cycle theory, in which the market typically stair steps upward during the last half of the election year.

“There’s no reason to think July 1st is going to result in a better buying opportunity than we could have in the next few days,” says Schatz. “If the market sells off, it’s time to buy.”

Heritage Capital LLC is a registered investment advisory firm that utilizes an active management approach in its investment strategies. Active management seeks to take advantage of market cycles to position portfolios in rising asset classes and avoid declining investment classes by following market trends. Schatz has been active in the financial markets for more than 15 years, including positions as chief investment officer for a regional advisory firm and equities trader with Shearson Lehman Brothers and Cowen & Company.

Heritage Capital offices are located at 1 Bradley Road, Suite 202 in Woodbridge, CT.

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