

STAAR Report

11/22/05

Markets in Position for Positive Year End

At the beginning of the year I thought the S&P500 had a decent chance to appreciate 7-8% with a total return of 8.5-10%. Year-to-date as of yesterday, the S&P has appreciated 3% and looks decently positioned for the last five weeks of 2005. Consider Chart A below.



Chart A: S&P500 Stock Index, Two Year, Weekly Bars.

The S&P500 finished at 1261 today. A reasonable year-end target is 1320, which would be a gain of 4.7% from today's close. 1320 would give the S&P 500 a total return of approximately 9.2% for 2005. Interestingly that would also put its value at the top of the bull market price channel.

Now consider the Russell 2000 small company index.



Chart A: Russell 2000 Stock Index, Two Year, Weekly Bars

If all goes well, my year-end target for the Russell 2000 would be around 710-720, up another 4%-5.5% from today's close at 682.55. The higher target would produce approximately a 9.7% total return for the year.

Finally, let's take a look at the iShares EFA International index fund, which approximates the EAFE Index.



Chart A: Ishares EFA, Two Year, Weekly Bars

EFA finished today at 58.22. Year-to-date it is up approximately 5.9%. My year-end target is 61, up 4.8% from here and 10.7% plus dividends for the year.

Of course there is no assurance that these targets will be achieved, and a significant round of bad news or negative events could prevent further advances or cause a retreat. But overall conditions are mostly good.

The positive factors include moderating inflation, GDP growth of 3% - 3.5%, employment gains, retail sales growth projected at 4%, company balance sheets, productivity growth, the recent downturn in oil prices and affordable interest rates. The negatives include uncontrolled and irresponsible spending in Washington, foreign trade deficits, rising interest rates, consumer debt trends, softness in some real estate markets, auto sales and underlying long-term structural problems such as Social Security, Medicare, illegal immigration, terrorism and Iraq, and a health care system showing signs of breaking down.

For now the positives continue to outweigh the negatives, giving us time to address some of the problems we face. As 2006 progresses we will be watching closely for signs of a slowdown greater than expected. But until the trends change, we will stay the course and remain bullish.

May your Thanksgiving be a welcome and warm respite. God bless.

Sincerely,

J. Andre Weisbrod

Founder of the [STAAR Investment Trust](#)

412-367-9076

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