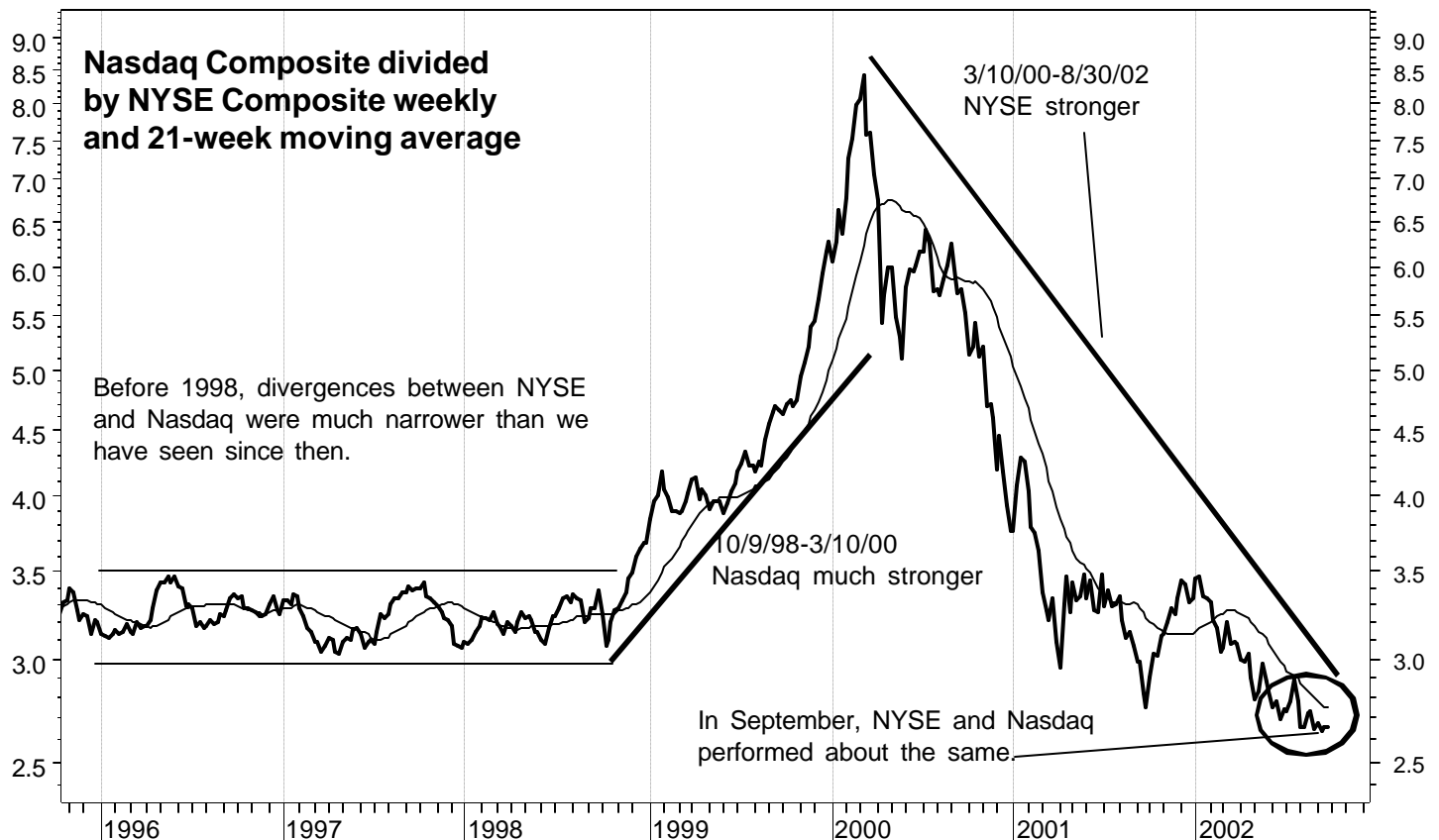


NASDAQ AND THE NYSE BECOMING MORE SIMILAR IN RELATIVE STRENGTH AS MARKET DECLINES ACCELERATE WITHIN PRIMARY MARKET SECTORS.



NASDAQ/NYSE INDEX RELATIVE STRENGTH -- AN OVERVIEW:

On a historical basis, relative strength relationships between the Nasdaq Composite and the NYSE Index have been similar to the relationships which existed between 1996 and late 1998, leadership alternating between the two sectors but basically remaining within a range.

Starting in the fourth quarter of 1998, however, the Nasdaq Composite became the area of intense speculation, racing ahead of other market sectors until the bubble burst in the first quarter of 2000. From that point forward, into the first quarter of 2001, and since then but on a more intermittent basis, the Nasdaq Composite underperformed, falling in relative strength to below any level of the past six years. However, relative strength relationships appear to be leveling off at this time, both market sectors still in decline, more in tandem than over the past two years.

These past four years have been superb for hedge fund operators who have had the perspicacity to first hedge by being long Nasdaq oriented securities and short NYSE oriented securities, and then by being short Nasdaq related issues and long NYSE issues. Gains achieved in this manner have led to high levels of popularity of relative strength hedging strategies -- the latest game in town. If history is any guide, however, this form of strategy -- not really all that risky, incidentally -- is likely to be far less profitable than it has been since 1998.

IMPLICATIONS:

The final end of the bear market and the onset of a new bull market is not likely to be confirmed until the Nasdaq Composite once again leads the NYSE Index in relative strength! Historically, the bulk of gains in the stock market take place during periods that Nasdaq is the relative strength leader. There are occasionally periods in which major market averages advance while Nasdaq is in decline, but these are not at all the more productive periods for the stock market.

It goes without saying that investors should remain cautious until relative strength relationships indicate that Nasdaq has taken the lead. We are hopeful that recent trends are reversing, but cannot say as yet that they have.