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How's your market timing model working?

Let's look at the financial headlines over the past few months. Workers at General Motors walked off their jobs for the first time in thirty-seven years. Crude oil prices have risen to all-time record highs. The housing slump appears to have gone from bad to worse. The dollar had fallen from one record low to another against the euro. Former Fed chairman Alan Greenspan worries that inflation and interest rates are headed higher.

Worried? Not a bit those market timers sold all of their stocks near the top in mid July just before turmoil in the credit markets sent equity

investors running for the doors. The market timers easily saw that the equity markets were headed off a cliff. In mid June, one of the sharpest firms on Wall Street revealed staggering losses at two in-house hedge funds specializing in fixed income instruments. A week later, a California brokerage firm shut down after losses on mortgage-related securities. As the stock market climbed to all-time record highs-July 19th for the S&P 500-the news background included ratings cuts by Moody's on hundred's of mortgage backed securities and a 40% drop in or-

ders from a leading homebuilder. Obviously it was time to sell stocks and enjoy the prospects of buying them back at lower prices. Or not.

Stock markets around the world dropped 10%-15% from mid July to mid August as credit markets were suddenly front page news. In subsequent weeks markets have edged higher and most likely investors who sold near the top will have to come up with extra cash to re-establish previously held positions. This is another example of how predicting future events is much easier than predicting how markets will respond.

Tip of the Quarter

Are you prepared to be ruled by a homeowners association?

1. *Can you handle unexpected increases in homeowner dues?*
2. *Be prepared for unwelcome rule changes like losing the ability to rent out your unit.*
3. *Look into the size, type and number of pets that you will be allowed.*
4. *What's the regulations on exterior flags, antennas, fences and paint colors?*
5. *Can you run a home based business out of your unit or are you allowed to park commercial vehicles in the lot?*

3rd quarter performance of Various Asset Classes

SPY (S&P500)	+1.13%
QQQQ (Nas100)	+7.75%
DJIA	+3.50%
Russell 2000	-3.09%
Hang Seng	+24.0%
10yr. Treasury Interest Rate	-9.80%
Oil Futures	+8.85%

3rd Quarter Market Recap

The 3rd quarter financial news was dominated by the credit crises in the sub-prime mortgage sector. Markets around the world were very volatile with most of the damage done in the period from

mid July to mid August. By the time the quarter ended stocks had ended up with gains for the quarter. The NASDAQ stock market continues to be a strong performer this year recording almost 8%

in gains for the quarter. We all have to thank the Fed for lowering the fed funds rate a half point. This was definitely the catalyst for the strong finish we saw in the quarter.