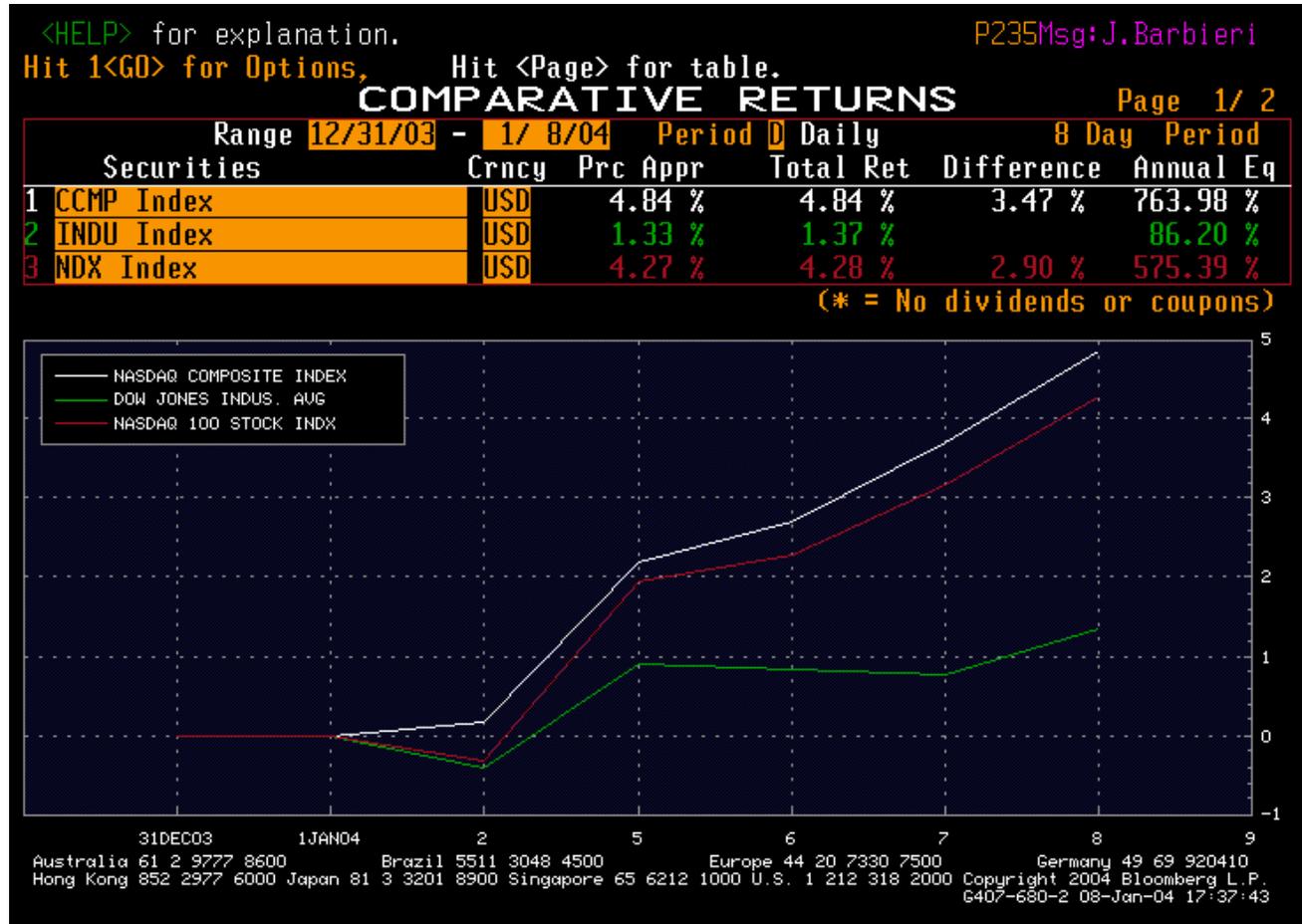




It's baaaaack.....

When Wall Street "Strategists" reviewed 2003, many were shocked to find that stock performance was dominated by what is known as the High Beta Stocks. Thus, in spite of the disasters of 2002, the "Street"



Buy Beta Stocks?

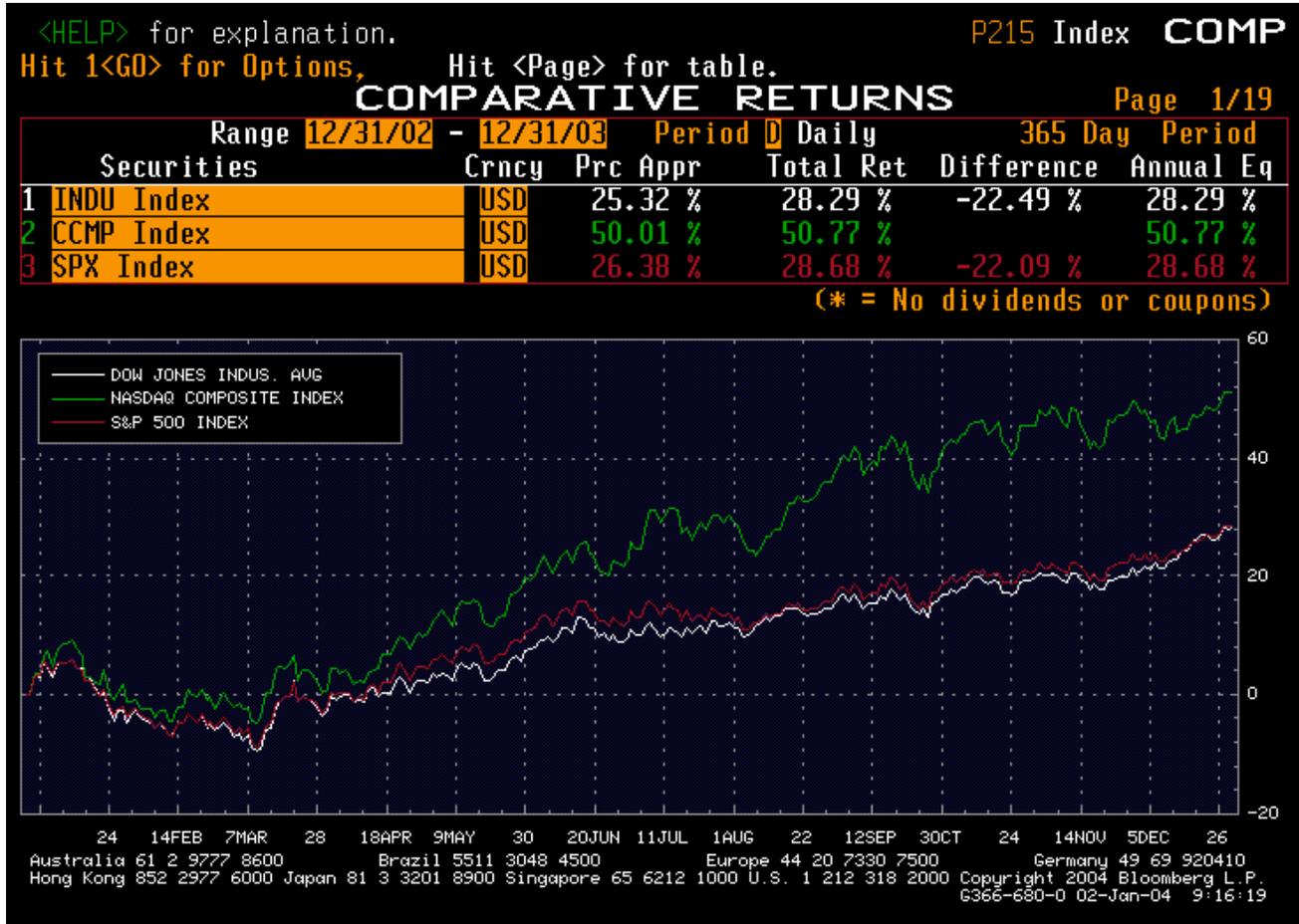
went after stocks that had high volatility characteristics. Looking back to the 2002 'reviews of the year,' a widely-held belief was that returns had been "too high" during the boom and "catch-up" was the order of the day. The winning hands were often those who went short and stayed short. Volatility was 'your friend' as long as you stayed to the short side. That was also true in Q1 2003 and then came the deluge! What went up and went up sharply were the most volatile, often in the tech arena. As the analysts and strategists looked at 2003, they concluded that 2003 was a bit of an aberration and that what would pay in 2004 would be companies with much lower Beta's, often large caps and multinationals. After the first week of trading in the new year, one has to wonder! High Beta Stocks were back!

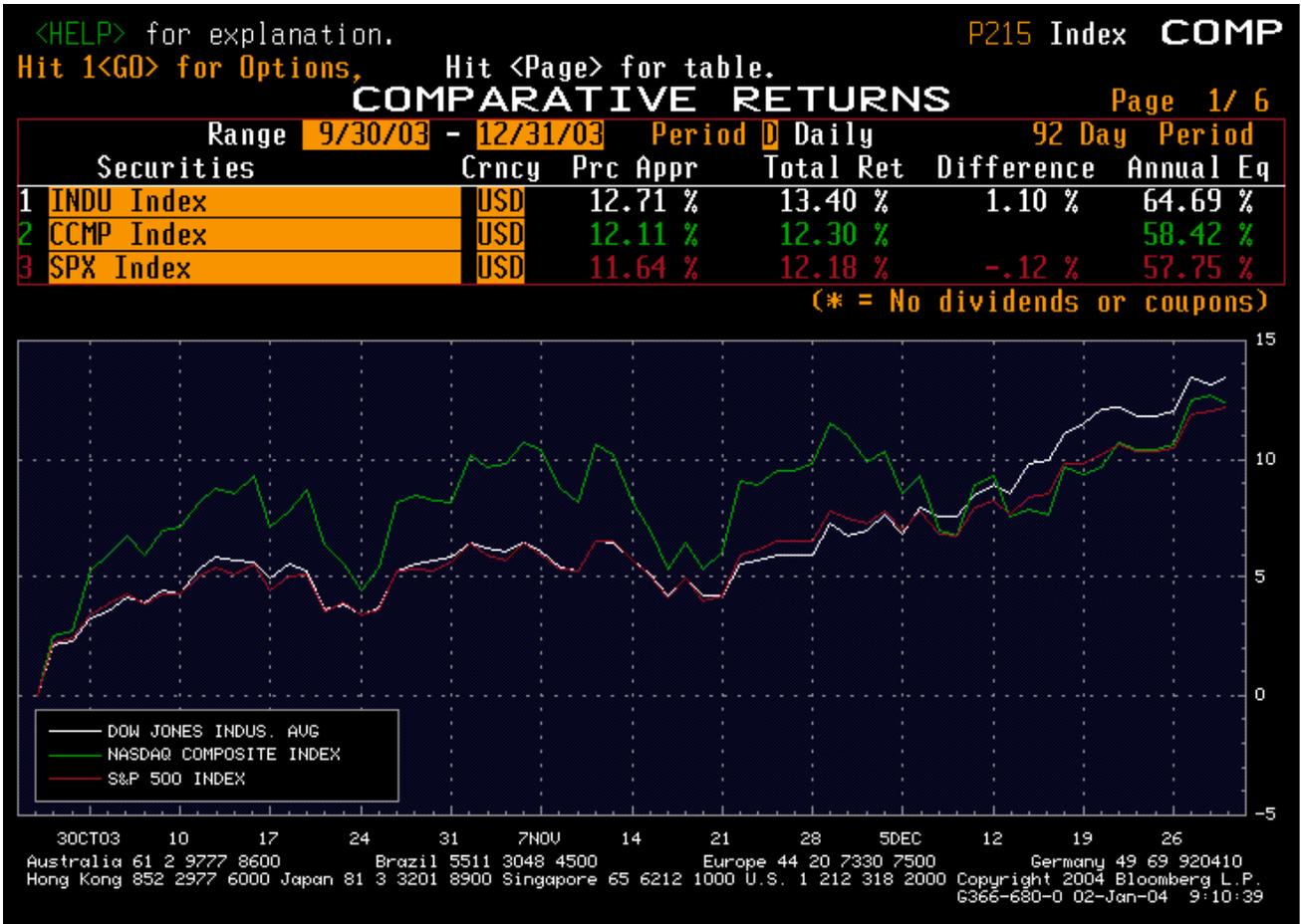


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CCMP trumps in 2003

Looking only at the averages subjects one to many pitfalls, yet there is no doubt where performance was found in 2003. Maybe one should stay away from Barrons at year end and stick to biblical maxims, such as 'the last shall be first.'



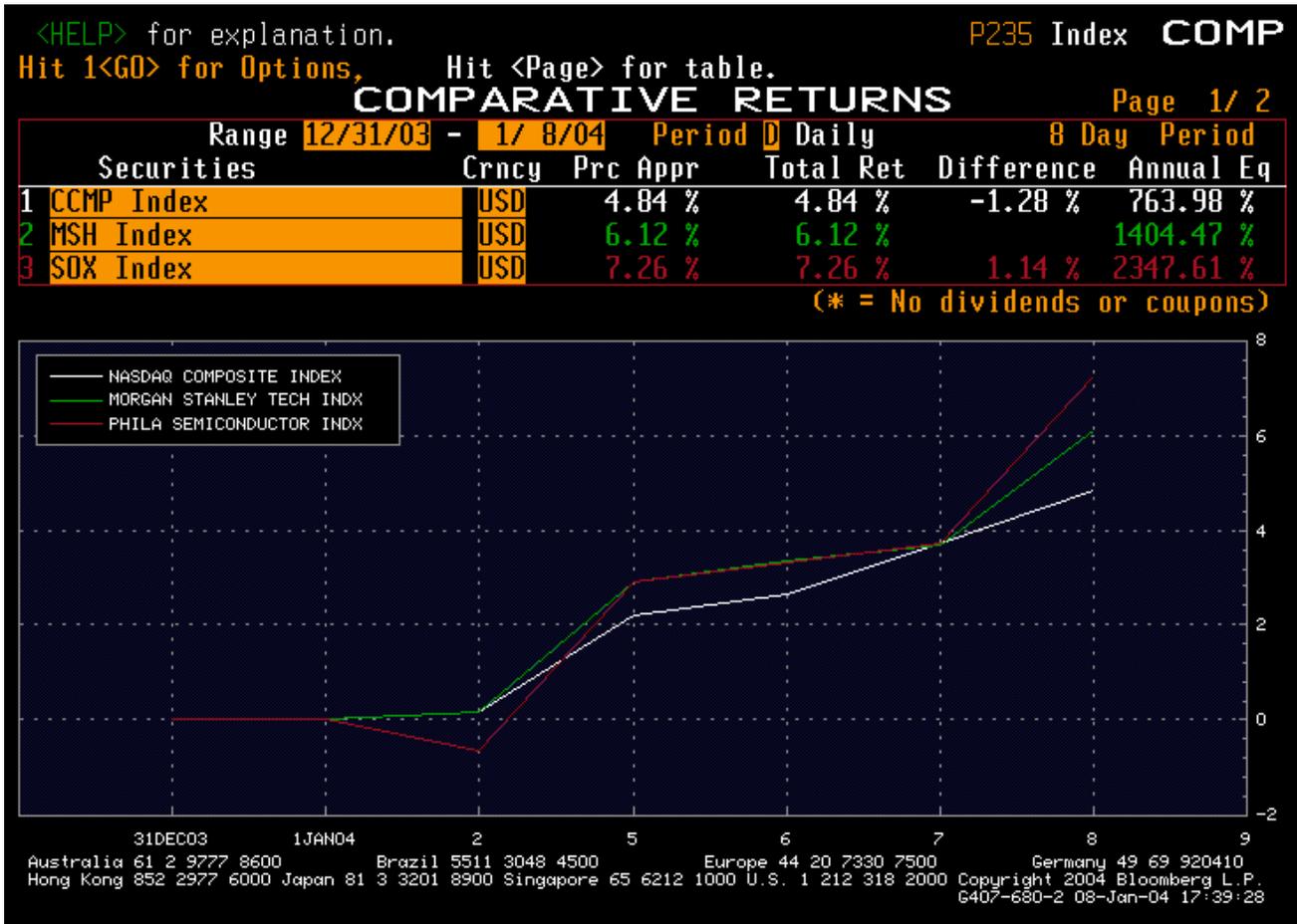


In spite of relatively flat “outperformance” in QIV2003, except for the months of October and November, the quarterly results showed that even lower Beta did nearly as well as the higher Beta stocks. Therefore, it was a bit of a surprise that during the first week of trading, the pattern of rewarding Beta, so noticeable in 2003, was back in vogue.



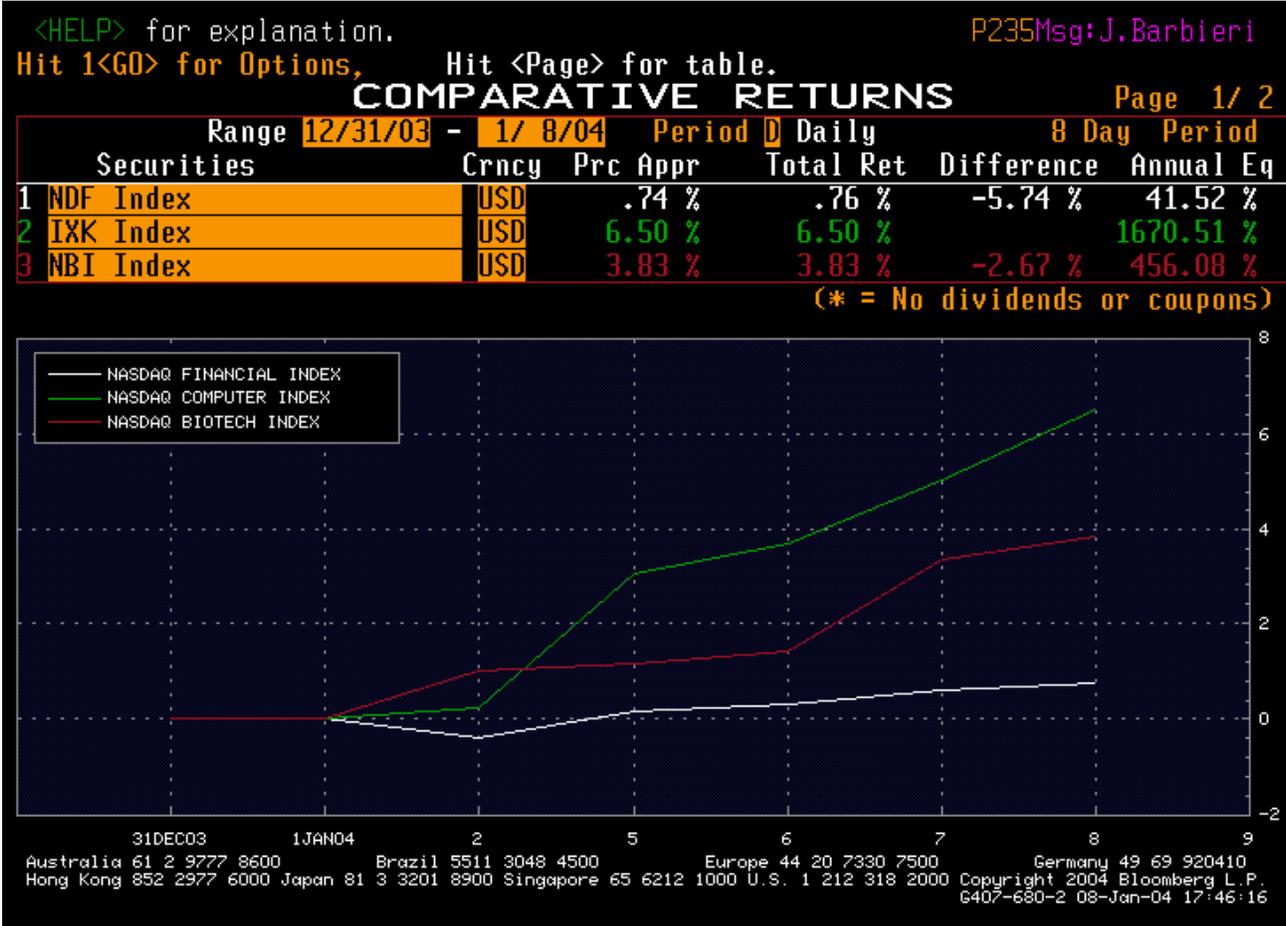
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MSH and SOX beat CCMP



Of course, the tech-savvy hedge funds played the semi-conductor theme because not only did computer manufacturer's sell more than was expected, there were a plethora of new consumer devices all of which require semi's. Even the semi-equipment manufacturers experienced sharp order growth as the array of semi-conductor requirements expanded sharply. If 2003 and Q12004 proved anything it was that a "killer application" was not the driver, unless satisfying consumer wants over a broad spectrum of technologies turned out to be that missing 'killer application.'

The NASDAQ rewarded index players, but even better rewards were available by drilling down into the components of the NASDAQ during the first week. What was notable was that as far as the NASDAQ stocks were concerned, "financials" stayed home.

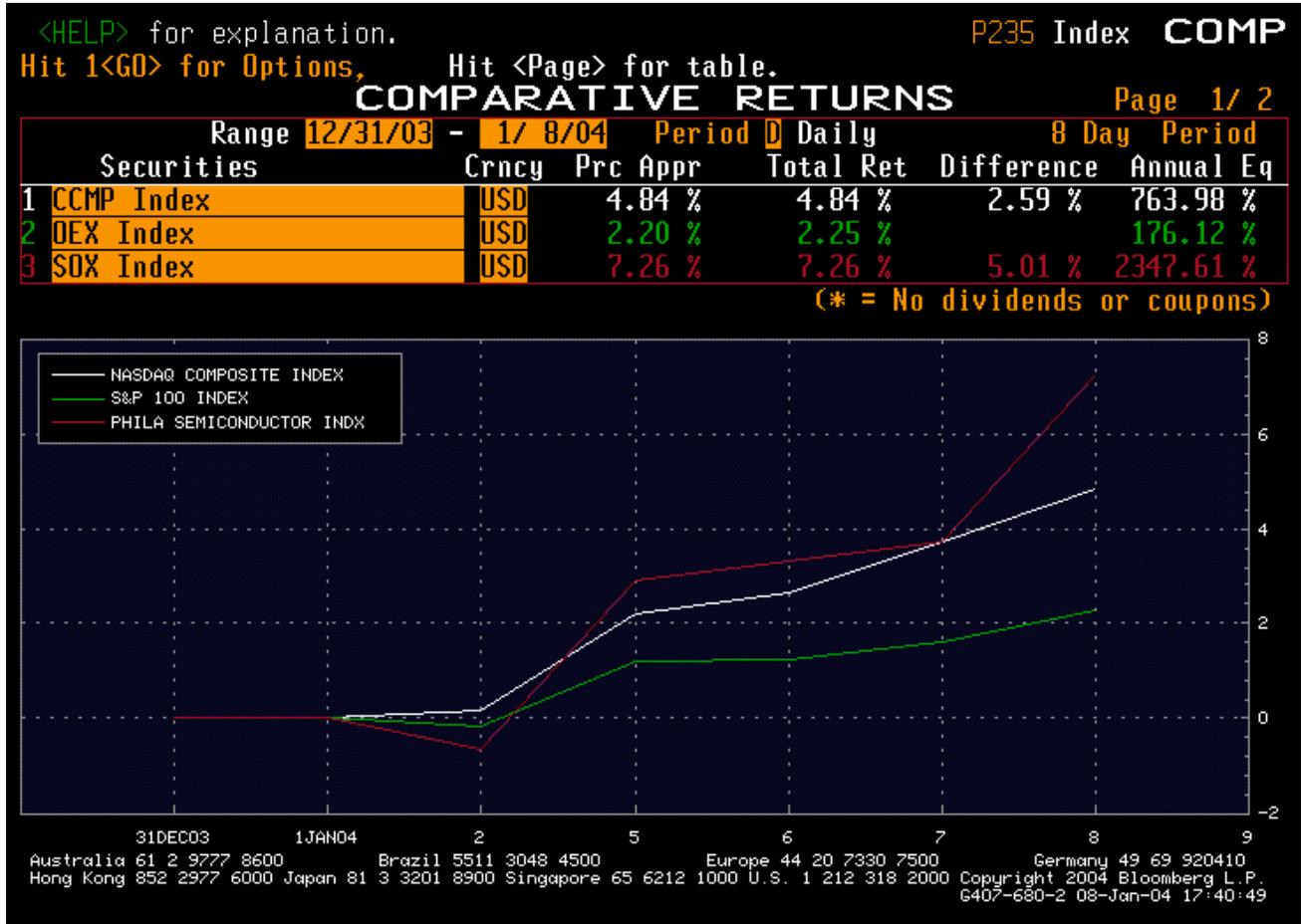


Components do better than Overall CCMP



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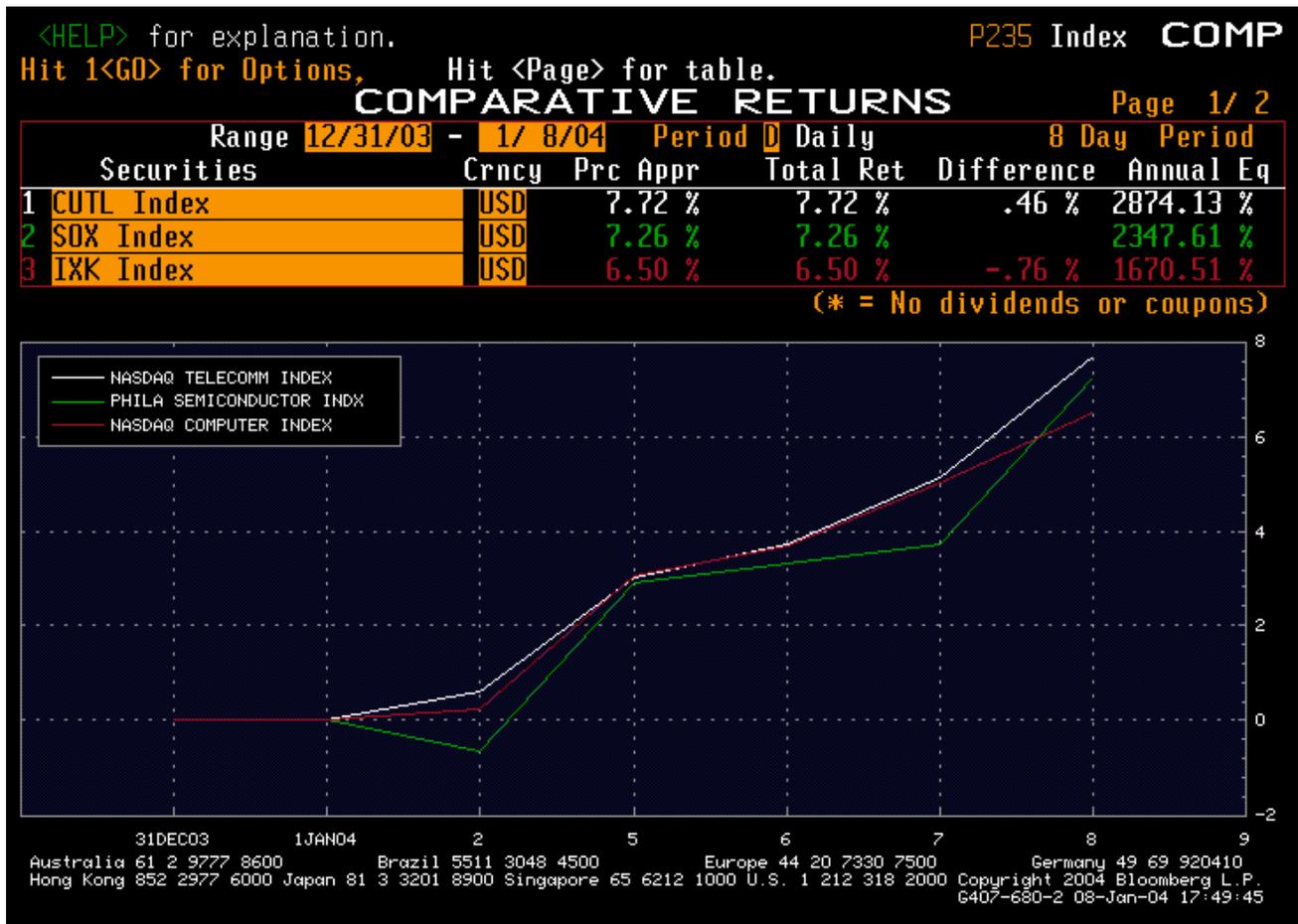
And Size Matters...inversely



And to further illustrate that the “last shall be first,” notice that the Telcom equipment the *doppelganger* of tech collapse in 2002, suddenly began to sell equipment and better yet, began to show some real earnings performance.



Telcoms Semi's and Computers



The issue for stock pickers now is whether the first week is a guideline for the rest of 2004 or just extracting all the beta-driven gains that are possible early in the year? Stay tuned!