

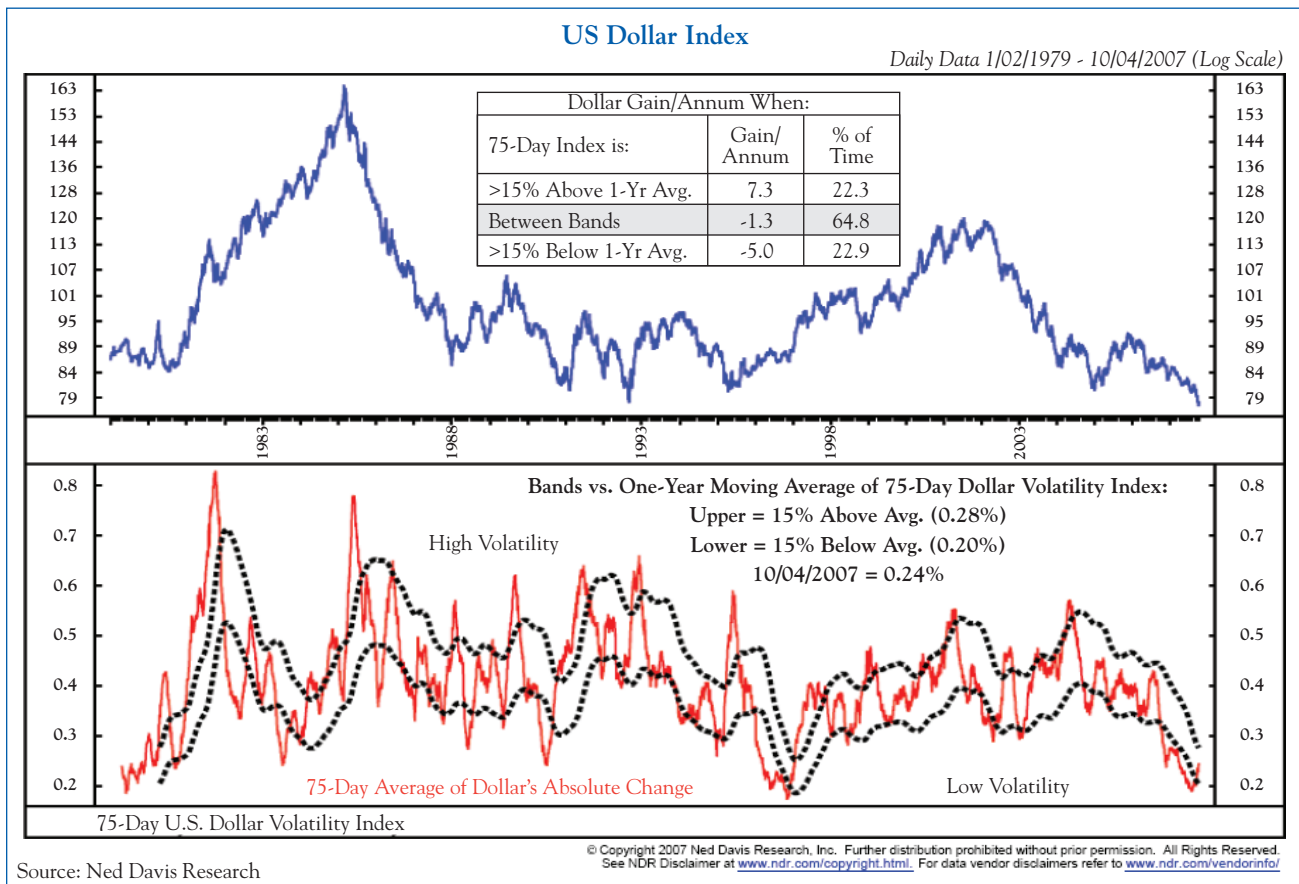
## The Dollar and the S&P 500

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Lately the dollar has been in a downward trend. Given that many major corporations can derive significant profits from overseas operations as a result of the weak dollar, investors may benefit should past market behavior repeat itself.

### Dollar Direction:

As can be seen from the Ned Davis Research chart and study shown below, the dollar has shown continued weakness over the last half decade. When a moving average of 75-day volatility is bracketed by upper and lower bands +/- 15% of the average, historical relationships can be examined. As shown in the table within the top chart, when the 75-day index is in between the bands, as it is now, over 54% of the time the dollar continues to weaken over the next twelve months. Therefore, large multinational stocks may continue to benefit.



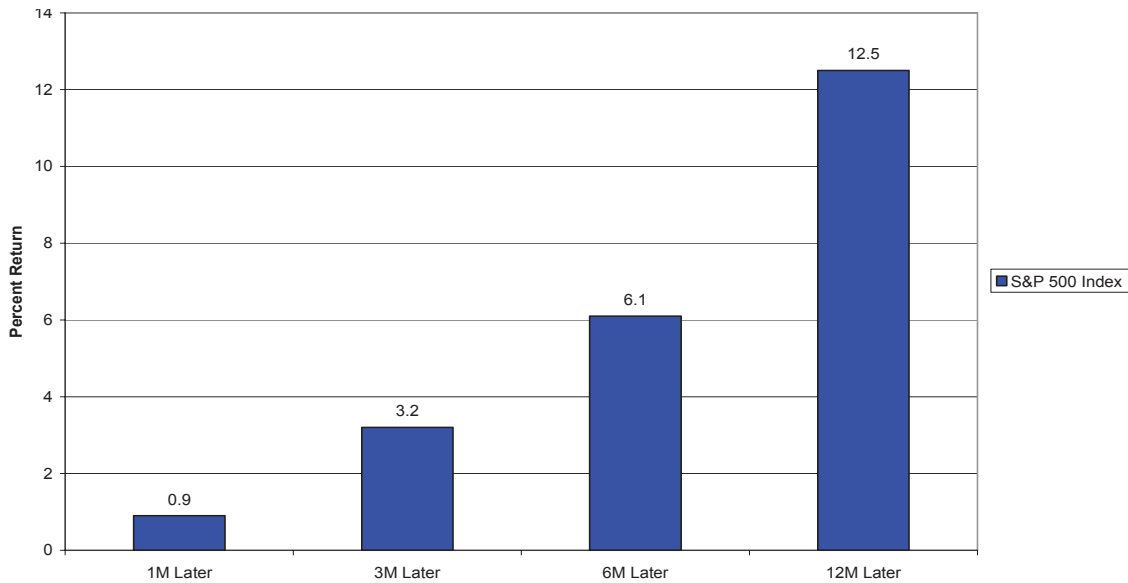
Source: Ned Davis Research

### The Dollar and the S&P 500:

To examine if dollar weakness can translate into positive market outcomes, Navellier Applied Research conducted a study. The S&P 500 Index was selected as a proxy for large capitalization stocks as returns based style analysis places over 82% of the index within the Russell Top 200 (the largest capitalization stocks in the Russell universe). Using data supplied by Ned Davis Research, historical returns for the S&P 500 were calculated over various time periods following a six month negative rate of change in the value of the dollar. As shown below, the results are clear. There is a strong positive return bias for large cap stocks in a weakening dollar environment.

### Average S&P 500 Index Return

Based on Six Month Negative Rate of Return For The Dollar From 9/15/89 - 10/4/07



Source: Navellier Applied Research, data supplied by Ned Davis Research

Therefore, investors may wish to take advantage of such historical trends to position their portfolios within the large cap asset class. Further, as the large cap growth style is currently increasing its relative performance against the large cap value style, an emphasis on allocations to the large cap growth asset class should be seriously considered.

Any comments or questions can be directed to the author:

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