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For three decades and counting, Sadoff Investment Management has helped its valued clients achieve excellent long-term results. We are dedicated to providing an unmatched level of service. Our conservative investment philosophy is one that emphasizes reduced risk and a disciplined, common sense investment approach. We have achieved excellent results following our disciplined investment strategy for over three decades.

We manage assets for a variety of investment accounts, including: individual accounts, trusts (all types), retirement plans (all types), corporations, foundations and partnerships. *The Major Trends* provides insight into the decision making process that supports the company's time tested investment strategy.



THE SADOFF TEAM

Bryan, Ronald and Michael Sadoff

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The economy, led by a deceleration for housing, retail sales and unemployment, appears to be losing momentum. Similarly, the stock market, which had been advancing smartly from its June low, is now faltering.

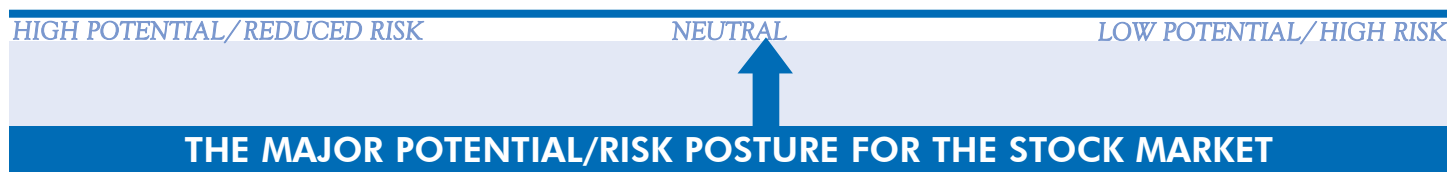
Stock market corrections are normal within the context of a bull market. Some are moderate. Others more severe. The Standard and Poor's 500 Index plunged 14.7% during May/June. Hard hitting? Yes, indeed. According to the table below which summarizes stock market declines since 1928, this fits the definition of a typical market correction. In fact it marks the 93rd correction of 10% or more since 1928.

The Anatomy of Standard & Poor's 500 Stock Index Declines Since 1928

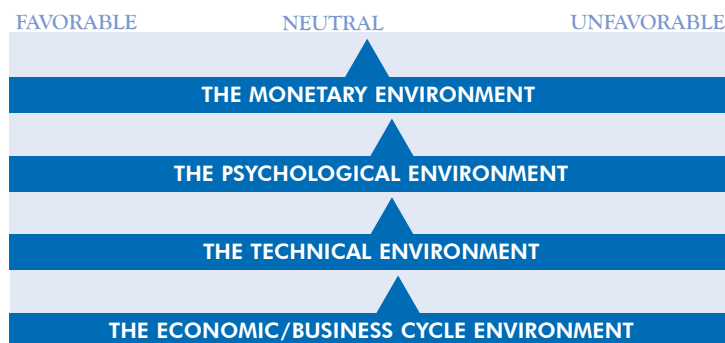
	Type of Decline			
	Dip (5% or more)	Moderate Correction (10% or more)	Severe Correction (15% or more)	"Bear" Market (20% or more)
Number of Occurrences	285	93	41	25
Mean Number of Occurrences Per Year	3.5	1.1	0.5	0.3
Chances of Decline Moving to Next Stage (%)	32	45	61	N/A

Most indicators which measure stock market extremes during panic type sell offs jumped off the seismic graph indicating a possible bottom formed near Dow 10,000.

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The four environmental factors, which determine the stock market's major *potential/risk* posture are:



For descriptions of the "environments" listed above, please visit us on the web at www.sadoffinvestments.com/definitions.htm.

WAS THIS JUST A STOCK MARKET CORRECTION?

(CONTINUED)

Further confirming the formation of a bottom underneath Dow 10,000 was a positive divergence. The number of daily new lows on the NYSE shrunk as the Dow edged lower. A bullish reading. It would be bearish if the new lows expand beyond 218.

	DOW	New NYSE 52 week lows
May 6	10,520	218
June 8	9,939	131

Typically stock market corrections push the S&P 500 toward its 200 day moving average (often this acts as support) or perhaps 5% below. The May/June correction plummeted to about 5% underneath its 200 day moving average. A rebound decisively back above this 200 day average normally confirms the stock market advance will continue. This has not yet happened.

Hopefully the market advances well above this 200 day average. It would not be healthy for the popular indices to stall at this level, falter and then plunge lower. The 200 day moving average should provide support, not act as a barrier. Once again the stock market action over the last few days clouds a bullish forecast.

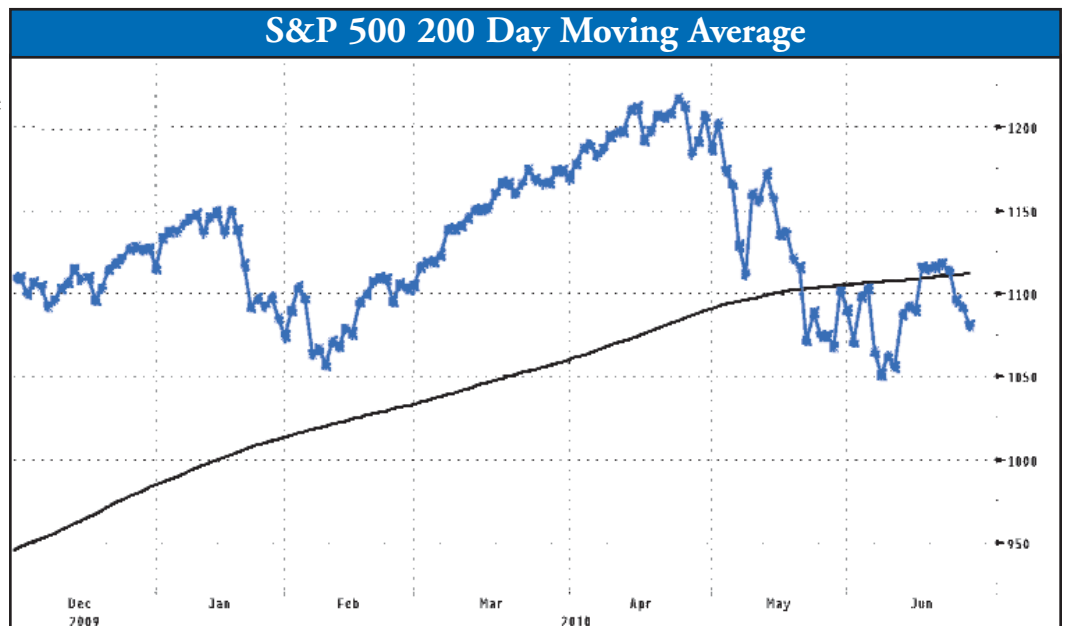


Chart courtesy of Bloomberg

Further evidencing that the correction is over are the upside breakouts above the 2 month down-trend lines for both the advance/decline line and the advancing volume/declining volume.

However the declining price action over the last few days shows that both breakouts may now be breaking down.

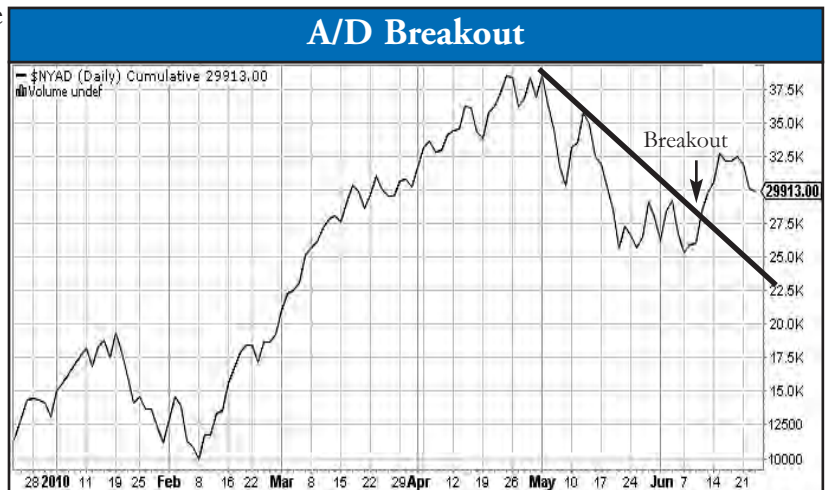
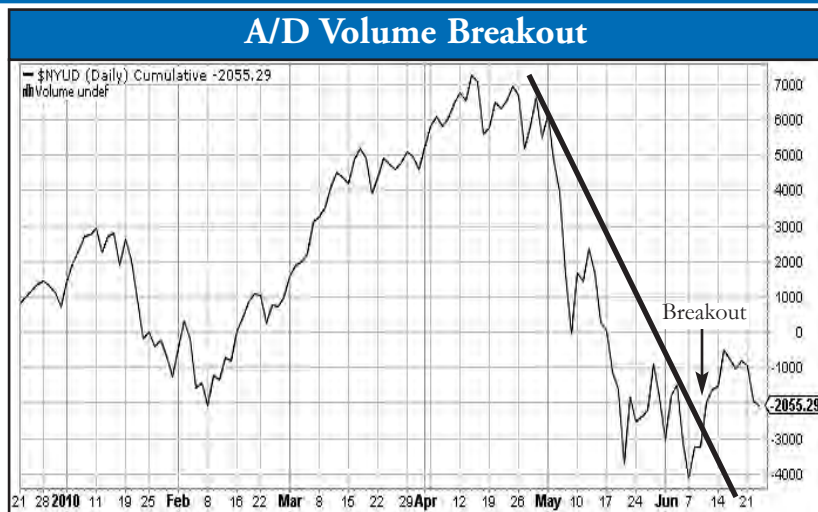


Chart courtesy of Stock Charts

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Chart courtesy of
Stock Charts

Summarizing:

1. The extent of the May/June decline was within the norm of a bull market correction.
2. The correction dipped about 5% below the 200 day moving average and has since rebounded.
3. Most indicators that measure panic sell offs attained extreme readings suggesting the bottom of the decline near Dow 10,000.
4. A positive divergence (the new lows did not expand as the Dow fell further) occurred near the bottom.
5. Both the advance/decline and advancing/declining volume indicators have broken above their two month downtrend lines suggesting the decline is likely over.

However the sharply plunging price action over the last few days questions this “typical stock market correction” scenario.

OUR MONITOR LIST

The key to the duration and excitement of this bull market hinges upon the performance of two industries: housing and stock brokerage firms.

Typically housing leads the economy out of the recession. Not so this time. The following four housing stocks need to be monitored: SPDR S&P Homebuilders ETF (symbol XHB), Barclays-iShares DJ U.S. Home Construction Index (symbol ITB) are both proxies for the homebuilding industry. Two other homebuilding stocks are Ryland Group and KB Homes.

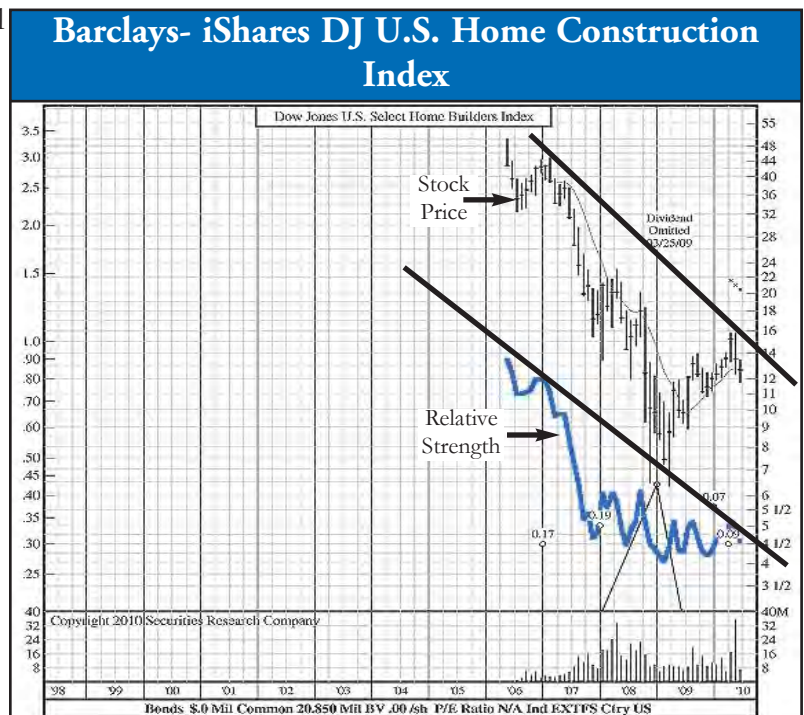


Chart courtesy of SRC

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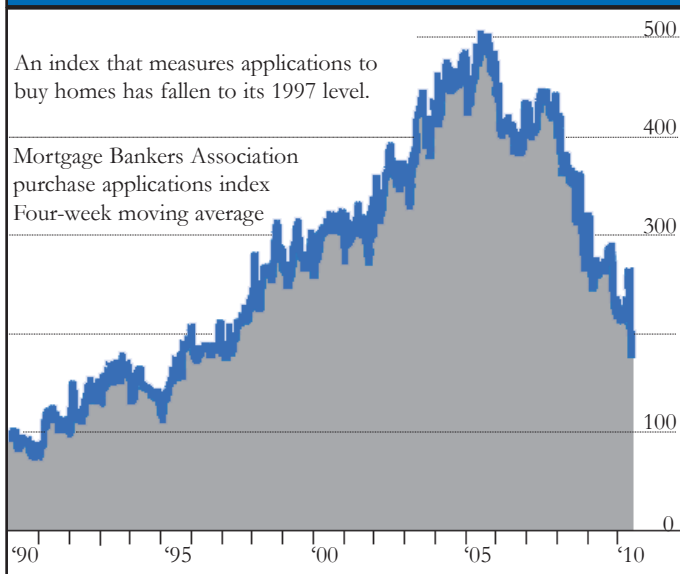
SPDR S&P Homebuilders ETF



All four stocks are currently locked in a 5 year downtrend from their 2006 peak. It would be very bullish if these stocks (both the stock prices and their relative strength lines) break decisively above these downtrend lines. Such a breakout would be very impressive inasmuch as bubbles, once busted, generally take 10-15 years to fully wash out.

Also an index that measures applications to buy homes, the Mortgage Bankers Association purchase applications index, has not yet stabilized from its sharp 4 year decline.

Still Depressed



Ryland Group



KB Homes

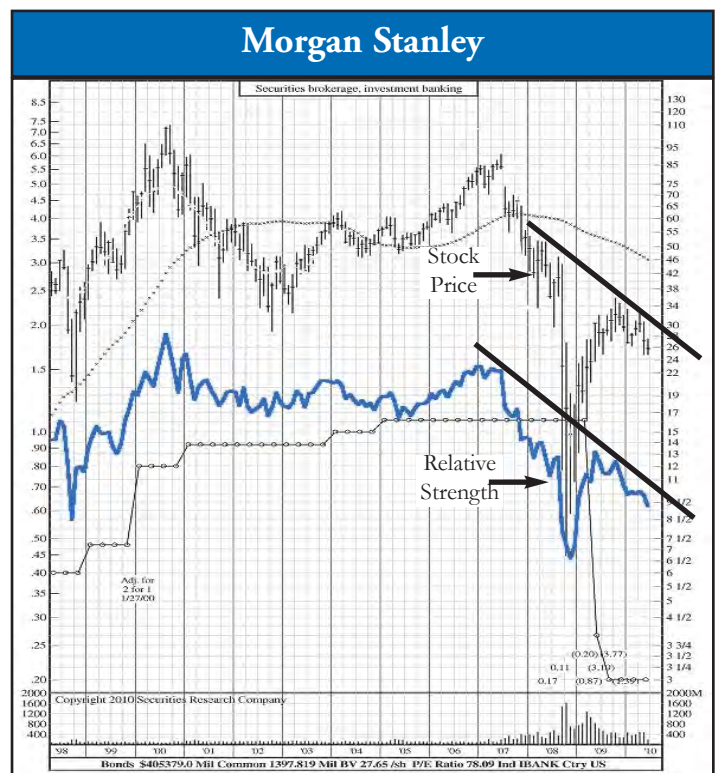
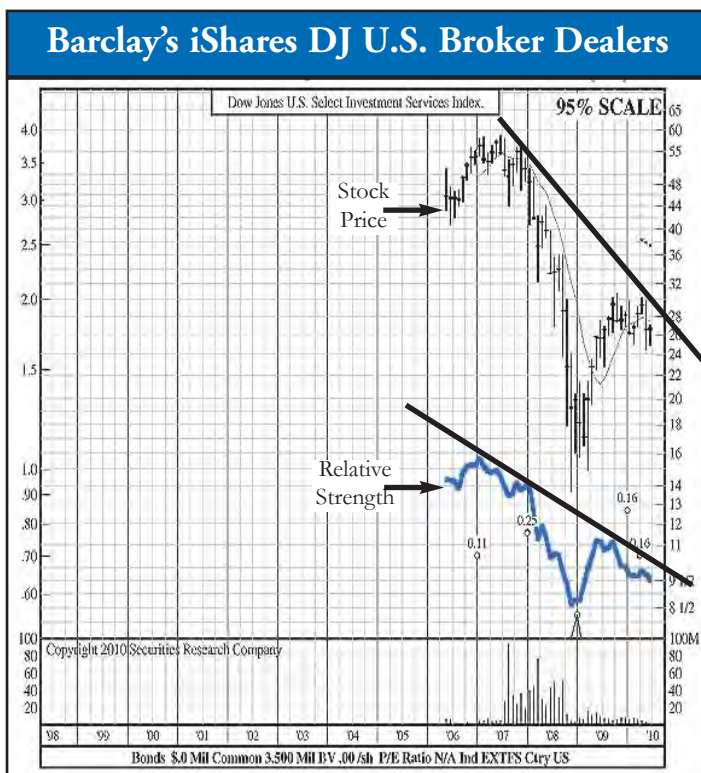


Charts courtesy of SRC

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Historically stock brokerage firms are the star outperformers during a bull market. The reason is quite logical: heavier trading volume, additional underwritings and mergers and acquisitions plus increased trading profits. All are synonymous with a bull market. Unfortunately, the brokerage firms have dramatically underperformed during this entire market advance.

Examples: both the actual price and relative strength line for Barclay's iShares broker dealers (symbol IAI) - a proxy for stock brokerage firms - and Morgan Stanley have been locked in downtrends over the last four years. It would be very bullish if these stocks (both the actual stock price and the relative strength lines) break above their four year downtrend lines.



Charts courtesy of SRC

Most interesting, the May peak for the stock market occurred when both the housing and brokerage firm stocks brushed up against their downtrendlines and then retreated.

Update: The housing and brokerage firm stocks failed to rally from the June lows. They are now flirting with new lows. Bearish price action.