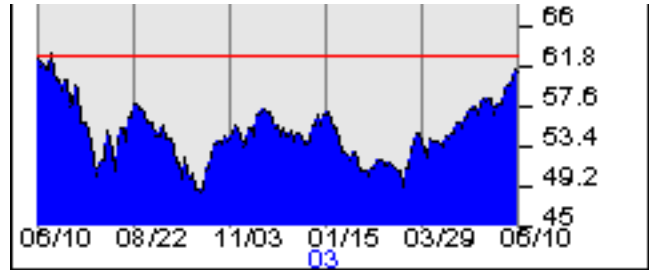


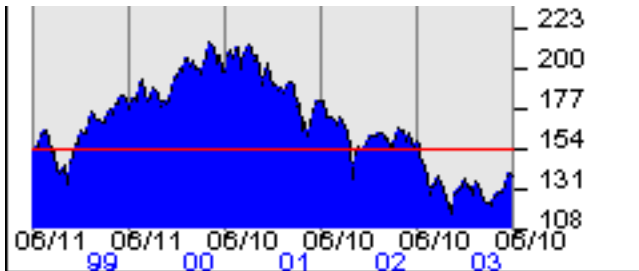
WHAT BULL MARKET?



CREF Stock unit value, 1 year through 10Jun2003



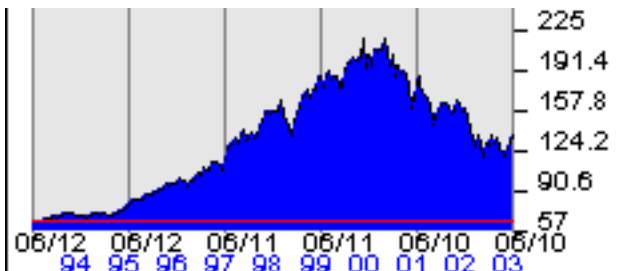
CREF Equity Index unit value, 1 year through 10Jun2003



CREF Stock unit value, 5 years through 10Jun2003



CREF Equity Index unit value, 3 years through 10Jun2003



CREF Stock unit value, 10 years through 10Jun2003

When the current mini-bull is viewed in terms of market behavior for the past year, three years, five years or decade, it doesn't look so much like a bull market. This "bull market" has (so far) only returned to the levels of a year ago, as we can see from the one-year graphs of these two TIAA-CREF stock funds, which mostly mirror the S&P 500 and Russell 3000. The three-year chart of the equity-index fund clearly shows the ravages of this generational bear market, while the five- and ten-year charts of CREF Stock clearly show that the bubble

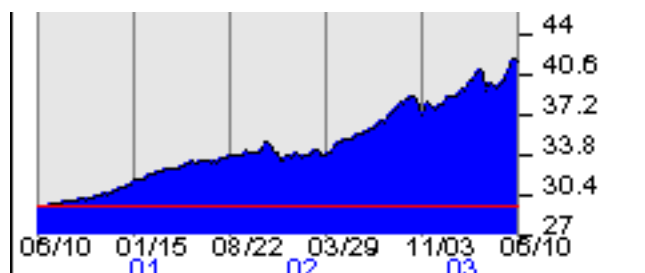
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which really began picking up steam in 1995 remains only partly popped.

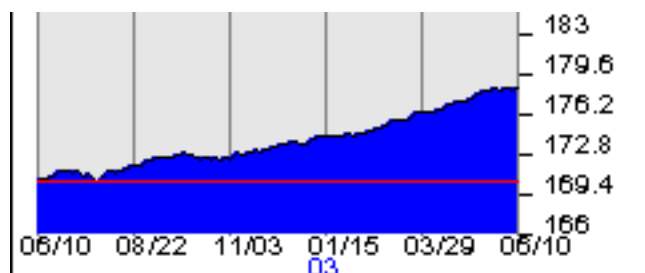
For more lasting bull markets, look at the following charts:



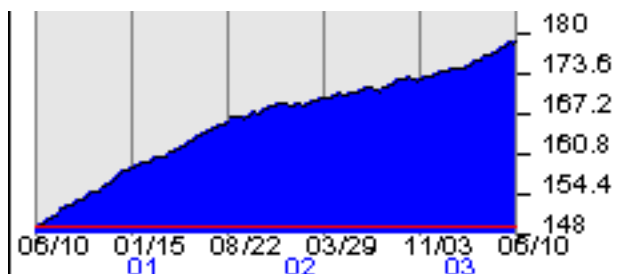
CREF I-I Bond unit value, 1 year through 10Jun2003



CREF I-I Bond unit value, 3 years through 10Jun2003



TIAA Real Estate unit value, 1 year through 10Jun2003



TIAA Real Estate unit value, 3 years through 10Jun2003

The ongoing double-decade decline in interest rates has produced a continuing bond-market rally, with the only really bad recent year for most bond funds being in 1999. Real estate has also been producing decent returns for the past two decades (not in TIAA-CREF Real Estate, though, it's not that old) with returns diminishing in the last two years as the real-estate bubble tops out and mortgage rates decline. Although I don't have a chart for it, people who bought long-term bank CDs.... or even U.S. savings bonds.... three to five years ago at 5% to 7% interest rates have also done quite well, certainly much better than the buy-and-hold crowd who rode the bubble up and down and find themselves still underwater after five years.

If you know somebody who rode the bubble (especially in tech stocks) and bailed out in late 1999 or early 2000, then you know somebody who really has a feel for the markets. Or a liar. But most of the "hares" who bought into the new-era myth crashed with it, and the "tortoises" who sat out the bubble with their funds in bonds, CDs or somewhere else safe, are ahead. And I suspect they'll be ahead for quite awhile longer.

QUOTES FOR THE MONTH

Once again, the market rolls higher despite seemingly-complete [Elliott] wave counts and many of the same lingering divergences and overbought technical conditions. The bear camp is a scary and lonely place, just as it SHOULD BE when a downturn of great importance is at hand - and one is at hand. The next decline should be a historic thrust that sweeps through all corners of the equity markets. - Steve Hochberg

The fact of the matter is that the stock market rally is just a bear market rally, like all the others have been, grounded on nothing more than hype and hope. In that same vein, sentiment has swung a long way. Last week, Investors Intelligence reported its latest survey of investor sentiment shows that bulls are up to 58.7% and that bears are down to 16.3% -- the lowest reading in 16 years. Before this rally began in February and March, when I was constructive about the prospects for a rally, I said to friends that I thought before it was

all through, the bulls would get to 60% and the bears would be in the teens. Well, I'll take last week's statistics, declare victory and move on. Sentiment is about as lopsided as it gets. Folks who are partying on the long side better have a plan to get out early, because when everyone finally decides they need to hit the exits sometime later this year, it's going to get mighty crowded. - Bill Fleckenstein

And, yes, I am still predicting, in the next few weeks, the huge downdraft in the stock market as predicted by the Fabulous Mogambo Indicator, a mutant forecasting device that I stumbled upon when trying to cross the DNA of financial apples with that of economic oranges in the light of a full moon, during an electrical storm. This little Frankenstein of an indicator seemed to be prescient both times it ever appeared before, especially if you hold the graph at a little angle like this. - Richard Daughty

This [formula] does not change fundamentally our prediction of a drastic turn in the very near future towards a systematic downward trajectory till the summer of 2004. The question posed by the insight provided by this [formula] is whether this will turn out as a result of a crash following a strong rally in the next two months or so. This crash will then be followed by a longer and continuous price depreciation. The coexistence of the strong downward crashes and upward rallies in the overall anti-bubble regime suggests to us that the market is completely dominated by sentiment, confidence and lack thereof and by herding. - Didier Sornette [June 19, 2003]

Inflation is when the money supply increases faster than the economy grows – it is not, as most people think, an increase in consumer prices as measured by the CPI – and the Fed's three measures of money supply have all been growing around 13 percent, far faster than the feeble 2 percent increase projected in the GDP. So, until recently, have the Fed's market operations, which is the money it loans out to banks that use it to buy stocks or currencies, then sell them and repay the Fed, usually the very next day. It's worth noting that in the last two weeks, the Fed has reduced this liquidity pool by 40 percent. This isn't a definitive sign, but in conjunction with the rally's age and performance, it suggests that the Fed feels that it has done its job of stabilizing the situation and can safely allow the market to decline for the next two or three months without fear of a terminal crash. - Vox Day

Lesson: Bull markets do not begin at a P/E of 27. Anyone who says they do will pay heavily for his error if he actually invests in terms of what he says.... The recent move from 27 to 35 is evidence of a bear-market rally. He who says otherwise is a New Era advisor. Put your hand upon your wallet and your back against the wall. - Gary North

It is the speculative bubble in the housing market, fueled by lower and lower mortgage rates, that is alone propping up the economy, and everyone knows it. In this summer of 2003, the national pastime is no longer baseball or going to the beach - it's going to the bank to refinance the mortgage. - Christopher Byron

In Japan, the Nikkei Dow rallied 15 times, more than 15% each time, between 1980 and today. On 4 occasions it rose more than 30%. And twice more than 50%. Early in 1995, the Japanese were desperate to revive their economy and put some life into their stock market. They administered two remedies - one fiscal, the other monetary. The government began a number of initiatives that put about \$100 billion into the economy. The Bank of Japan cut rates from 1.75% to just 1%. Then, 6 months later, it made another half-point cut. These measures seemed to do the job. The economy sat up in bed and began doing a little light work. The stock market, on the other hand, made what looked like a miraculous recovery. The Nikkei rose from 14,000 to 22,000 from July '95 to June '96. If that were all there was in the health records, we could consider the patient cured and the story ended. But, alas, the recovery proved temporary. Stocks soon began to fall again. Investors who bought into the 'Bull Run' story in June of '96 subsequently lost most of their money, as the Nikkei collapsed back to 14,000 and kept falling. - Bill Bonner

In most market cycles, people become incredibly risk-averse. That never really happened this time around.

Institutional investors were consistently more concerned with missing the turn in the market than in preserving capital. Look at the relative valuation of risky stocks: their valuations never contracted. The whole technology sector is that way. - Richard Bernstein [Merrill Lynch chief market strategist]

I already know.... what is making the bond market go up, and that is because the government, through its new employee the Federal Reserve System, is printing up fresh money to buy the debt. In this way, aggregate demand for bonds always equals the supply of bonds, and vice versa. - Richard Daughty

Negative real interest rates are forcing investors out the risk spectrum. Treasury bills and money market funds yield 1%. U.S. CPI inflation is more than twice that level. That is a powerful incentive to move into higher-yielding debt (junk) and lottery tickets (Nasdaq stocks). If we sound skeptical about the process, that is correct... We disagree with the Fed's policies, but we don't run the asylum. If the Fed wants to push investors out the risk spectrum and inflate another mini-bubble, it certainly has the power. - Michael Belkin [editor, Belkin Report]

Most believe that an imminent economic rebound is about to validate the increasingly optimistic earnings expectations now imbedded in share prices. So far, any such recovery is just a forecast. As I see it, the latest batch of backward looking data reveals persistent sluggishness in the US economy and renewed weakening in Europe, Japan, and the developing world. The recovery bet is premised on the belief that the Authorities finally get it - that the massive global reflationary effort now under way will underwrite a sustained acceleration in the real economy. Policy makers and politicians are doing their very best to convince financial markets that they have both the wisdom and the tools to pull it off. Long-frustrated investors want to believe these tantalizing promises. It's the ultimate act of macro seduction.... History tells us that macro policy has had a truly terrible track record in dealing with deflation. That's been the case since the 19th century but has been especially evident in so-called modern times. The worldwide deflation of the 1930s, to say nothing of the more recent Japanese experience, is a grim reminder of stunning policy failures in dealing with this most corrosive of all macro diseases. Yet this time, we're all being asked to believe it's different - that policy makers have learned the lessons of history and will never allow deflation to occur again. - Stephen S. Roach

On the one hand, the U.S. economy seems to be tracking the Japanese into a long, slow-motion slump. Perhaps even with deflation. Prices are not exactly falling across the board, but enough of them are falling around the edges of the board to make economists worry about it. On the other hand, Alan Greenspan and George W. Bush are fighting for their careers - by opening every monetary and fiscal spigot they can get a wrench on. The money supply is increasing 4 to 5 times faster than the GDP; the only thing that is growing more quickly are the federal government's deficits. "Get me a damned one-armed economist," quipped Harry Truman in a similar puzzlement. Where will it all lead? Our guess is that it leads to a mild case of deflation...and a lethal case of inflation, in that order. But we're not ready to cut an arm off with a pen-knife in order to tell you for sure. - Bill Bonner

As former Federal Reserve Board vice chairman Preston Martin indicated to me last week, U.S. policymakers, in particular Fed Chairman Alan Greenspan and President George W. Bush, have been determined this time around to avoid the mistakes of both the U.S. 1930s and (they hope) the Japanese 1990s. The former determination is more wholehearted than the latter, since the general U.S. view is that Japan's problems have mysterious Japanese causes, such as their government's inability to "reform," and their banking and insurance system's frailty, so they have few lessons for the U.S. Actually, that's a myth. In 1993, 3 years after the Japanese economy peaked, the Japanese banking and insurance systems were very much stronger than today, the level of government debt was half what it is now, and observers generally assumed that it was only a matter of a short time before the Japanese economy bounced back, and resumed its inexorable assault on U.S. business. Even in early 1995, the yen peaked at 80 to the dollar, far in excess of any conceivable estimate of its purchasing power parity, while Japan has run a payments surplus throughout the period since 1990. In other words, Japan in 1993 looked if anything healthier than the U.S. in 2003. -

Martin Hutchinson

Who knows WHEN this [housing] bubble will go the way of the Nasdaq. But one thing is certain: Nature abhors disequilibrium. This generation of Fed governors has not only upheld the honorable Fed tradition of destroying the value of the currency they were chartered to preserve...but they've also gone where no Fed has yet dared tread: They've engineered a scheme to aid and abet the nation's homeowners in stripping their homes of equity. A scheme which is threatening to melt down and destroy them all. - Addison Wiggin

Contrary to popular thinking it is not the rise in interest rates that weakens economic growth but the availability of real savings. Interest rates as such are an indicator as it were. Consequently, an artificial lowering of interest rates cannot grow the economy if real savings are not there to fund real economic expansion. In terms of present underlying real fundamentals there is very little support for low real interest rates. Thus the consumer liabilities-to-assets ratio climbed to a new record high of 0.185 in Q1 from 0.182 in Q4 2002. Year-on-year consumers' real net worth fell by 7.5% in Q1 after a fall of 5.9% in the previous quarter. This was the 4th consecutive quarterly decline. Also, the fact that the personal income to consumption ratio remains in free fall is another indication that the pool of real savings is in trouble. - Frank Shostak

The banks are the biggest sheep on the planet. Wherever the next problem is, it's where the banks are now. They lent to the oil patch in the early 1980s. They got long Wall Street at the end of the 1990s. And now they're loading up on mortgage-backed. This is an accident waiting to happen. - Bill Fleckenstein

I hope that the current experiment with fiat money is the last and that we can recover sooner than later from the perilous deflation spiral we are in. My chilling guess, at this point, is that we will gradually sink into a new dark age of the 21st Century; the world will split into factions and wars, dividing itself akin the middle ages with kingdom-like domains on a world scale before it coalesces again in the future (like plate tectonics). We are not going to go backward in time. We will not forget how to fly planes or use telecommunications, but huge empires and monopolies will break down into a divided market where specialties will prevail. - P.J. Lafleur

The use of quantity of money as a target has not been a success. I'm not sure I would push it as hard as I once did. - Milton Friedman

STOCK MARKET OUTLOOK

The good times have returned (at least for the moment), stocks seem to be saying. You, of course, want to know how this can be reconciled with the sad state of the job market.... who, today, doesn't have at least one friend who's been out of work for months and thinks we're in a depression.... and hints that the past two months have seen the economy slip back toward recession after the decent postwar bounce.

The answer, of course, is that the gusher of liquidity the Fed has been continuously pumping out has to go somewhere, and after being gobbled up in the residential housing (and other real estate) market for the past year or so, it's looking for a reason to get back into stocks, and the apparent return of "momentum investing" is reason enough.

But in the stock market, for every buyer there is a seller, and lately the supply of stocks to meet the excess demands of momentum investing has been coming from the "insiders" (corporate sellers, mainly from exercise of options) who, obviously, feel the prospects for their respective corporations are not as bright as the momentum-chasers believe, as the ratio of insider sellers to insider buyers is at a level typically seen at market tops.

The stock market is a great place to "destroy" money. As you well know, no money is destroyed; what happens is that the money is transferred from the many incognoscenti, 401(k) plan holders and the like, to the few smart souls who had the stocks to sell, and sold them at high prices at the right time. After

the next price collapse, the many small investors will look at their decimated portfolios and dashed retirement hopes, and the *perception* of loss of wealth (from the markdown of stock prices) will be writ large because of the great number of losers, while the silent few who profited from the exchange, well, they will remain silent.

The slow, almost insidious transfer of wealth from the public who bought into the “buy-and-hold-forever” myth to the relatively few who are already well-off and really don't need any more money is the stuff of which social discontent is born. But that's a story for another decade or two down the road.

Believe me, this bear market is not going to end until the day comes when anybody who suggests a “buy-and-hold stocks for the long term” strategy is roundly ridiculed. Then, just possibly, we might be at or near the final bottom. And that day could easily be decades away, as demographics (baby-boomers investing for retirement) will (in theory) lend support to stocks only to about 2008-2010, after which the bias will be toward asset liquidation to support retirement lifestyles.

In the meantime, we can expect mini-bulls (20% or more bear-market rallies) in this generational bear market, of which the recent post-Iraq-war rally is one. Each time you get tempted to think that a new bull market has been born, just remember: July 2002 showed that *the Fed has failed* to right the economy and stocks with its easy-money policies, its first failure since the Great Depression, and there is no historical precedent for a quick recovery following such a failure. Then go look at a chart of the Nikkei Dow since 1989, and be properly chastised.

OK, Nick, you say, could you be wrong? Could the Fed, in fact, reflate the bubble to some degree, even though there is no prior time in history this has been done? Well, yes, I could be wrong. The *technical* indicators say that this is a new bull market.... on the other hand, they also said that about the winter/spring of 2001-2002. With both “Timer's Trend”s (these are momentum-chasing indicators) bullish, and

having been so for awhile now, I have no problem with younger folks chasing the mini-bull, just as I had no problem with it in the spring of 1995 when I gave “split” advice. I, on the other hand, am much closer to retirement than I was in 1995, and I really can't afford to follow the indicators and have things turn out the way they did last year. I'd like to see more evidence the Fed has beaten the pattern of history, and that economic recovery is truly underway, before making a substantial unhedged commitment to stocks in my retirement portfolio. If this happens, there would still be a few good years left to ride stocks; I'm in no hurry here.

We still have the dichotomy of both stocks and bonds doing well recently (which is normal for an inflationary environment, but not for a deflationary one). I attribute this to the likelihood that the Fed is doing what it said it would do.... buying Treasury bonds for its own account to lower long-term yields, thereby producing a gusher of money for stocks (or housing, or whatever), which now look more attractive because dividend yields.... now generally tax-free for the next three years.... are in relation more generous. And in my retirement plan, I'm not particularly willing to speculate on when the Fed will think it's done enough of this and pulls back.... which recent evidence suggests it has. I don't want to try another hedge and have *both* stocks and bonds decline together in a “screwed again by the Fed” scenario.... I'll wait until I think the odds are more in my favor.

Of course, when good value returns to stocks (total value of all stocks less than 50% of GDP, dividend yields over 3%) I will have no problem carrying stocks as a substantial percentage of my portfolio, as the dividends will carry me through until the day comes when stocks resume their upward long-term trend.

In the meantime, I am mindful of the previous bubbles of history, in which stocks gave up all of their bubble gains (and then some). As for the Fed making it different this time around, I'm from Missouri.

PORTFOLIO REVIEW

A. "Professors' Investment Group (PIG)" - investment club portfolio.

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
60	Apple Computer Inc.	[AAPL/otc]	26Jun02			1034.80	19.06	1,143.60
50	Barrick Gold .11	{ABX/nyse}	14Nov96			1466.01	18.01	900.50
30	BP .417	[BP/nyse]	26Jan99			1292.50	43.31	1,299.30
250	Elan Corp. PLC ADR	[ELN/nyse]	1Aug02	6Jun03	1861.95	585.00		
100	Nokia OYJ ADR ..2973	[NOK/nyse]	14Jun01			2233.00	16.92	1,692.00
45	PolyMedica Corp.	[PLMD/otc]	26Jun02			1070.35	41.47	1,866.15
444	Prudent Bear Fund (444.138sh)	[BEARX]	10Oct02			3500.00	6.40	2,842.48
275.4	Prudent Global Income (275.387sh)	[PSAFX]	17Apr03			3200.00	12.16	3,348.71
100	Xerox Corp.	[XRX/nyse]	1Aug02			685.00	10.40	1,040.00
	CASH & money market					1966.19		1,966.19
	Totals					15,998.05		16,098.93

SUMMARY - "PIG":

Original cost: \$ 9,899.00
Present value: \$16,098.93
Increase: \$ 6,199.93 [+62.63%]

COMMENT on "PIG": Elan decided to go parabolic, so the PIGs asked me to put in a 10% trailing stop, which I did. We were stopped out the next day at \$7.60 for a tidy short-term profit.

B. TIAA/CREF 403(b) retirement plan; I switch between indexed stock/bond/money funds:

Date	Sold	Bought	Date	Sold	Bought
13Mar1992	stock @ 56.65	MM @ 13.41	8Jan2001	TIAA Traditional	eq-idx@75.79 [4.56%]
29Apr1992	MM @ 13.48	bond @ 31.19	1Feb2001	i-i bond@31.78	eq-idx@80.84 [26.76%]
19Jun1992	bond @ 32.14	MM @ 13.55	20Sep2001	bond@61.99	eq-idx@58.42 [2.44%]
29Jun1992	MM @ 13.57	stock @ 56.74	21Nov2001	i-i bond@33.80	eq-idx@67.52 [4.35%]
24Jul1992	stock @ 56.76	MM @ 13.61	11Dec2001	i-ibond@33.28	eq-idx@67.95 [6.19%]
29Oct1992	MM @ 13.72	stock @ 58.61	17Dec2001	i-i bond@33.13	RIEst@168.75 [9.94%]
23Dec1992	stock @ 61.48	MM @ 13.78	17Dec2001	bond@61.54	RIEst@168.75 [9.26%]
16Jan1995	MM @ 14.83	equity-idx @ 26.44	31Dec2001	i-i bond@33.50	eq-idx@68.74 [8.21%]
20Jan1995	eq-idx @ 26.19	MM @ 14.84	25Mar2002	bond@62.43	TIAA Traditional [9.13%]
30Oct1997	MM@ 17.24	bond@47.56 (27.17%)	26Mar2002	bond@62.63	eq-idx@68.76 [3.39%]
30Oct1997	MM@ 17.24	i-i bond@26.12 (27.17%)	July-Aug2002	many whipsaw switches, not calculated yet	
11Feb1998	bond@ 48.84	MM@17.52 (27.17%)	Oct-Nov2002	switches between MM and i-i bond	
11Feb1998	li-i bond@ 26.23	MM@17.52(27.17%)	2Dec2002	i-i bond@37.68	eq-idx@56.93 [13.22%]
16Jun1998	MM@ 17.84	TIAA Traditional (45.87%)	2Dec2002	i-i bond@37.68	mm@21.62 [13.22%]
23Sep1999	MM@18.99	l-i bond@27.56 (53.32%)	31Jan2003	eq-idx@ 52.45	mm@21.66 [12.22%]
17-18May2000	rate adjustment to 7.25% in SRA		17Apr2003	mm@21.69	i-ibond@39.52 [21.72%]
12-13Jul2000	rate adjustment to 7.5% in SRA		17Apr2003	mm@21.69	stock@130.72 [3.54%]
8Jan2001	TIAA Traditional	bond@58.62 [22.77%]	28-30Apr2003	0.0889% "profit-skim"	stock to mm@21.70

Date	Sold	Bought	Date	Sold	Bought
1May2003	0.2184%	"profit-skim" i-bond to mm@21.70	6May2003	0.2127%	"profit-skim" i-bond to mm@21.70
2May2003	0.0714%	"profit-skim" stock to mm@21.70	7May2003	0.4225%	"profit-skim" bond to mm@21.70
5May2003	0.2167%	"profit-skim" i-bond to mm@21.70	8May2003	-0.4757%	"profit-skim" stk&bd to mm@21.70

Values, 23Jun2003: stock, 145.26; equity-index, 60.66; MM, 21.73; bond, 72.15; inflation-indexed bond, 41.83; real estate, 178.99; TIAA current yield in SRA, about 6.1% (new money at 4.00% through February 29, 2004). As of June 23, 2003, my retirement portfolios were invested: 46.53% in TIAA, 25.06% in TIAA Real Estate, 0.24% in CREF inflation-indexed bonds, and 28.17% in CREF money market.

Gain, 1988: 18.91%; 1989: 14.48%; 1990: 8.28%; 1991: 27.93%; 1992: 10.20%; 1993: 3.08%; 1994: 4.07%; 1995: 4.80%; 1996: 5.28%; 1997: 5.38%; 1998: 5.72%; 1999: 5.12%; 2000: 9.99%; 2001: 1.11%

Gain, January 1 through March 31, 2002: 0.97% (3.86% annual rate of return)

Total gain since January 1, 1988 (14.25 years): 223.43%

Compound annual rate of return: 8.59%

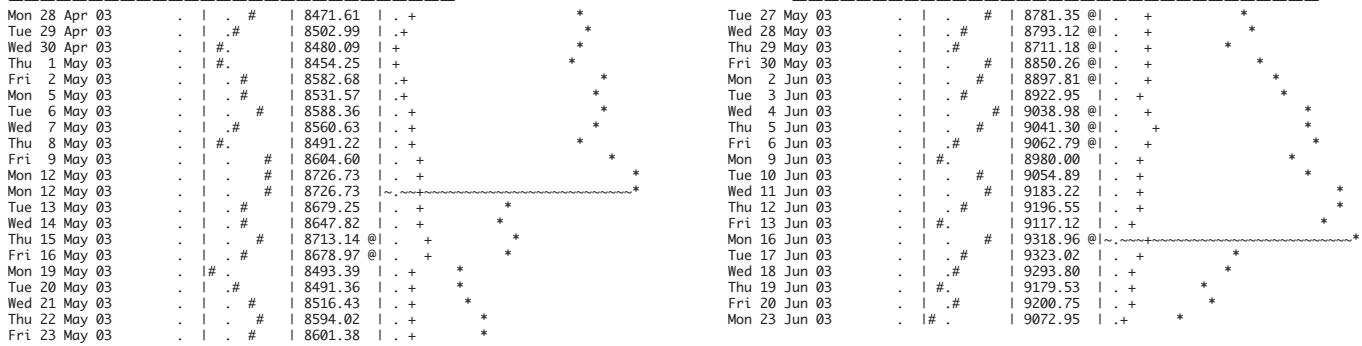
Gain shown excludes the impact of additional monthly cash contributions.

(Please note that I have not had the time to calculate my rate of return beyond March 2002, and may not get the time until I retire.)

Buying CREF stock on January 1, 1988 and holding it gained 422.38%, for a compound annual rate of return of 11.46%.

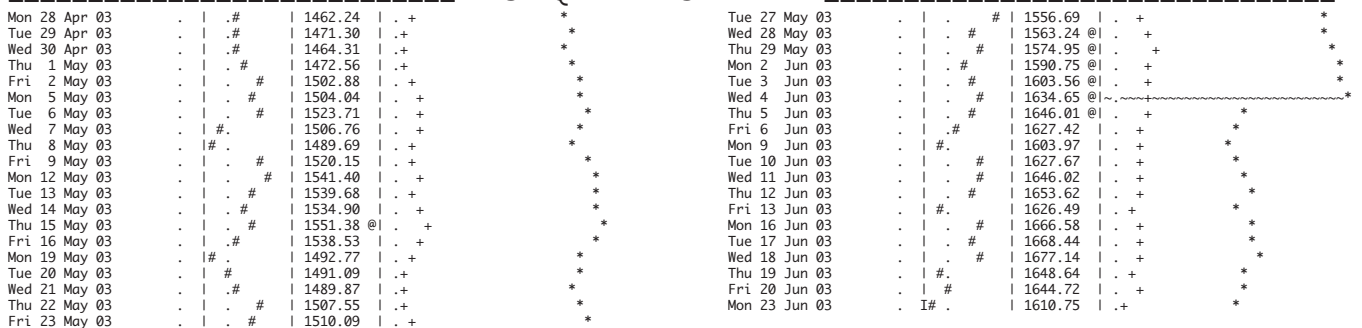
Comment on NYSE "Timer's Trend": We are currently on a BUY signal of March 17.

NYSE TIMER'S TREND



Comment on NASDAQ "Timer's Trend": We're currently on a BUY signal given April 7.

NASDAQ TIMER'S TREND



"Timer's Trend" is based on 4% and 10% exponential moving averages of the New York Stock Exchange or NASDAQ advance/decline lines (that is, the ratio of advancing to declining stocks). There are many symbols shown above, but the ones that count are the braces: {, } = "Timer's Trend" (4% exponential confirmed by 10% exponential) SELL (}) or BUY ({) signal.

NEXT ISSUE - will appear in July or August.