

**BOND MARKET  
HISTORY & OUTLOOK**

**CORNERSTONE INVESTORS' NETWORK**

**Aug. 7, 2004  
Harper College, Palatine, IL**

**Stewart M. Bishop, Publisher**



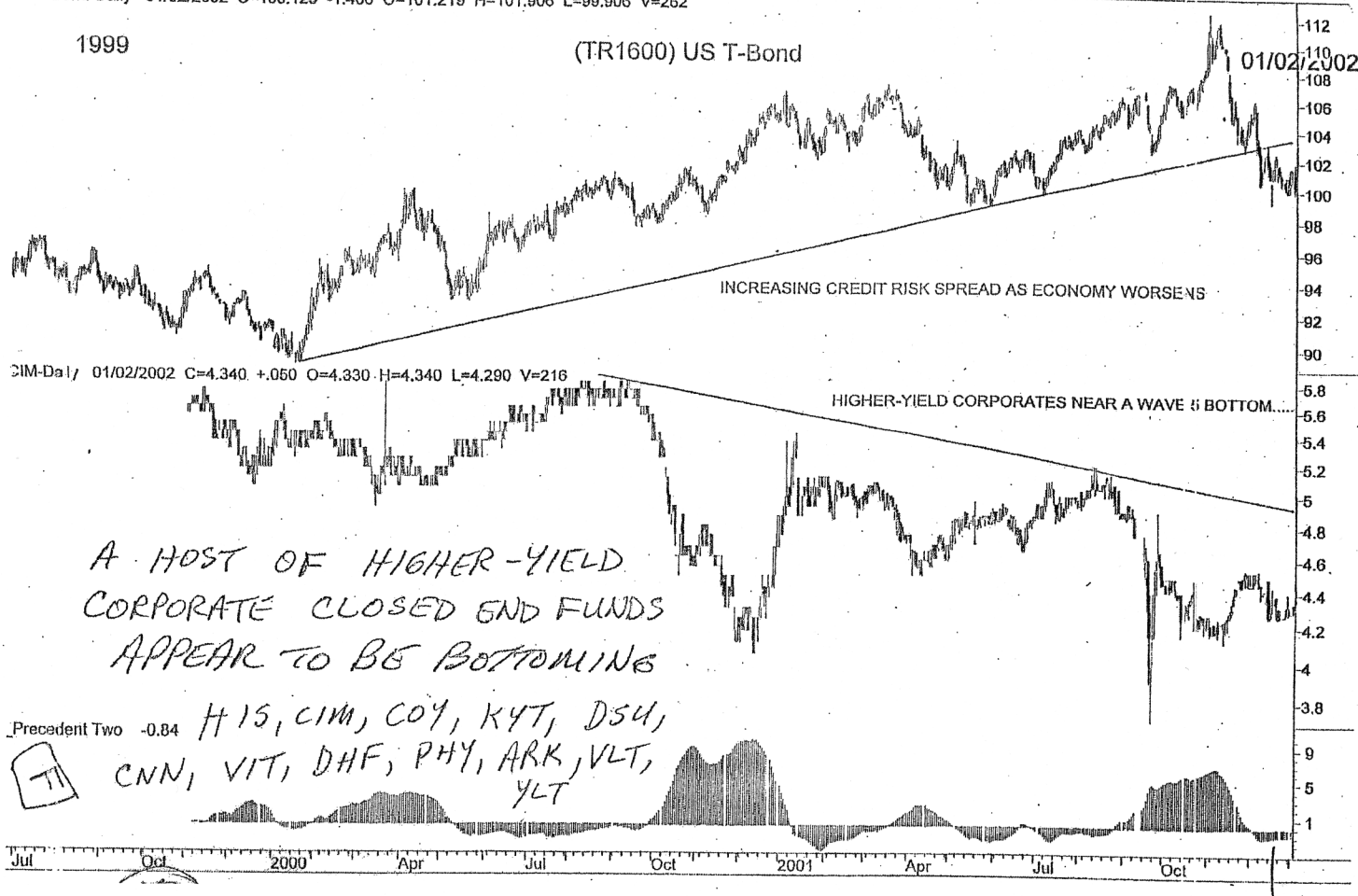
(B1)

Jan '02: **CORPORATE BONDS WERE ATTRACTIVE IN 2002**

CREDIT CYCLE FAVORS ACCUMULATION OF HIGHER-YIELD CORPORATES

06/25/

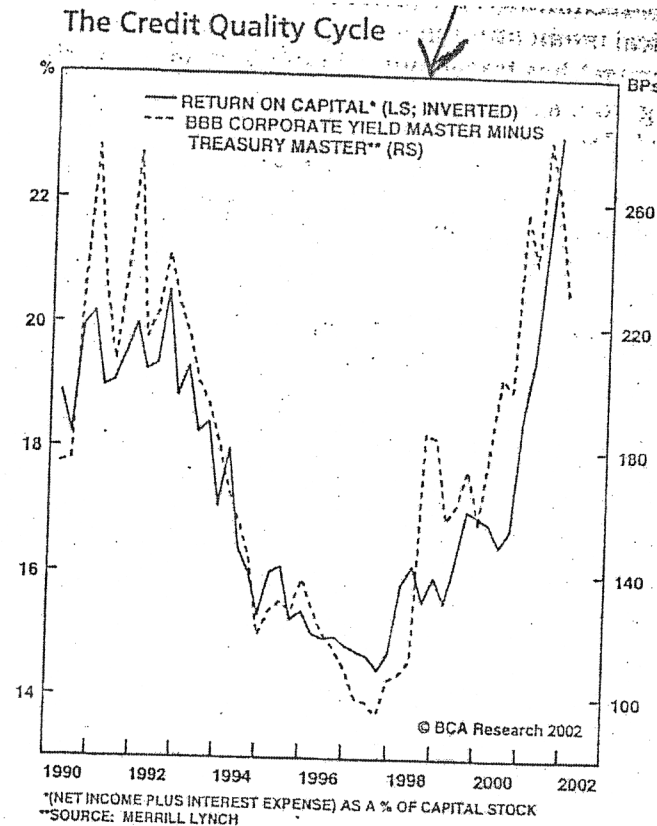
JS T-Bond-Daily 01/02/2002 C=100.125 O=101.219 H=101.906 L=99.906 V=262



“Higher yield corporate bonds have been out of favor since '98...as the outlook For the economy and corporate cash flow improves, the risk perception should Improve, favoring a reduction in the spread of corporates over T-Bonds...”

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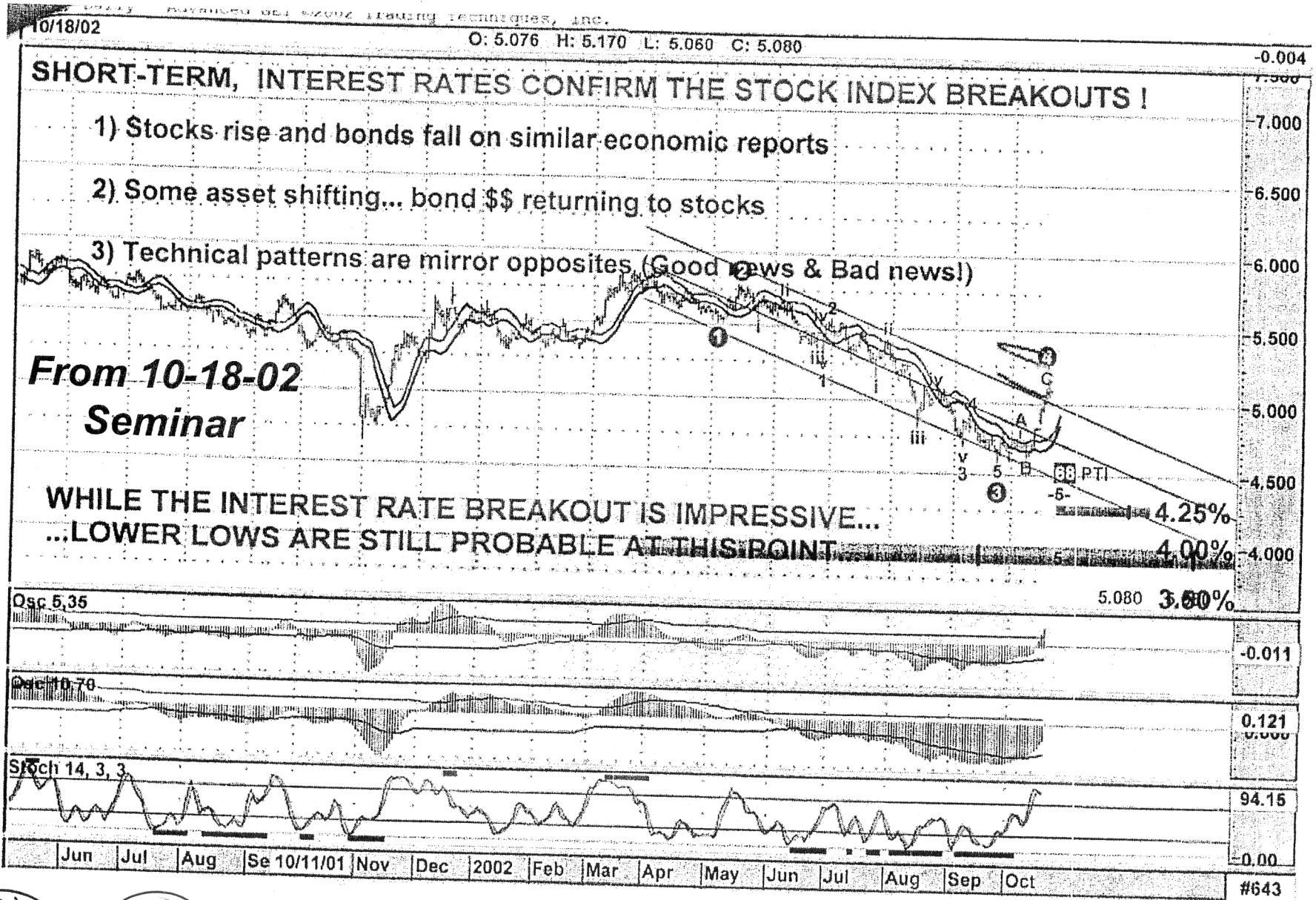
# CORPORATE BOND YIELDS HAD RISEN SIGNIFICANTLY ABOVE THEIR NORMAL SPREAD OVER TREASURIES



The market was fearful of lending to companies because they had taken on so much CAPEX debt in the booming '90's...for similar reasons they are also fearful of STOCKS! Fear is reflected in the spread.

Jan '02

# 10-18-02 FORECAST: INTEREST RATES WILL GO LOWER

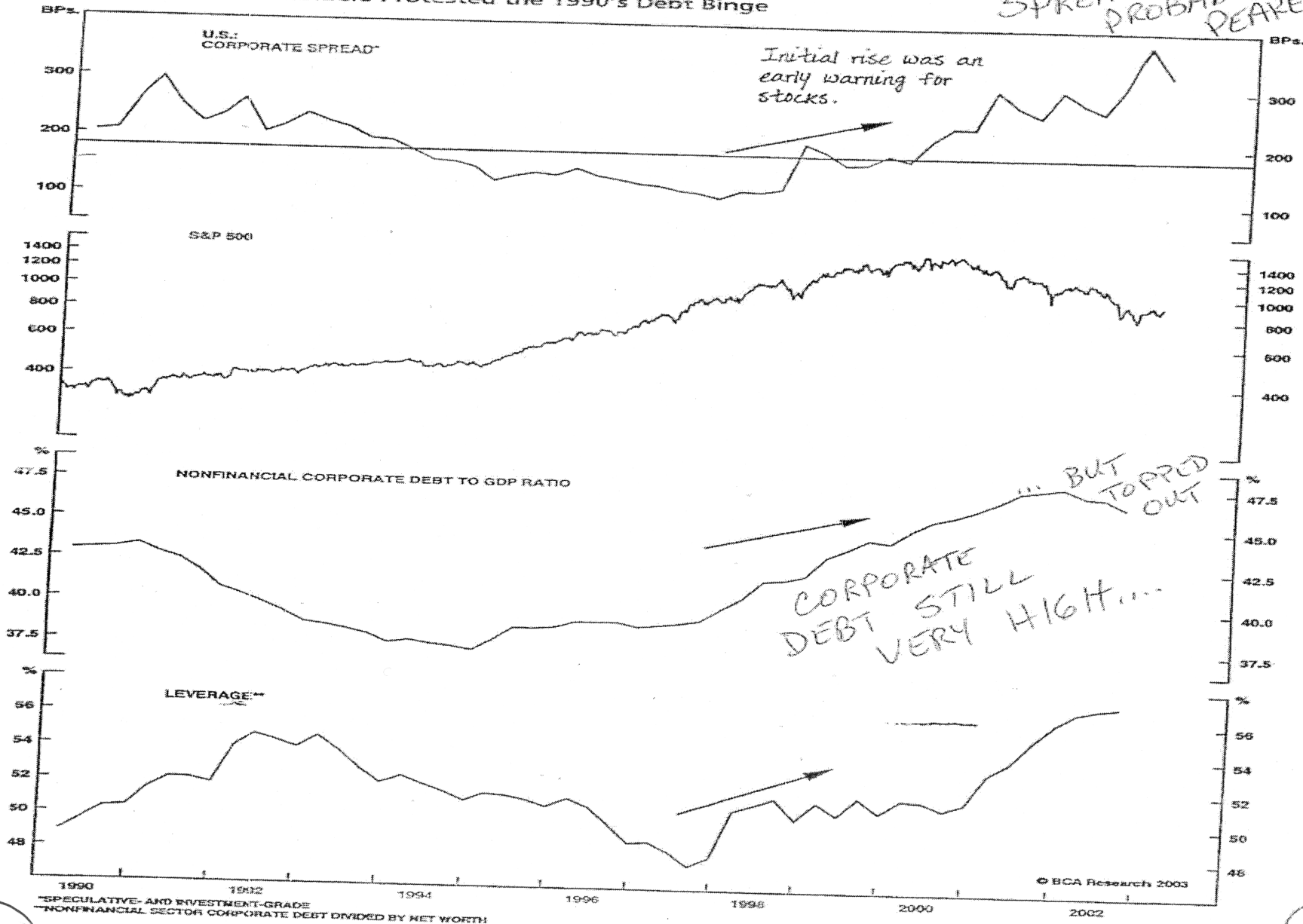


*(Handwritten scribbles)*

# Feb, '03: CORPORATE vs. TREASURY SPREADS HAVE PEAKED OUT

Corporate Bondholders Protested the 1990's Debt Binge

*SPREAD PROBABLY PEAKED*

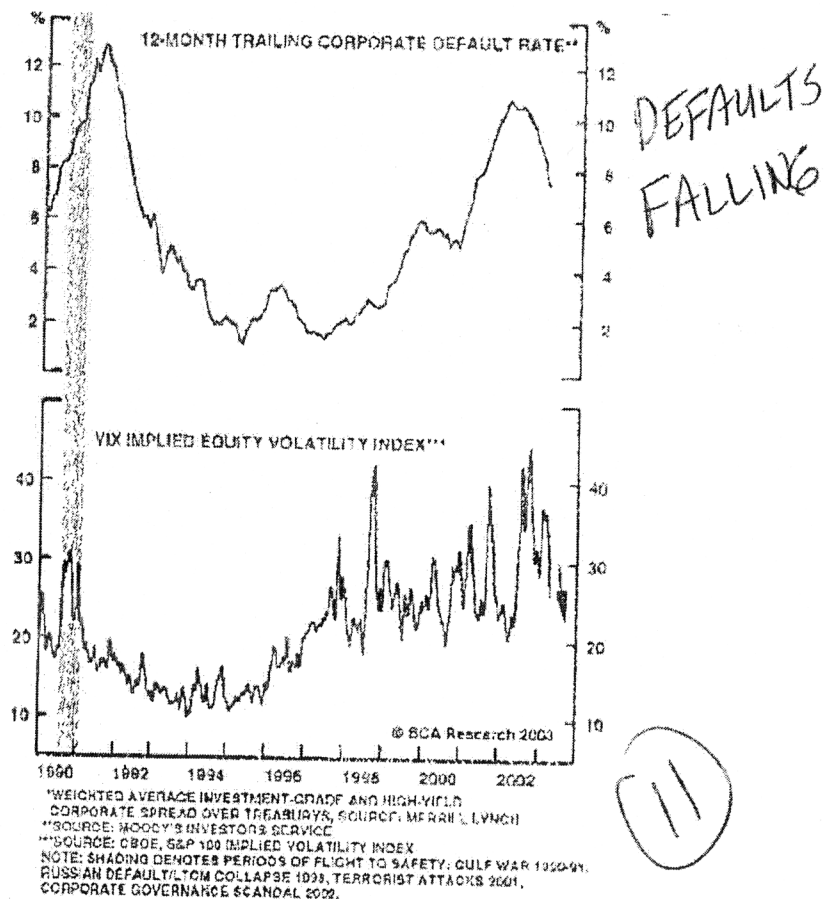
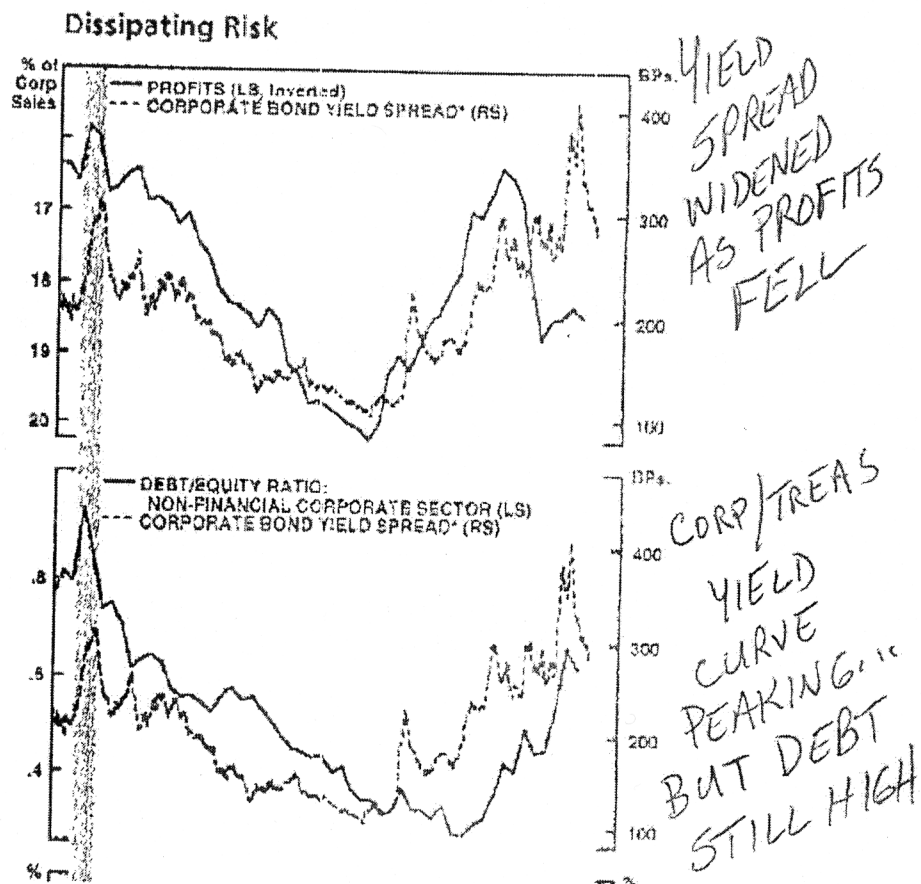


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# CORPORATE BOND SPREADS CONTINUE TO FALL AS CONFIDENCE RETURNS TO THE MARKETS...

April 20, '03



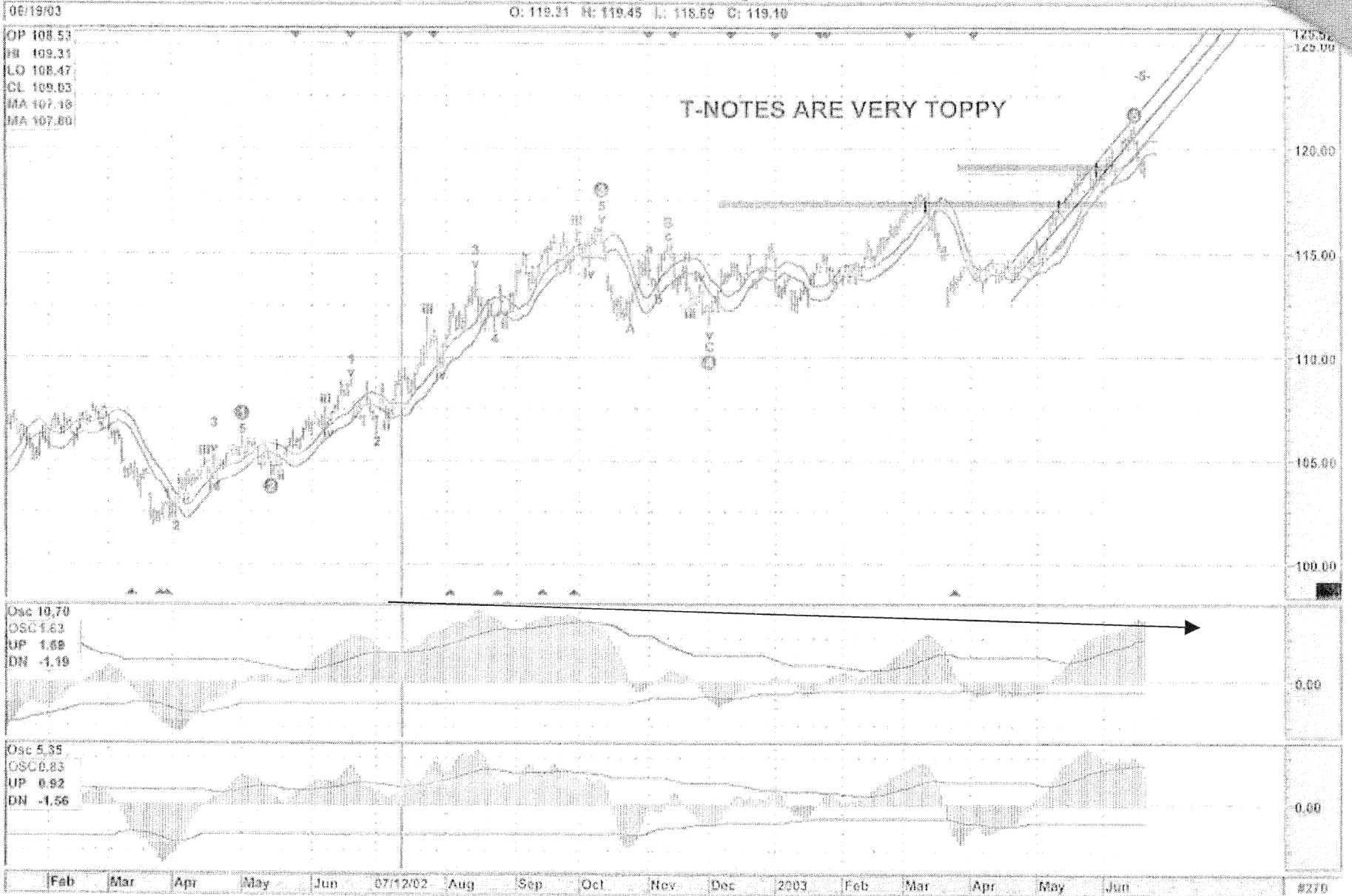
**...CONFIDENCE IN BONDS INCREASES CONFIDENCE IN EQUITIES!**

BP

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# 6-19-03: CALLING A MAJOR TOP IN BONDS

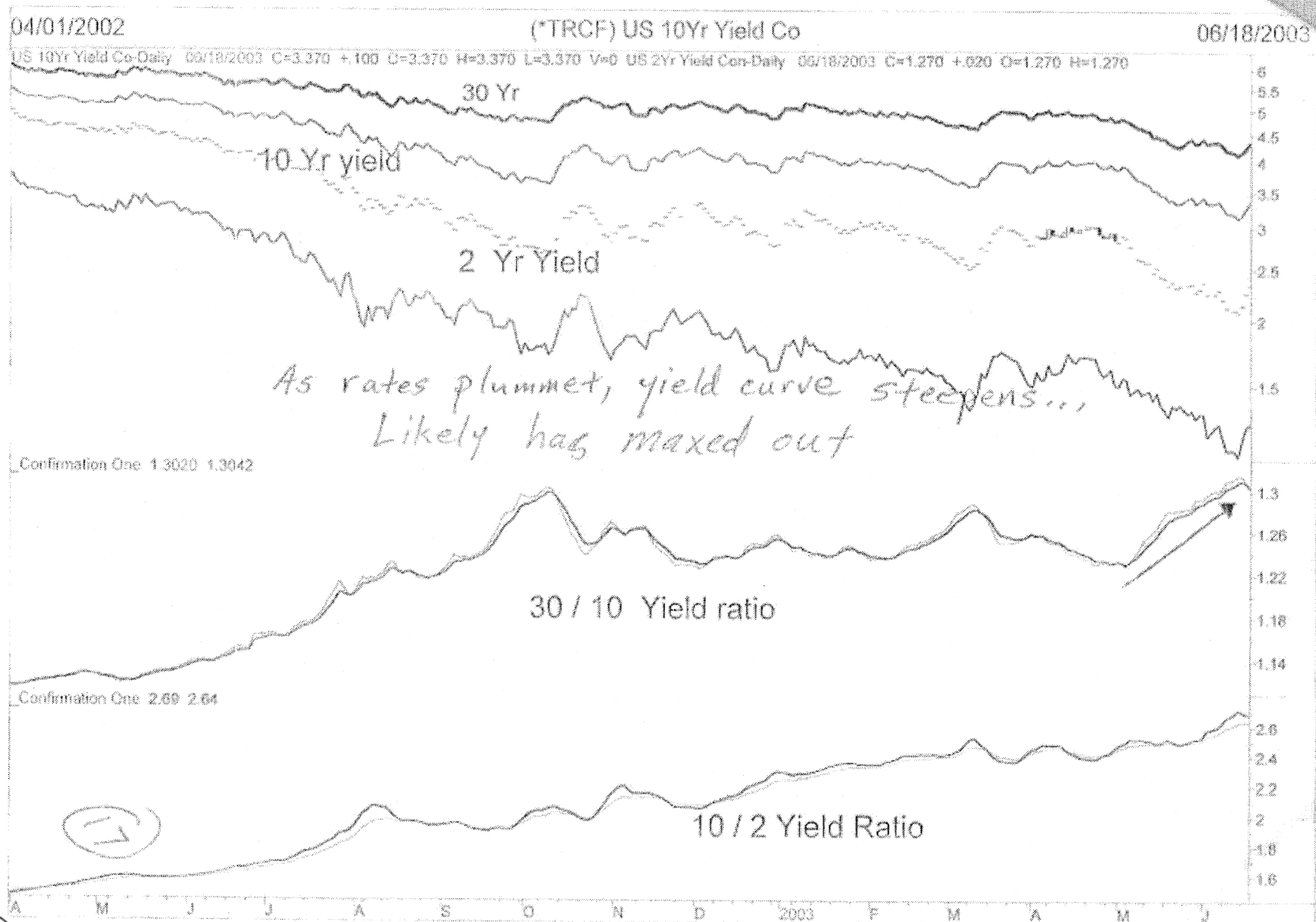
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# 6-18-03: CALLING A TOP in YIELD CURVE STEEPNESS



B8



# 7-16-03: DRAMATIC BOND SELLOFF CONTINUES

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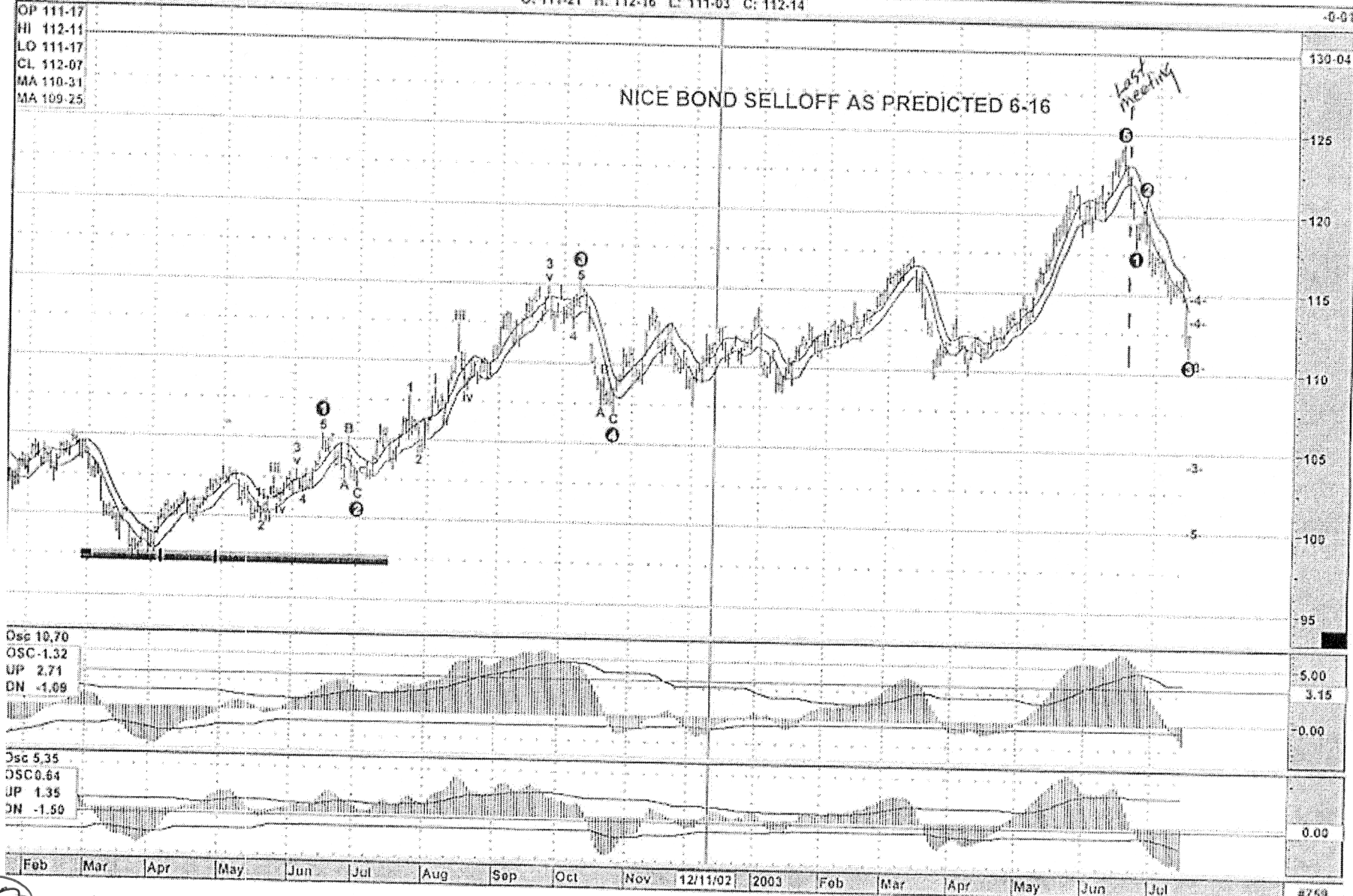
07/16/03  
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 HI 112-11  
 LO 111-17  
 CL 112-07  
 MA 110-31  
 MA 109-25

O: 111-21 H: 112-16 L: 111-03 C: 112-14

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NICE BOND SELLOFF AS PREDICTED 6-16

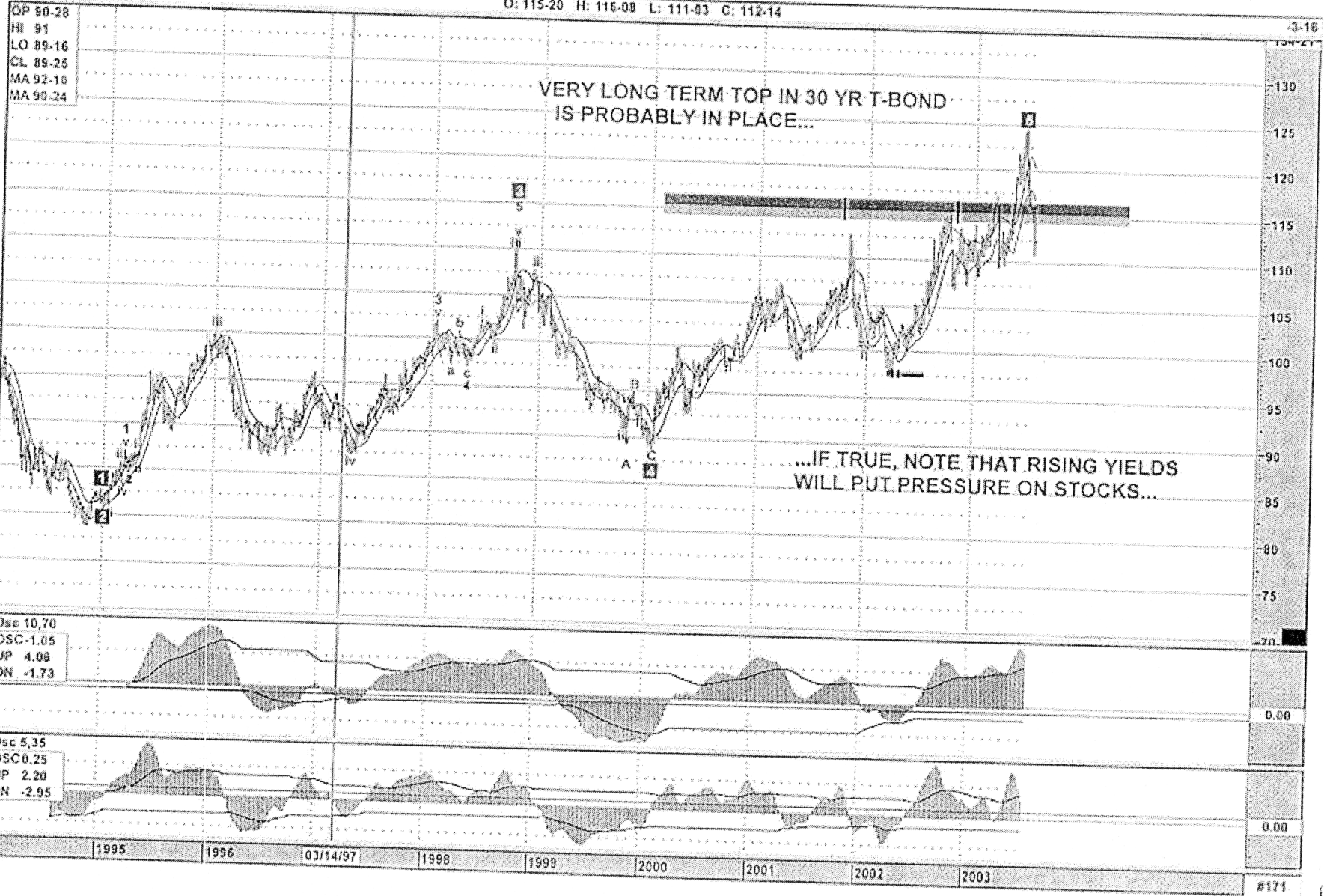
*Last meeting*



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# 7-18: SELLOFF LOOKS LIKE a MAJOR BOND TOP.... ....NOTE POTENTIAL PRESSURE ON STOCK P/E'S!

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