MAXIM GROUP

***Weekly Preview:* July 21, 2003**

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Market Summary:

Nasdaq	**1,708.50**	**+10.50**	**+0.62%**
DJIA	**9,188.15**	**+137.33**	**+1.52%**
S&P500	**993.32**	**+11.59**	**+1.18%**
Russell2000	**464.76**	**+4.83**	**+1.05%**
Nasdaq 100	**1,259.90**	**+4.00**	**+0.32%**
NYSE	**5,555.26**	**+71.07**	**+1.30%**

The Big Picture:

Revenge of the Bond Ghouls

Federal Reserve Chairman Alan Greenspan's testimony to Congress last week gave traders of fixed income paper an excuse to dump Bonds (see chart). They did so with almost reckless abandon, driving up yields as they locked in profits. Their actions led us to consider what future impact bond yields might have on both the economy and equity markets.

Government treasuries with attractive yield could derail the equity rally; A 5+% riskless yield in the 30 year would suck fund flow away from equities and money market accounts. It might also endanger the economic recovery – specifically, new homes sales, existing homes sales, and re-financings. As this has been one of the few bright spots in the economy, it bears close monitoring over the next year.

What might cause a *sustainable* rise in interest rates? We identify 3 likely factors: 1) The re-issuance of the 30 year bond by the Treasury Department; 2) Strengthening of the economic recovery; 3) Technical Break down of Treasuries.

The Treasury Department's decision to eliminate the 30-year bond in Fall 2001 caused an acceleration of the bond rally. The benefit of hindsight reveals Treasury's presumption of continued budget surpluses as hopelessly optimistic. As we discussed in March, investors should expect Federal Budget deficits for *at least* the next 5 years, possibly longer. We believe patient government fixed income buyers will eventually see more attractive coupons.

The more curious hazard is the improving economy itself. To date, economic expansion has been anemic. If the jobless recovery maintains its present lackluster pace, the economy may sputter and fail. Employment numbers have been going south instead of improving. A recovery that fails to generate new jobs isn't very much of a recovery at all.

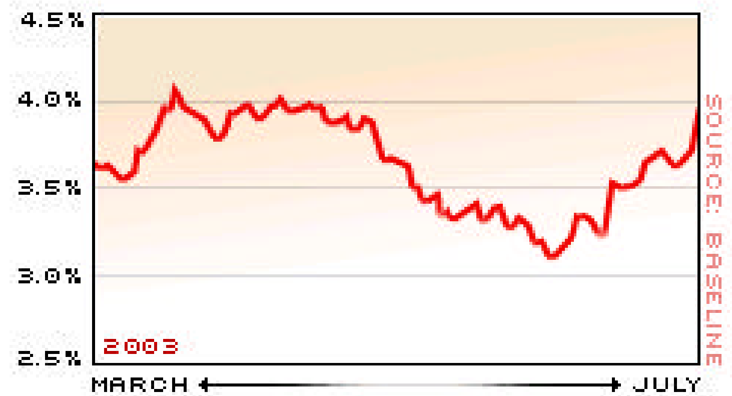
On the other hand, if the pace picks up too rapidly, the Fed may have to resume their role of inflation fighters. If they are forced to increase interest rates, it will hurt homes sales, refis and consumer spending. Thus, a too rapidly improving economy sows the seeds of its own destruction.

That's the bind the Fed now finds itself in: The threat of deflation is fading, with inflation looking *if not likely*, than certainly *more possible* than was thought a mere two months ago. Rising rates in a slow growth, jobless recovery does not lend itself to a positive legacy for the Chairman. Equity investors must also be diligent rate watchers, as a continued rise would put their rally in jeopardy.

Chart of the Week:

Treasury yields have bounced off of their lows recently. After a 3 year Bull Market in government fixed income paper, with deflation fears fading, Traders have been locking in profits. If Bond sales continue, yield instruments may once again find a new round of buyers.

10 Year Treasury Note Rebound



Source: CNN/Money

The yield of the 10 Year Treasury note has gained nearly 25%, erasing the drop of the prior two months.

Economic Calendar:

MON July 21
10:00 Leading Indicators

TUE July 22
7:45 BTM-UBSW Store Sales

THU July 24
8:30 Retail Sales

FRI July 25
8:30 Durable Goods Orders
10:00 New/Existing Home Sales

Random Items:

FT: Will fiscal overstretch undermine an Empire?

WashPost: Deficits And Economic Priorities

MSNBC: Pension Time Bomb

NYT: Death of the Business Cycle?

CNN: War? What war?

NBER: Recessions

Quote: "All you need in this life is ignorance and confidence and then success is sure."
- Mark Twain

Please refer to pages 2 and 3 of this report for important disclosures

Maxim Group LLC Stock Rating System			As of:	7/15/2003
	Expected Performance*	**Risk to Fundamentals/ or Valuation**	**% of Coverage Universe with Rating**	**% of Ratings that are Inv. Banking Clients**
Strong Buy	Expected to significantly outperform market;	Minimal	7%	0%
Buy	Expected to moderately outperform market	Moderate	60%	11%
Hold	Expected to perform in line with market	Moderate to Substantial	27%	0%
Sell	Expected to underperform market	High	7%	0%

** Relative to S&P 500 for larger capitalization stocks. Russell 2000 for medium and small caps.*

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Valuation Methods: See body of report for valuation methodology.

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http://money.cnn.com/2003/07/16/news/economy/rate_impact/index.htm

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http://news.ft.com/servlet/ContentServer?pagename=FT.com/StoryFT/FullStory&c=StoryFT&cid=1057562384567&p=1012571727126

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