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Economic Outlook for 2011

By Harvey Neiman, President / Portfolio Manager of Neiman Funds

The portfolio managers of Neiman Funds have the following economic outlook for the first half of 2011:

1. Corporate earnings – revenues and earnings will start to increase as consumers gradually increase spending. Large cap companies will use extra cash to keep their dividends steady and/or increase them, and to pay down debt.
2. Stock market – securities markets will continue to be volatile with economic recovery still uncertain. With increased cash and steady dividends, large cap stocks should experience less price volatility than the overall market.
3. Commodities / Energy / Gold – these will all remain high near current levels, or increase slightly, as the economy tries to recover, and consumer demand for staples increases. Gold will remain high as an inflation hedge.
4. Inflation – inflation should remain stable at current levels, or increase slightly, with increased consumer spending, and strong commodity and energy demand.
5. Interest rates – the Fed will consider increasing rates if the economy heats up, but probably will keep deferring until later in the year. Mortgage rates will remain low to encourage increased activity in the housing market.
6. US Dollar – US currency will strengthen if interest rates rise, but absent that, the dollar will remain near current weak levels against key foreign currencies. Foreign demand for US products/services should remain strong at current dollar levels. Increased government debt remains key obstacle to strong dollar.

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