

Interim Market Update



Central Plains Advisors, Inc. • 100 N. Broadway, Ste. 130 Wichita, KS 67202 • Economic Consulting & Investment Management

June 3, 2008

THE BELL HAS RUNG AGAIN

The extremely poor monetary policy executed by Alan Greenspan and his like-minded successor Ben Bernanke has, to date, led to three distinct bubbles—one which has been deflated (tech stocks), and one in the process (housing). There is one more to go: commodities. There is absolutely no question but what the entire commodity market is being driven by index buyers, especially over the last three years. Please note the two most dangerous charts of 2008.

This simply tells us that the greater fools are at it again. It is another zero plus game, which can only end in large losses whenever the music stops. We believe this bubble has been pushed onto institutions and other large investors by Wall Street seeking to fulfill the income needs of various pools of money. For example, most public and private pension funds have 8% or so income assumptions built into their defined benefit plans. My friends, this will not work in an income-starved, sub-economic growth economy. Just as these funds did with tech stocks and housing debt securities, they have bought into the 1970's inflation scenario. Why? Because they believe the Fed put will work again and hyperinflation is on the way. Again, in our opinion, this is a fool's game. Debt liquidation has just barely begun, and this is the most dangerous deflationary thing that can happen. The Fed can prolong things by providing liquidity to the financial markets, but they cannot cure solvency problems.

We urge all who have bought into the incessant drumbeat of inflation to go back and study their history books. We have no idea when this bubble tops out, but we know it will. That being the case, just as we advised our clients and friends to sell stocks in June of 2000, we now—eight years later—suggest the same as it pertains to commodities.



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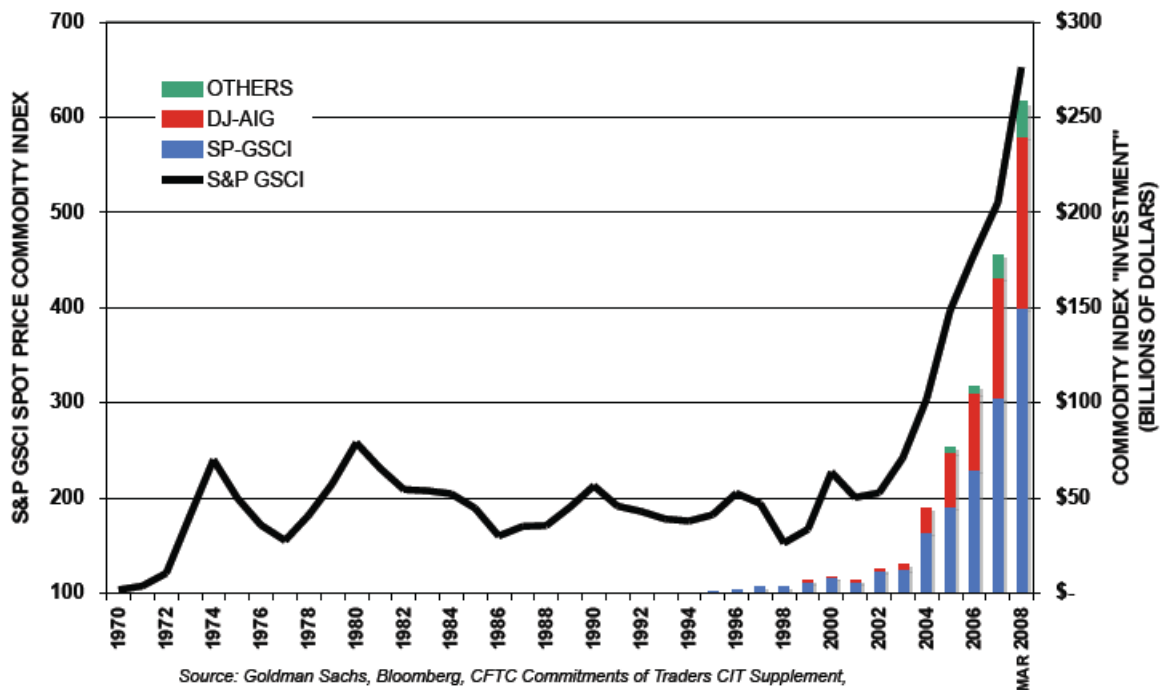
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CHART ONE

COMMODITY INDEX INVESTMENT COMPARED TO S&P GSCI SPOT PRICE COMMODITY INDEX



Adapted from Mish's Global Economic Trend Analysis



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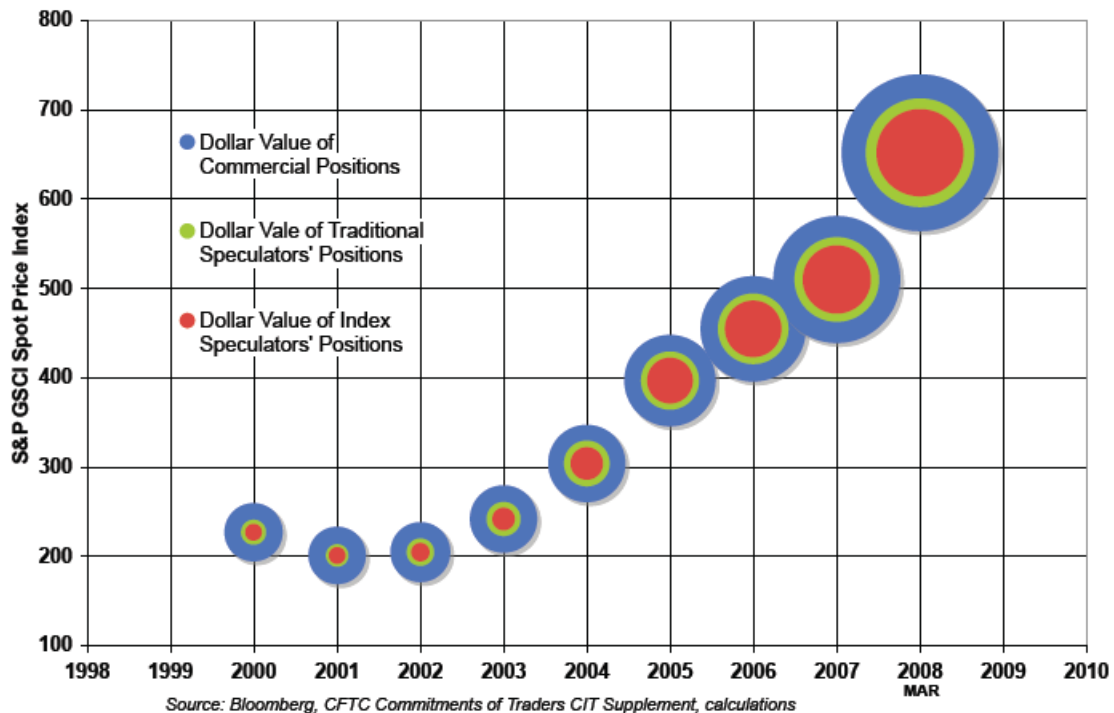
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CHART TWO

Commodity Futures Market Size



Adapted from Mish's Global Economic Trend Analysis



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