

## **A SHOT ACROSS THE BOW**

### **WEB BUZZ 2011.04.25**

The downgrading of the AAA outlook for U.S. Treasury debt to negative from stable is good news for this country and particularly good news for those of us who own U.S. treasuries. Why would we say this as the immediate vote by the financial markets was a decline of 200 points on the Dow Jones Industrial Average and 1 point decline on the 30-year treasury bond?

Very simply, this is an independent, third-party financial vote telling the politicians in Washington that they must get their fiscal house in order. This is extremely deflationary, which in our mind is the final nail in the coffin of inflation that so worries the market. The only inflation we have experienced has come from the rush to stocks and commodities from Wall Street speculators. The Fed is responsible for this due to their flooding the market with liquidity. The ending of QE2 should bring this to a close. If the Fed comes to its senses and the politicians hear the clarion call from the markets, a recession is right on top of us. That is the bad news. The good news is that it must happen if we are ever to get back on a growth path.

The piper must be paid for the irresponsibility of politicians and their bedfellows on Wall Street. If they don't get religion this time, then surely the fight over the debt ceiling will do the trick.