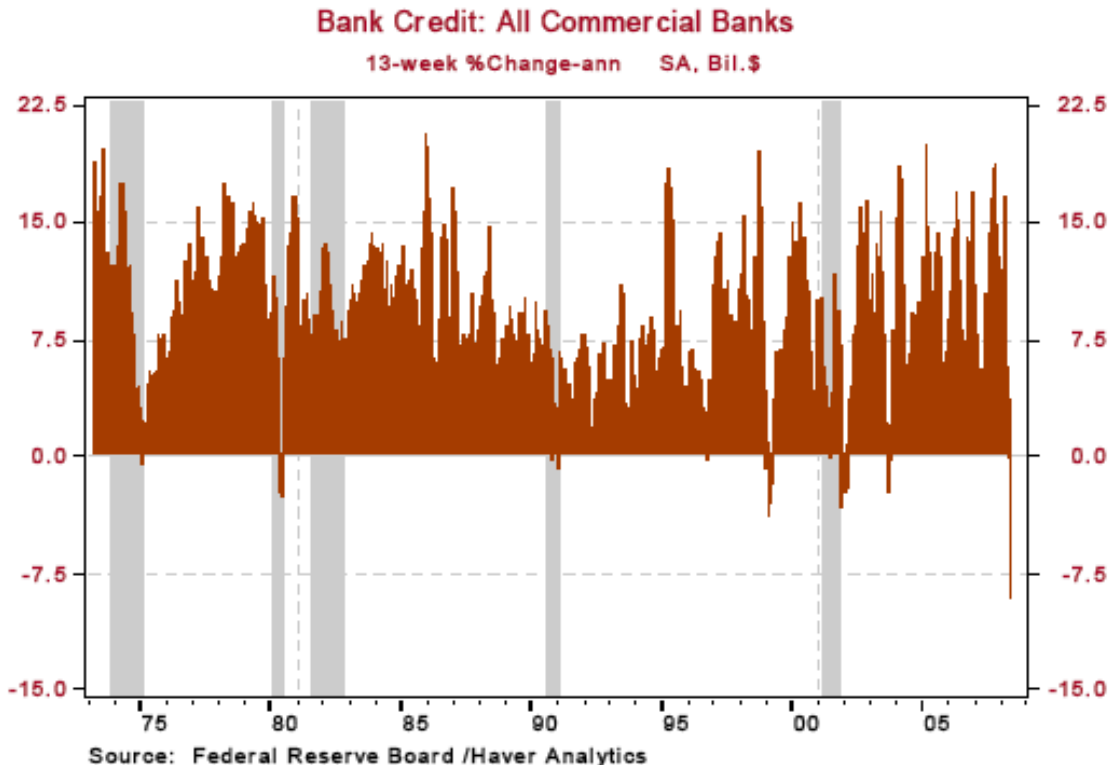


A THIN RED LINE WEB BUZZ 2008.07.02

To all who fear runaway inflation, please take a look at the thin red line on the right side of the first chart below. Of course, one 13-week number does not a trend make; however, as we have been preaching all along, we are in a de-levering mode of major proportions; thus, what you see is only a beginning in our opinion.

Another very interesting set of charts has to do with money supply (M_1) and velocity. Both show the same deflationary tendencies. As Milton Friedman once said, inflation is always and everywhere a monetary phenomenon. Reduced loans, no money growth, and less money velocity are a prescription for deflation. Look for another one of Alan Greenspan's quotable comments on coming deflation, which resulted in his lowering of the Federal funds rate to 1%. It is our opinion that this rate will hit 1% or lower before this cycle is over. Forget inflation.



Adapted from www.SafeHaven.com

