

# Alan Knows But Won't Say

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There has been and continues to be much speculation concerning the various ways economic data is computed. The legions are many who believe the inflation numbers are “rigged” in favor of reporting less than is actually taking place. We do know that GDP figures are “adjusted” for value enhancement. Some of which seems to make sense and some of which does not. Just this month we noted the following which was reported by *The Elliot Wave Financial Forecast*. The conference board said in July they decided “to factor out the negative effect of a narrowing yield curve by changing the way it calculates the index of leading economic indicators.” According to one account, the recalibration shows a decidedly stronger economy, bringing it more in line with economists’ forecasts.

This is akin to changing the fact to fit with one’s hoped for outlook. In fact, it is more than akin – it’s the real McCoy.

As you know, we have been projecting a yield curve inversion (short term rates higher than long term) for about a year or so. Alan Greenspan has called it a conundrum. Do not be fooled by this jargon. (We are convinced he knows full well such is about to take place and he knows what it means.) It means recession and recession coupled with the high level of consumer debt equals deflation. That’s his real fear and frankly, we don’t see how it can be avoided. If we are correct in this outlook then stocks are grossly overvalued as are junk bonds and of course, many real estate assets. Safety is the name of the game and that means government bonds.