

ARE THEY KIDDING US? 3/19/07

Every once in a while something occurs which absolutely hits one right between the eyes. That “something” to us is the following chart, which depicts retail sales ex autos year over year vs. the federal funds rate. Last week the retail figures for February were reported and they were up over January by a disappointing 0.1%. January sales were, by the way, flat from December, 2006. So far in 2007, retail sales including auto sales are basically going nowhere. Does that sound like a robust economy to you? The lower gas prices we saw from December 2006 to February 2007 were expected to boost retail sales, but that didn’t happen. Also, auto sales are included in the above +0.1% and 0.0% and we know they have been weak, so maybe it’s only cars that are causing the trouble. Retail sales ex autos have been marginally up; however, please note the chart below. This period covers all of 2000 through February 2007. In comparison to a year ago, retail sales ex autos are “in the tank.” We are very close to recession numbers. Wall Street remains bullish. We just wonder why—are they just kidding us?

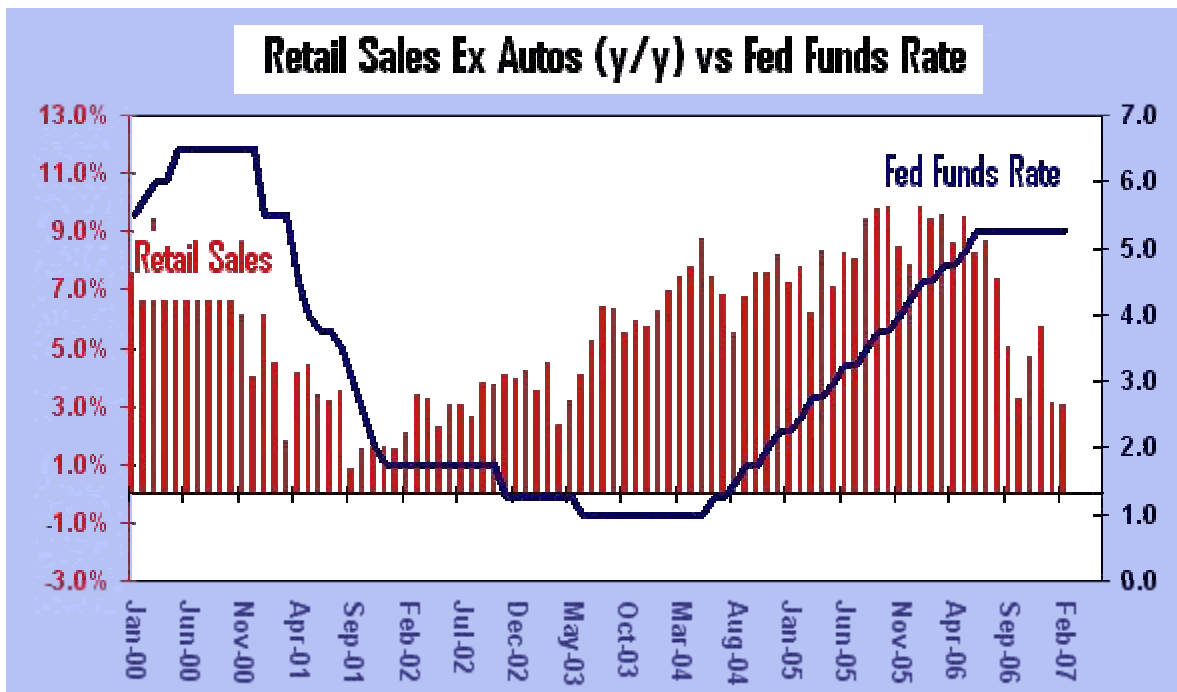


Chart Taken from SafeHaven.com