

DEFLATION HAS ARRIVED

WEB BUZZ 2008.11.24

Have you noticed that the word *deflation* is appearing more and more in the business news? What exactly does that mean for us? We believe the answer is that the beginning of the end is at hand. But it is only the beginning. We are all well aware of the fact that when a particular trend appears on the front page of a popular magazine such as *Time* or *Newsweek*, the move—whatever it be—is about over. We have not seen that yet, but you can bet the farm it's on the way.

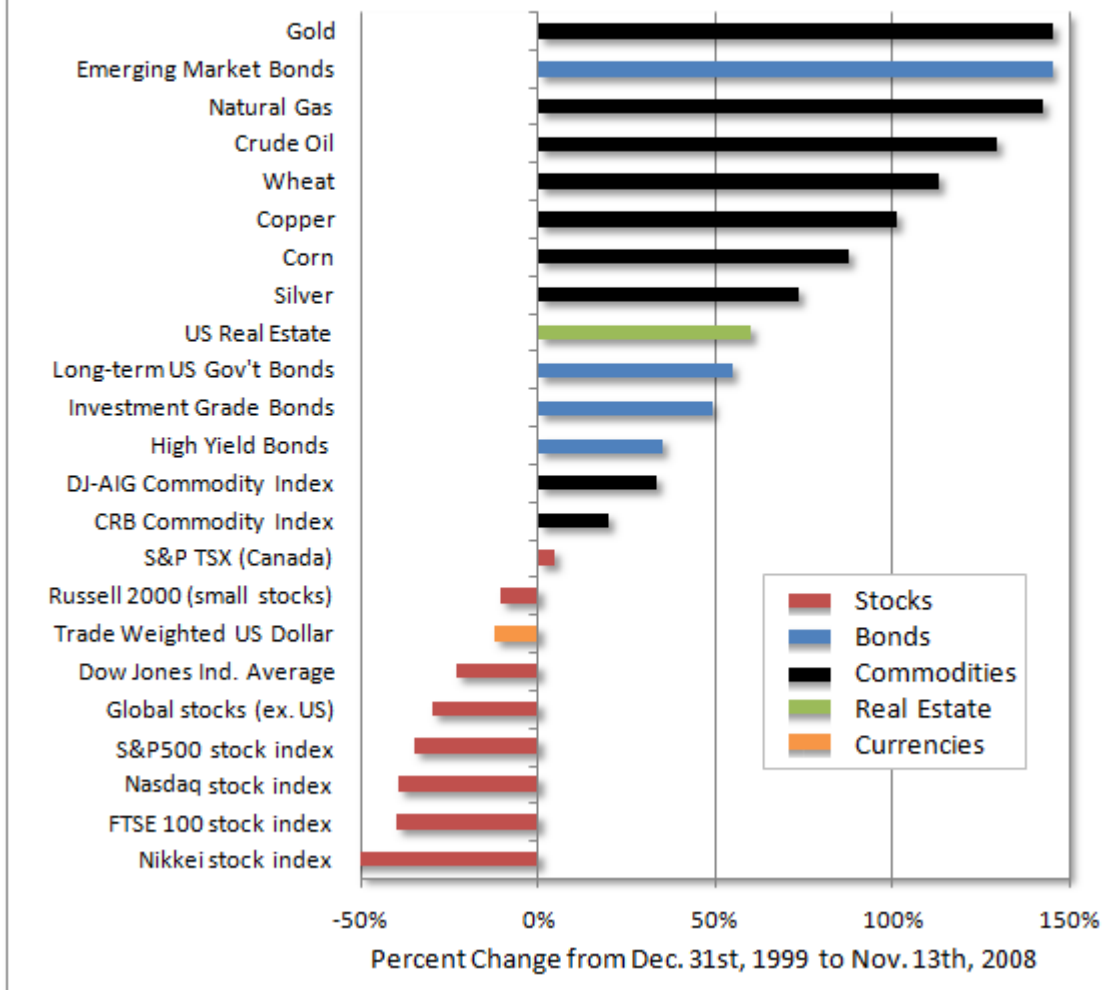
For the Month of October

U.S. wholesale prices declined 2.8%, and consumer prices declined 1%. These are unheard of numbers; 2.8% is the largest decline since the 1940s, and 1% is the largest ever. On top of this, the housing market starts and permits continue to decline at an alarming rate—we are seeing declines that haven't been seen since the 1950s and 1960s. Housing prices also continue to decline. Nowhere are prices increasing that we can see—except for government bonds!

Please note the following chart, which looks back to the beginning of the 2000s. Take particular note of the long-term government bond, which has done very well; however, we continue to believe it too early to buy those at the bottom, with the possible exception of the U.S. dollar. Please remember, the dollar is the strongest of all weak currencies.

What's Hot, What's Not - 21st Century Edition

Sources: Yahoo Finance!, Kitco, S&P, Barchart, Pimco



Adapted from FinancialSense.com