

# Goodbye Rosie Scenario

July 6, 2004

The “off to the races” scenario painted by the ever bullish Wall Street sales machine took a serious hit last week with the announcement of the monthly jobs report. A short fall of more than 50% from what was expected (250,000) put the street in a funk. As you know from our previous communications, we do not believe we are in a “rip roaring” economic recovery. The best one can expect, in our opinion, is quite slow growth. There is a capital goods replacement cycle underway, which we believe will soon be offset by a consumer retrenchment. The net of the above two will be south of GDP 3% or maybe less.

There appears to be a slow down underway in the Chinese economy, which has been the primary engine of growth worldwide. The rest of Asia, which is heavily dependent on China must, of necessity, also slow down. If we are correct in the assessment as well as our outlook for the U.S., what does that leave? Only Europe, but don't hold your breath. They are so bogged down by welfare impediments and bureaucratic restrictions that it will take a miracle for them to even stay in the game. Is it the end of the world? No, but it's a long way from what the financial markets expect. An above 5% return obtained from a credit-riskless asset looks might good.