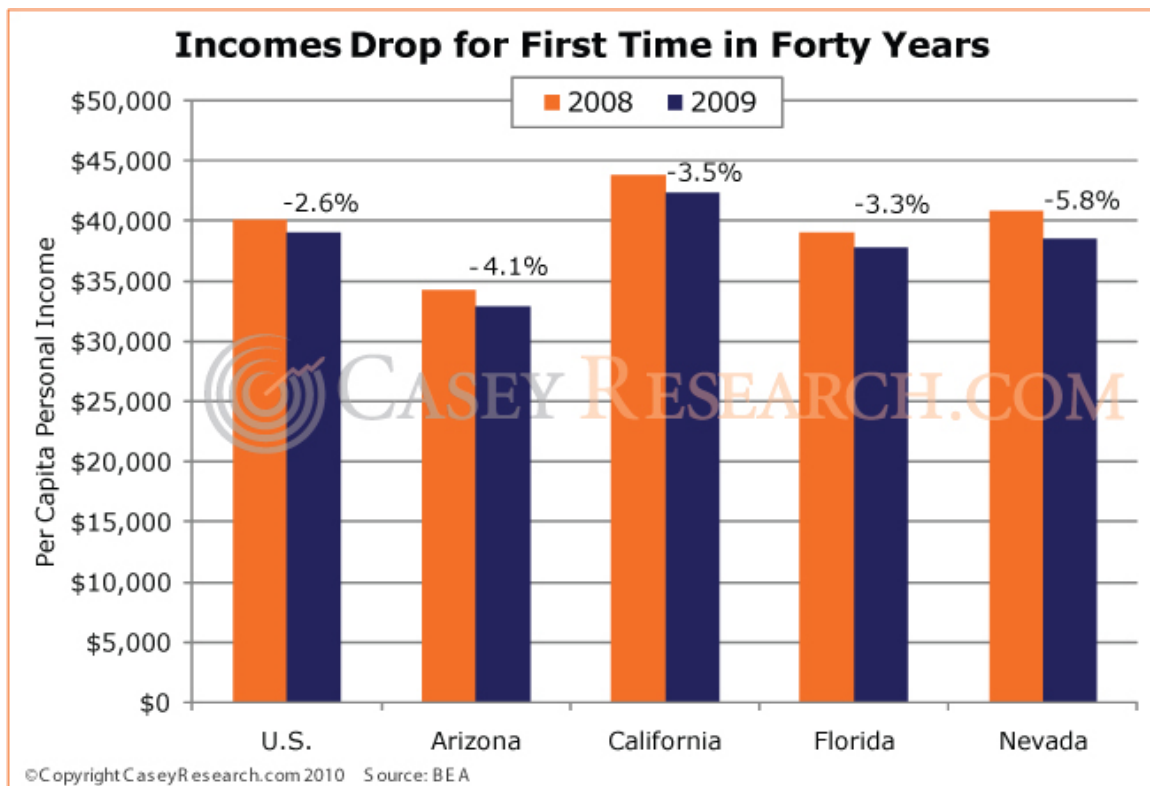


HOW GOOD DO THINGS REALLY LOOK?

WEB BUZZ 2010.04.12

What sector of the economy is going to grow, thus sustaining the turnaround we have seen in GDP growth? Everyone is counting on the consumer to get back to what he has done so well in the past - spending. The question, however, is where is he going to get the money? It certainly is not coming from income. Please note the following chart, which depicts the first year-over-year drop in income within the last forty years.



Adapted from Casey Research

Will it come from further borrowing? Not likely. The consumer has more debt than he can stand now. There were 158,000 personal bankruptcies in March - 75% of them Chapter 7. This was up 35% from February. The previous record over the last five years was 133,000 in October of 2009. It appears a new record might be reached this year, even including the year 2005, which was just before bankers pushed a new bankruptcy law favorable to them through Congress, which, by the way, is not working out that way.

The real unemployment rate (U-6) is 17.5% and it takes approximately 150,000 new hires each year just to take care of new entrants into the workforce. It looks to us that we may have a new permanent unemployed class. Why? Business is scared to death to invest in anything other than labor-saving equipment. Tax increases are coming and we have in Washington the most anti-business administration since FDR. Do you realize that over the recession period there has been \$500 billion transferred to those unemployed just to keep them going, and, of course, every penny of it was borrowed? To top it off, a new round of housing foreclosures is in the offing later this year and in 2011. The recession seems over, but we don't believe one should strike up the band.