

# Poor Baby's Outlook

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Of course, none of us know for absolutely sure the outlook for the economy. The only thing we can do is analyze, compare, note the direction of financial markets and use our years of experience in the real world to make decent informed judgments. This we do on a daily basis and although not perfect by any means, it has allowed us to have one of the better performance records in the country. If only we were as good at selling our services as we are in analyzing the economy we might have made a Forbes magazine write up as have others whose record is no where comparable to ours. Oh well, so much for self-pity. The following is what we see for the economy and financial markets as we move forward.

The leading economic indicators and the purchasing manager's index are trending downward. The manufacturing sector, which has the multiplier effect on the economy, is slowing. Debt levels continue to advance at neck-breaking levels. Employment is slowly increasing, but at negative real wage increases. Maybe more important than any of the above is the continued march towards a liquidity crunch. Money numbers are slowing and short-term interest rates are moving up. This is almost a sure sign on trouble ahead.

The stock market has been in a trading range this entire year and remains overvalued. The bond market is beginning to finally go in different direction based on quality. On a price basis most everything except full faith and credit government bonds are going south and yes, the long government bond is the asset of choice.