

SLOW MOTION PERSONIFIED WEB BUZZ 2008.05.19

The economic picture is somewhat akin to watching paint dry or pouring molasses from a jar—it's all in slow motion. Rather than falling off a cliff, economic activity is just grinding to a halt. Please note the following two charts, which portray its path to lower levels.

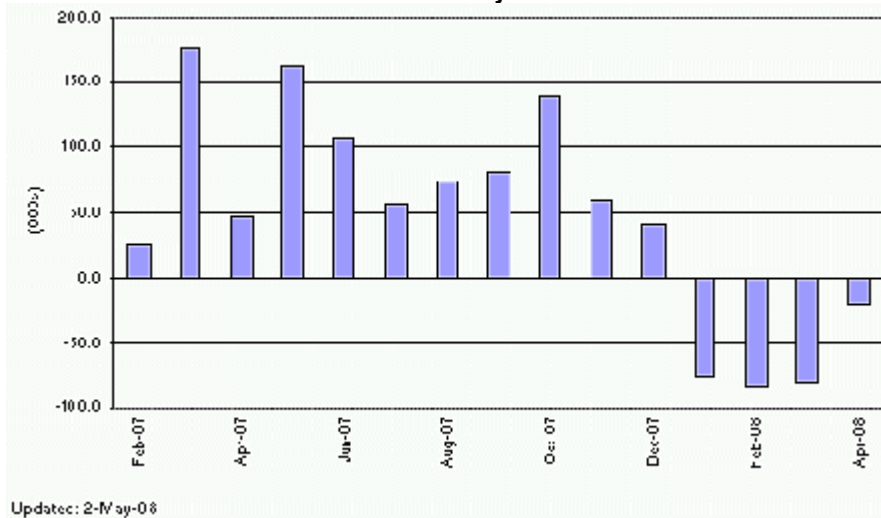
While all this is going on, the Federal Reserve continues to fund the liquidity needs of the commercial and investment banks. They will not loan to each other on an unsecured basis; thus, go hat in hand to their doting parent (The Fed). Just the other day, Chairman Bernanke told his spendthrift prodigies to gather more capital, as there is more toxic waste to come via consumer loans of all shapes and stripes.

Our guess is the same as Myron Scholes', Nobel Prize winning economist, who in essence says the credit crisis has along way to go. Please keep in mind only about 25% or so of the \$1T worth of bad loans has been reorganized. The Fed is allowing the banks to spread it out over a long period of time—a kind of frog in increasingly hot water.

Everything is in slow motion. Probably the slowest is the investing public's realization that this is going to be a long and painful economic experience.

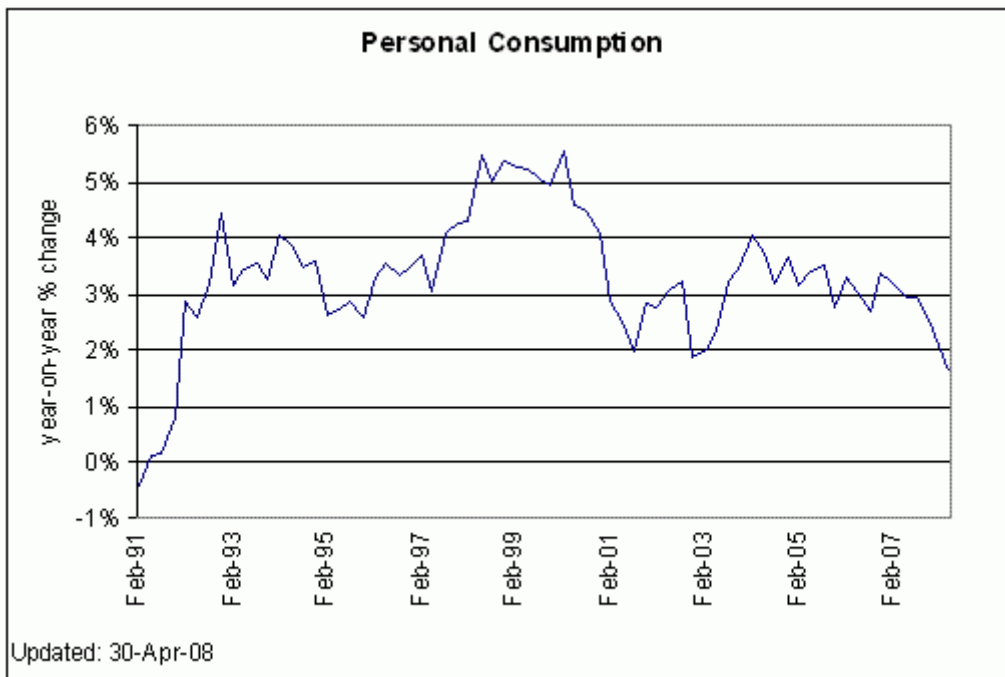
Oh, by the way, Myron Scholes is one of those economic professors who believe mathematics trumps human nature. Do you remember the Long Term Capital Management fund?

Non-farm Payrolls



Adapted from Elliott Wave Web Site

Personal Consumption



Adapted from Elliott Wave Web Site