

## THANKS, BUT NO THANKS, ALAN 3/5/07

One would think that the recent pronouncement by Alan “Bubbles” Greenspan that a recession is possible toward the end of this year would please us; however, although we do appreciate that his comments did move the markets our way, we remember his GDP forecast numbers of years past, which were poor by any reasonable measure. No solace there. Although we are always early, we believe it is entirely possible that we are in a recession now. To ascertain that this is a correct assumption, one will need to wait five years or so. It has been only within the last year that we found out that the last recession began during the third quarter of 2000 rather than the first quarter of 2001.

Over the last several weeks, we have had a bull market type move in both U.S. Treasuries and gold. To most, this has represented an oxymoron. Treasuries are a deflationary play, while gold has been considered an inflationary hedge. As you may remember, we believe both treasuries *and* gold are deflationary plays and hedges. Why? All currencies have little to no backing other than the full faith and credit of a suspect government; therefore, the ultimate hedge against weak “money” is hard money, i.e. gold. As the cost of goods and services become less expensive, gold should hold its value and/or move upward. Under such conditions, the U.S. dollar will become the strongest of all weak currencies, therefore trending the same way as gold. Why? The world will look for a political safe haven, which could quite possibly create a shortage in U.S. Treasuries as demand accelerates away from less than quality assets. Also, as most of the world’s debts are denominated in dollars, and most lenders like to be paid, a rush to obtain the currency needed to pay one’s debt may become intense. Our long-held view that long treasuries are one of the premier ways to invest may become better recognized. It’s about time!

The following is an updated chart on the continuing yield inversion. Mr. Bernanke still believes it’s different this time; we don’t. It remains the very best leading indicator of a serious slowdown or recession.



Chart from [globeconomicanalysis.blogspot.com](http://globeconomicanalysis.blogspot.com)