

# The Chart That Tells It All

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The bond market traders (sellers in balance since 1/1/06) continue to worry about cost push inflation. First of all, there is no such thing, in our opinion. Yes, it is another Keynesian Economic myth which remains firmly entrenched in bond market lore. By the way, it is good for us, as one can buy into their selling action at attractive prices. Secondly, please note the chart below, which comes from the Northern Trusts Website, depicting unit labor costs. These costs seem always to peak right before the outset of a recession. Labor costs do not cause inflation they are the result. Unit labor costs peaked just before the 1974 recession, 1981 & 1982 recession, 91 recession and the 2001 recession. Guess what? It looks like they have peaked again in 2005. Is this the prelude to the recession of 2006? Probably.

