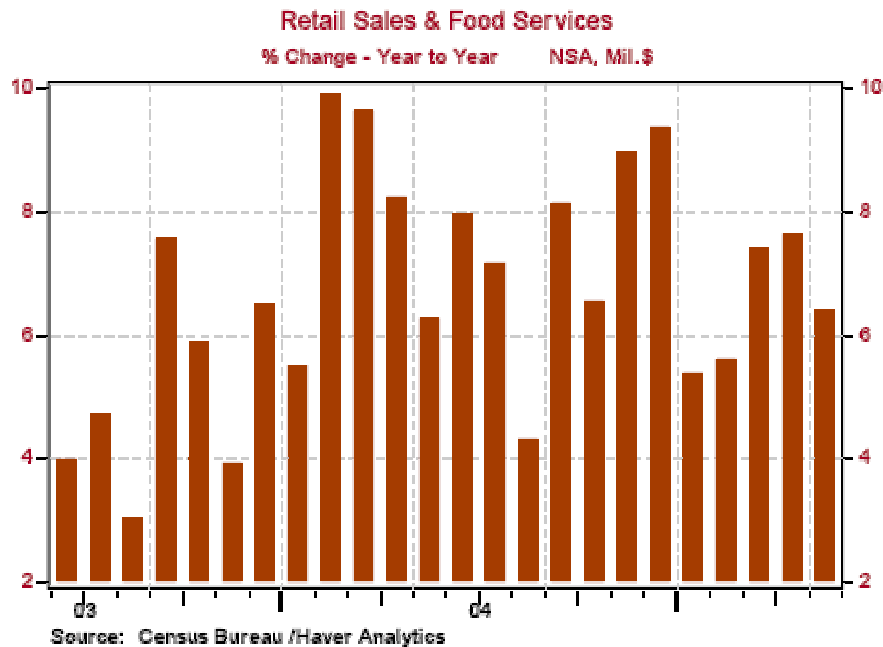


The Profile of a "Soft Patch."

June 20th 2005

The fate of the American consumer (71% of GDP) has always been the key to the direction of the economy. As we all know he has been spending like there is no tomorrow. Nothing it seems has been able to deter what he believes is his God given right to have all things at all times, regardless of affordability. My that is a word from the past – does anyone ever consider affordability anymore?

The chart below seems to indicate that there may be a gradual decline in consumer spending underway. Is it possible that the huge amount of debt (\$2.0 Trillion) is beginning to disrupt the spending stream of those who have known for a long time that one should have income in order to buy? We would think so.



The next question is – what can the “Fix It” Federal Reserve do to bail us out this time? What can the administrations do about the additional tax cuts? Do we have any more bullets in our monetary and fiscal chambers. We rather doubt it, but then again one should never discount the ability of those who live in “Disney Land East” to implement a program that saves the short term, but ruins the long.