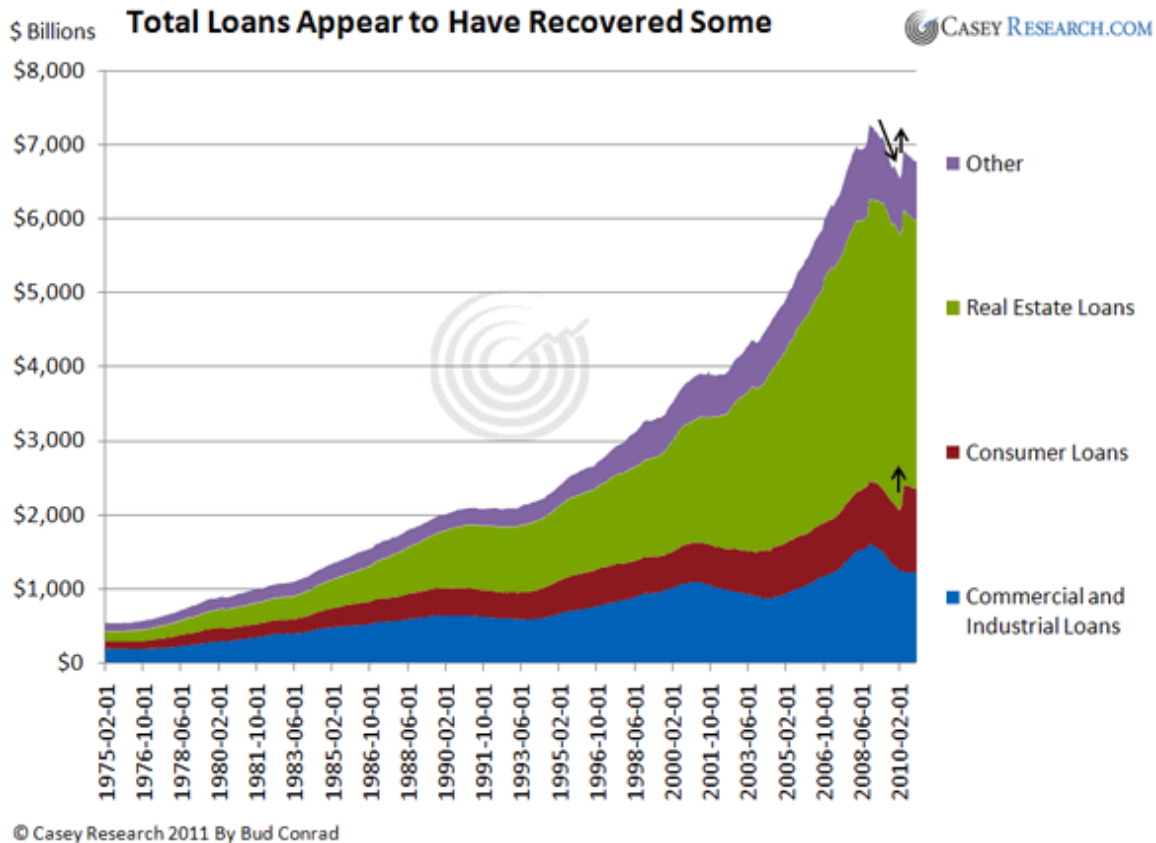


VARIOUS & SUNDRY ITEMS

WEB BUZZ 2011.02.14

The employment and unemployment numbers that came out on February 4th were extremely conflicting. The unemployment rate was reported as 9%, down from 9.4% in December 2010. On the other hand, only 36,000 jobs were added to the employment rolls. We all know that it takes at least 125,000 additions each month just to take care of population growth. So what gives? We are not sure we know. We do know that the rate and number of new jobs come from different databases. We also know that the total number of employed as measured by the participation rate is at multiyear lows. Likewise, we also know that if the unemployment rate was measured the same way as it was in the 1930s it would be around 17%. We are not among those who believe that the government is cooking the books; however, we are not overwhelmed with the capabilities evidenced by those in supposed high places in Washington, D.C. So what are we to think? We are aware of a group that is in the process of analyzing this entire problem in order to make sense of this enigma. With that in mind, we will report to you at a later date if and when that report is available.

On another manner, there is much being made of the increase in consumer debt for the month of December 2010. It would be our guess that the consumer, after paying down debt for almost two years, is taking a breather. Please note the following chart through a year ago.



Adapted from Casey Research

As of year-end 2010, if subsequent revisions do not change numbers to the downside, January is the beginning of the expansion phase of the business cycle. In other words, we have now exceeded the last real GDP level prior to the recession that commenced in December of 2008. We continue to look for signs that might give one an idea as to the sustainability of the current weak recovery. Nothing to date has appeared to us as a significant clue. Whatever happens in the current quarter to end 3/31/11 will be spun as a weather-related item, therefore lacking in reliability. That will not keep us from watching closely.