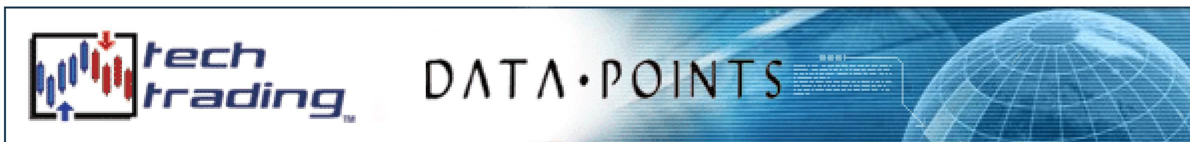


THE GOOD, THE BAD, AND THE UGLY

May 29, 2004

THE GOOD

The Greenspan 'recovery' has been producing many statistically pleasing data points, like booming GDP growth, soaring corporate earnings, rising consumer sentiment strengthening surveys from the Institute for Supply Management, and what appears, on the surface, to be improving employment.

GDP

The Commerce Department confirmed that U.S. GDP expanded at a 4.1% rate in the fourth quarter. That's a notable pullback from the too-good-to-be-true 8.2% pace of the third quarter, but still not too shabby.

NAPM

The National Association of Purchasing Management's reports that business conditions in New York City improved for the sixth straight month in February and improved for the 10th straight month in Chicago. "Overall, purchasing managers were optimistic," the NAPM noted. "Nearly 75% of those surveyed said they plan to increase technology spending in 2004."

EARNINGS

So far this earnings season, nearly 90% of the S&P 500 companies to report earnings have met or exceeded the consensus earnings expectations, according to Thomson First Call. Earnings results are averaging a hefty 26% growth from the 2003 period.

EMPLOYMENT

Non-farm payrolls grew by 308,000 in March, and 288,000 in April.

The Labor Department said job growth in April was "widespread for the second consecutive month." The service-producing industry added 246,000 jobs, down slightly from an expansion of 255,000 in March. The professional and business-services industry - which includes temporary help - added 123,000 jobs. Of those, 35,000 jobs were temporary, the government said. Temporary-help jobs have grown by 261,000 over the last year. The manufacturing industry added 21,000 jobs, marking the biggest increase in nearly four years. The construction industry added 18,000 jobs, down from 65,000 in March. The leisure and hospitality industry added 36,000, up slightly from March. Government jobs increased by 8,000, less than a third of the increase recorded in March.

INTEREST RATES

In 2003, several members of the Federal Reserve managed to raise deflation fears, effectively implanting expectations for sharply lower long-term interest rates into the markets. The banks and lending institutions quickly obliged by borrowing enormous amounts of money from the Federal Reserve at 1% (Fed Funds Rate) then bought enormous amounts of Treasury securities which pay from 2-5% in interest (this is the so-called, 'carry trade').

A frenzied stampede of the financial community into the highly leveraged bond carry trade sent bond yields plummeting, pulling in their wake highly correlated mortgage rates sharply downward with them. In the same vein, this loose money helped to boost house prices.

Given in addition extremely aggressive mortgage lending institutions were eager to lend prodigiously against rising house prices and consumer borrowing went parabolic.

THE BAD

GDP

Looking at the economic aggregates that truly matter for people and the economy, like employment, incomes, and production, the U.S. economy over the past three years has performed the most miserably among the industrial nations.

The "productive portion" of the economy - manufacturing, agriculture, construction, mining, public utilities, and transportation sectors - produces the "actual wealth" from which debt, both personal and national - both being racked up at staggering rates - gets paid off. Yet according to U.S. Commerce Department data, the productive portion of GDP is now less than 30% of total GDP.

To make matters worse, The Commerce Department reports the 'manufacturing sector of GDP' in dollar terms, not output terms; and it adjusts the report by the notorious 'Quality Adjustment Factor,' which artificially overstates production." Thus, even the officially stated 30% of GDP that is supposed to be the 'productive portion' is overstated.

Overextended consumers are still responsible for driving 71% of America's GDP, according to the Washington Times.

EMPLOYMENT

The employment numbers finally seem to be improving. Except, if you bother to look closely, you will notice:

• Millions of unemployed people are still without jobs, afterall, during the first two-and-a-half years of Bush's term, corporations fired 2.7 million workers,

• More than 345,000 newly unemployed workers are still filing for initial unemployment claims each month, and

• The workforce is actually working fewer hours and earning less money than in the past.

• Over 15 million people are either unemployed or under-employed in the US today. By counting the workers who have given-up, and the workers who are forced to work in low-paying, part-time jobs because they can't find full-time employment, the real unemployment rate in the U.S. is now approximately 12%.

• The labor participation rate is near a 16 year low, with only 65% of the population being employed.

• Companies are placing a greater dependency on temporary workers, in order to avoid the high cost of health care, and in order to quickly eliminate these positions if/when the economy resumes its decline.

• Over one hundred thousand unemployed workers are losing their unemployment benefits each week, and since the beginning of the year, over 1.2 million people have had their benefits run-out.

• Over 20,000 white-collar American jobs are being exported to low-wage, cheap foreign labor markets like India and China each month, and an estimated 15 million service sector jobs are expected to be lost to low wage countries like India and China within the next 15 years. Each week, companies are announcing plans to fire tens of thousands of American workers.

• 17% of all U.S. manufacturing sector jobs have been lost since 2001. The U.S. had 43 consecutive months of declining manufacturing employment before adding 21,000 manufacturing jobs in April.

To make matters worse, over the past six months, President George W. Bush has formed trade agreements with the following 8 poverty stricken, low wage, third world countries:

CAFTA (Central American 'Free' Trade Agreement): Costa Rica, Guatemala, Honduras, El Salvador, Nicaragua. Joining soon will be: Columbia , Ecuador and Peru.

These 'agreements' will certainly result in further exportation/loss of American manufacturing jobs.

These countries do not follow basic international labor standards, or pollution controls. Workers in these countries are paid from 39c to 80c per hour, and do not receive any benefits such as health care and pensions.

A similar trade agreement, NAFTA, has already had a devastating effect on America's manufacturing industry. Since it's inception, NAFTA (The North American Free Trade Agreement) has resulted in the loss of 900,000 American jobs to Mexico. The agreement, which was supposed to raise the standard of living of Mexican workers enabling them to purchase American products, has failed. Wages paid to Mexican workers have actually declined.

America is losing more than just jobs in these one-sided trade 'deals'. We are losing the technology, the information privacy, and our national pride. These trade agreements are driven strictly by the lowest price.

DEBT

During Bush's Presidency, the Federal Government Debt (recently renamed "The Public Debt") has climbed from $5.6 Trillion to $7.4 Trillion, an increase of $1.8 Trillion in 3.5 years (is climbing at over $1.3 B per day in interest alone.) Within 2 short years, given the large budget deficits being accumulated, it is estimated that the national debt will exceed $9 Trillion.)

Consumers also have extremely high debt levels. Consumer debt, which includes short-term loans and credit card debt, has increased to over $1.8 Trillion (33% higher than in 1997.) This high level of debt has resulted in record numbers of bankruptcies and home foreclosures, despite interest rates that are near 40 year low levels.

Total outstanding debt, financial and non-financial, in the United States has ballooned by almost $6,500 billion since 2000, as against GDP growth of $1,238 billion. For each dollar added to GDP, there were about six dollars added to indebtedness.

ASSET BUBBLES

The U.S. Federal Reserve is the bubble-maker for the whole planet. The Fed's low rates have underwritten a huge increase in debt all over the globe. Assets backed by debt, especially real estate, are selling for obscene prices. House prices, as a percentage of personal incomes, are at the highest levels ever -- in the U.S., Australia, Ireland, the Netherlands, Spain and Britain.

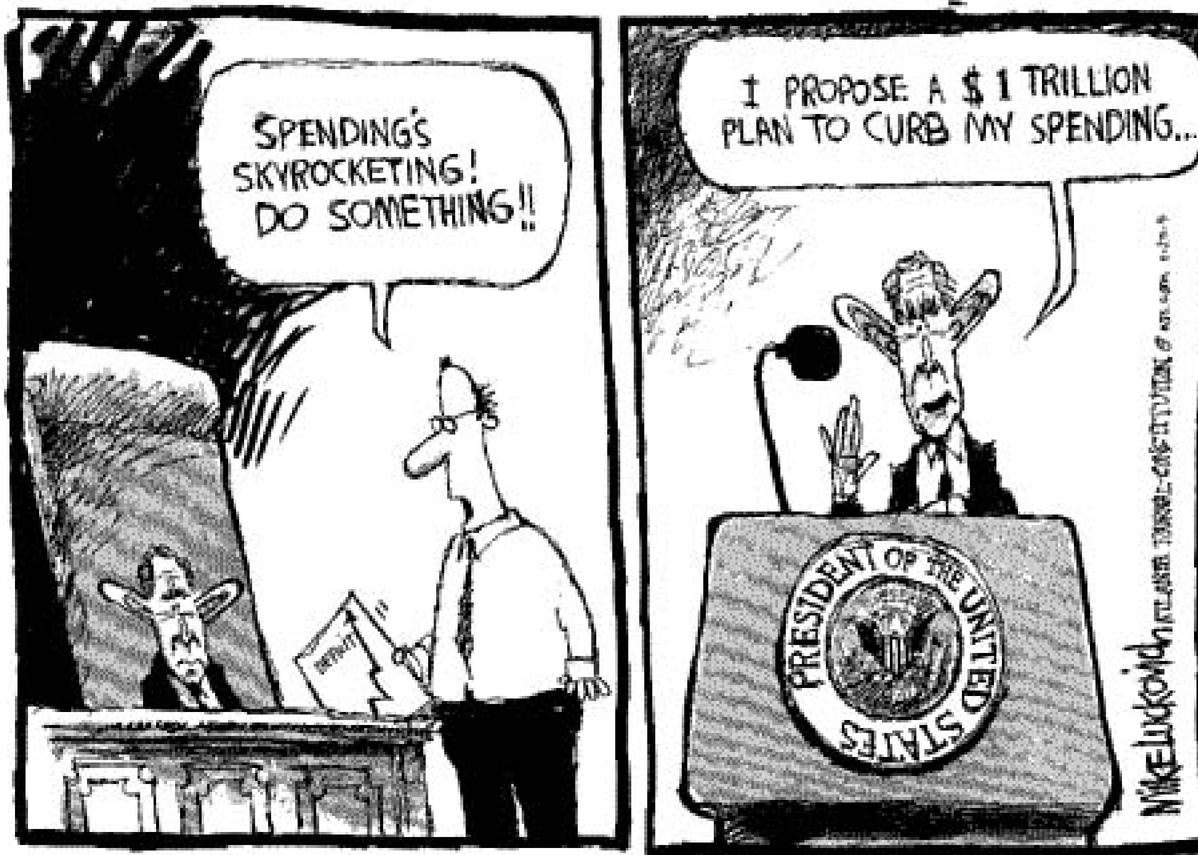
Home prices nationwide have risen an average of 50% over the last 6 years, and in some parts of the country, prices have more than doubled during this time frame.

MIDDLE CLASS SQUEEZE

Baby Boomer families are not really better off financially. Mortgage foreclosures, personal bankruptcies, and late payments are at record levels. White-collar workers are having a hard time finding new jobs.

There has been almost no growth in real earnings of American factory workers over the last 30 years... and now American information-industry wages are now being squeezed. Growing economies need real investment and real demand and real production in order to be able to pay higher wages.

What's going wrong is obvious. Nobody saves anything. Nobody has any cash. Every line of credit is maxed-out. Every budget is stretched.



BUDGET DEFICIT

Currently, the federal government is spending more than a $700 Billion more than it collects each year (if you count the social security money that is being spent and not being accounted for.) Even in the face of this troubling fact, the president and Congress continue to contract new obligations. There is the $200 billion - and growing at $7 Billion per month - tab for our involvement in Iraq. That is even before we spend a nickel on traditional social and defense spending (which will total over $440 Billion in 2004.) In the midst of this, our president has enacted massive tax cuts to revive an economy devastated by the (initial) bursting of the stock market bubble. And then there is the interest costs on all this debt.

The Government Accounting Office (GAO) estimates that the Federal Budget Deficit will run large deficits each year for at least 7 more years.

The U.S.'s financial obligation is so big that it is hard to fathom. One way to look at it is to consider the fact that America's annual deficit almost matches the total value of goods and services that Canada produces in a single year.

George W. Bush has to finance his spending somehow. And since Americans save little money, he has to look to Asian lenders to cover his deficits. This puts him in an uncomfortable position.

America may be the world's only superpower... but never before has a U.S. administration been so beholden to foreigners. If the Japanese and Chinese want Bush out of office... all they have to do is sell their U.S. bonds. Interest rates would soar and the phony 'recovery' would be over.

TRADE DEFICIT

In 2003, the U.S. had a $541 Billion Trade Deficit (which is greater than 5% of the Nation's Gross Domestic Product.) The U.S. has not had a trade surplus for over 2 decades, and is now experiencing a steep decline in its services sector surplus.

Nobody seems to realize that the huge trade deficit has been the greatest profit-killer in the U.S. economy for years. Rather, it is hailed as an emblem of economic strength.

The other looming danger in addition to the trade deficit, is, of course, the immense risk it poses to the dollar and in its wake to the whole financial system, both having become heavily hooked on incessant, immense capital inflows. It seems to us that this horrendous danger, too, is in general not at all appreciated.

INTEREST RATES & INFLATION

Artificially low interest rates have contributed to the weakening of the U.S. dollar, since capital flows to countries that offer the highest, most secure return on capital.

The U.S. Dollar has lost over 29% of its value over the last 2 years. A weakening currency naturally results in rising prices (=inflation.) Insurance costs, health care costs, and nearly all commodities have risen by double-digit percentages over the last year.

This high and rising inflation has recently begun to pressure the bond market. The bond market has been in a freefall ever since late March, when the 10-year treasury note yielded a miserable 3.69%. In fact, the beleaguered bond market hasn't produced as much as a three-day winning streak since the first week of March. The failure of bonds to "catch a bid" or to mount a comeback of any kind suggests that "real" investors are feeling some real pain and are REALLY worried about holding long-dated notes and bonds. The max exodus out of bonds (which will result in sharply higher interest rates) is a continuing and growing threat.

THE UGLY

THE 'RECOVERY' IS A FRAUD.

The trouble with consumer-led prosperity is that it is a fraud. You can't spend your way to prosperity; instead, if you really want to grow rich, you have to avoid spending... and concentrate on saving, training, investing, learning... and all the other things that most people don't want to do.

The rapid and drastic interest rate cuts by the Federal Reserve over the last three years, the record fiscal stimulus and the loosest monetary policy imaginable has fueled money and credit creation at a scale that has no precedent in history. But instead of spurring economic growth directly, it stimulated sharply rising prices in almost all major asset classes (i.e. rampant inflation), which in turn stimulated spending,

mainly consumer spending, and more ominously has created multiple price bubbles in the stock, bond, mortgage and housing market.

All in all, these four interrelated bubbles have kept the U.S. economy going after the bursting of the stock market bubble in 2000: rising house prices, falling bond yields and mortgage rates, and soaring mortgage loans feeding the consumer spending binge. Yet the key role fell manifestly to the bond bubble. By pulling mortgage rates precipitously down, it provided the big bait that lured house owners to capture the offered big savings in current interest rate service by refinancing and increasing their mortgage debt.

The trillions in borrowing and spending look like 'growth' to economists, but the economy is not really growing; it is merely ruining itself at a faster rate. What is expanding in the U.S. is not production... but consumption; not the output of goods and services... but the output of money and credit.

U.S. economic growth, therefore, is no longer based on saving and investment. Its essence is that credit excess provides soaring collateral for still more credit excess creating still more asset inflation for still more borrowing and spending excess. It seems like a perpetual motion machine that just goes on cranking out wealth and spending.

This credit expansion & purchasing are unsustainable, and have created a ‘Phony demand’. As a result, China is rapidly expanding its manufacturing base to support this Phony demand (i.e. yet another example of gross misallocation of resources brought about by lax fiscal and monetary policies).

> "If the proportion as determined by the voluntary decisions of individuals is distorted by the creation of artificial demand, it must mean that part of the available resources is again led into the wrong direction and a definite and lasting adjustment is again postponed. And even if the absorption of the unemployed resources were to be quickened in this way, it would only mean that the seed would already be sown for new disturbances and new crises."
> Friedrich Hayek, 1931

This activity is actually no more than a temporary acceleration which is actually increasing the severe imbalances already present in the U.S. Economy. These imbalances include: a rock-bottom national savings rate of 1% of GDP, $7.4 Trillion U.S. Federal Government Debt, record levels of personal indebtedness, a record current account deficit, a record-high budget deficit of approximately $700 Billion, a record ratio of household indebtedness and an unprecedented shortfall of employment growth and labor income generation.

It is a notorious historic fact that serious depressions are always preceded by extremely loose money and extraordinary credit excess.

We wonder how more debt, more consumption and less saving can be the solution to.…. more debt, more consumption and less saving. The all-important question now, of course, is which of the extreme imbalances will unwind these massive credit and asset bubbles?

Full Report detailing the extreme imbalances present in the U.S. Economy is available at http://www.techtrading.com/big_picture_EN.pdf

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Despite what you hear in the 'news', and from the politicians, the US Economy is in deep trouble, at the beginning -- not the end, of a prolonged, severe recession/depression. The folks in Washington are nervous, why else would the Federal Reserve cut interest rates 13 consecutive times, and G.W. Bush enact a massive $3 trillion in tax cuts? Your retirement savings could be at great risk if is not invested properly, and you could miss out on the chance to benefit from this special time in history (as investments can be selected that benefit during periods of economic decline.)

In order to learn more about how Tech Trading can help with your investment decisions,
please contact us at http://www.techtrading.com/

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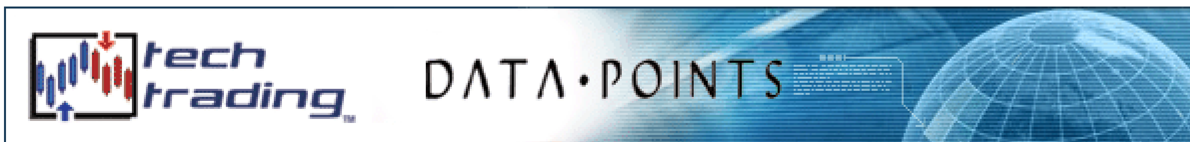


THE U.S. ECONOMY'S VERY SLIPPERY SLOPE

May 15, 2004

As if there weren't enough sharp pins already headed for the U.S. equity, housing, and interest rate bubbles, escalating energy prices may prove to be the pin that arrives first.

Inflation is already rampant in America, and will only be magnified by rising energy prices. Energy prices are practically setting new record prices each day. Gasoline and crude oil are now trading at their highest-ever recorded prices.

Gasoline prices have increased by a whopping 27% since the beginning of the year, and the price of crude oil is 67% higher than it was 12 months ago.

The following combination of factors are contributing to the steadily rising prices:

1. Supply & Demand

Demand has been far stronger this year than many anticipated in the United States, and especially in China; and on the supply side, non-OPEC countries are not providing much growth in supply.

- Global demand in 2004 has been revised up by 330,000 barrels per day to 80.6 million barrels per day, putting growth against 2003 at nearly 2 millions barrels per day, the highest level in 21 years, with the U.S. consuming approximately a quarter of the world's oil production.

- The U.S. Department of energy predicts global crude oil demand will rise to 83 million barrels per day, a 3.3% increase over the current demand level.

- In March, the U.S. imported 331.6 million barrels of oil or 10.7 millions barrels per day, up from 287.8 million or 9.9 millions barrels per day in February.

- Oil demand in China is up approximately 1 millions barrels per day compared to last year. Last year, China accounted for more than a third of the global increase in demand and overtook Japan to become the world's second biggest importer (after the US).

- In the first four months of 2004, China's demand for oil is 33% higher than it was in 2003.

- Chinese citizens purchased 3 million new cars in 2003, and are expected to purchase more than that amount this year.

- Asian demand is much higher (approximately 10 millions barrels per day more) than 15 years ago. American demand is higher, and world demand as a whole is up, with the greatest one year jump since 1988.

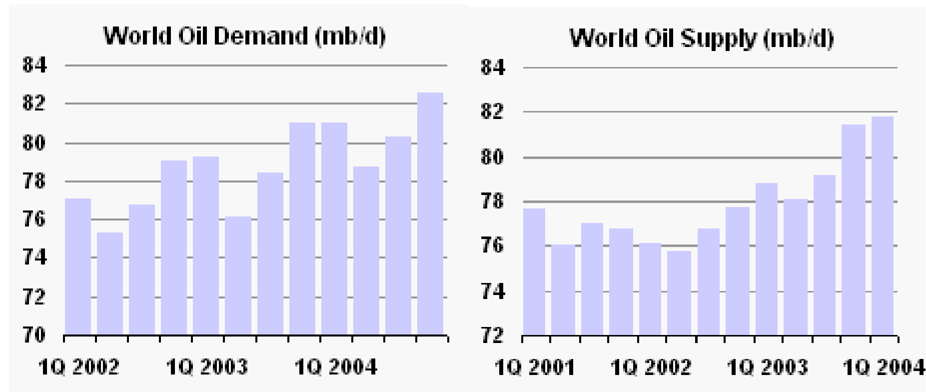
- World oil production declined 440,000 barrels per day in April to 81.5 millions barrels per day. OPEC crude supply fell by 415,000 barrels per day. Non-OPEC output growth for 2004 has been revised down despite gains in Russia.

• Oil reserves in the US are at their lowest levels since 1975, while in the advanced nations as a whole they have only enough to meet 28 days of use.

• The biggest supplier, Saudi Arabia is already at maximum capacity -- the Saudis are already using output-enhancing techniques just to keep their production up. (See data points below.)

• OPEC has been producing 2.3 million barrels more per day than their planned production levels, and crude oil stockpiles are still at low levels.

• Making matters worse, there is not enough exploration to provide the source of future supply.



2. Political Risk, Terrorism, & Supply Disruptions

We are discovering the oil world is not as safe a place as it used to be. Political unrest in Venezuela, a worker strike in Nigeria, continued violence in Iraq, and recent terrorist attacks in Saudi Arabia are all contributing to low reserves and nervousness about future supplies.

3. Problems with Oil Refining Capacity

We are running out of spare capacity around the world. The markets are quit tight as they stand right now. Not just in overall crude production but in the types of crudes that are available, particularly for the United States.

The U.S. has not built a new refinery since 1975, and as such, many of the existing refineries require a special, sweeter type of crude, which has less sulfer content which is easier to refine. There aren't many deposits of this type of crude around the world.

4. Debasement of U.S. Dollar Via Money Supply Growth, Trade Deficit & Low U.S. Interest Rates

The inescapable truth is that the value of the U.S. dollar has fallen over 30% in the past two years. There are several reasons for this decline, but the single biggest factor has been Mr. Greenspan's relentless increase of the money supply. There are roughly sixteen trillion dollars in worldwide use today, five trillion more than when Greenspan became Fed chair. The law of supply is immutable: When dollars are abundant they are also cheap.

• America's money supply is growing almost uncontrollably.Since 1990, the money supply has nearly tripled. This excess of dollars, along with the fact that America continues to pile on even greater debt, has been reflected in the devaluation of the dollar against other major currencies and the rise of commodity prices.

• Central Bank multiplications of the money supply in excess of the growth of GDP lead directly to inflation.

• U.S. money supply (M3) has ballooned by $1 trillion in a single year. In the last 4 weeks, M-3 has shot up $100 billion. At this rate, a trillion dollars is added to the planet's money supply in a single year. By our calculation, this equals about $10,000 new dollars for every family in America.

• In a world of fiat currency, debt relief takes a subtler path than the overt cancellation or non-repayment of debts. Inflation (an expansion of the money supply) is like legalized counterfeiting. In today's world, all you need is a printing press.

> "The risk of deflation in America is extremely small, we have a technology called a printing press." Benjamin Bernanke, Federal Reserve Governor

For much of our history a gold standard imposed discipline on U.S. dollar policy, since every dollar printed theoretically was redeemable in gold. Since the last links between the dollar and gold were severed in 1971, the dollar essentially has operated as an article of faith.

Politicians often manage to fool voters and the media, but they rarely fool the financial markets over time. When investors lack faith in the U.S. dollar, they really lack faith in the economic policies of the U.S. government.

Ultra-cautious investor Warren Buffett is trading heavily in foreign currencies for the first time, demonstrating his lack of faith in the dollar. His predicament is simple: He holds billions of dollars, and cannot afford to sit by and watch the value of those dollars drop another 30%. By taking a position against the U.S. dollar, his actions speak volumes.

The bigger problem for the American economy is that foreign investors and foreign governments may soon lose their appetite for the declining U.S. dollar. Interest rates, which are now absurdly low, will need to rise to give foreign investors an incentive to invest and hold on to our currency. If not, these foreign governments and investors may look for somewhere else to hold their money. Historically, when investors recognize that a currency is being debased or devalued, they tend to look for sanctuary in currencies that remain stable at the insistence of the population.

Some foreigners may already be losing their appetite for debased U.S. dollars. For example: Why else would OPEC reduce their output (1 million barrels per day) in the presence of low world oil reserves?

Maybe they do not wish to trade their valuable, limited resources for steadily debased U.S. dollars without being paid a premium.

If you combine these factors, it is not surprising why energy prices are rising. We would not be surprised to see much higher oil prices ahead.

Another Tax on the Already Squeezed Middle Class

Each $10 rise in the price of a barrel of oil is equivalent to a $70 Billion tax on the American public, and reduces net economic growth by 1/2 percentage point and increases inflation since a large number of goods are either a byproduct of oil or require the added cost of energy in order to deliver the goods to market.

As the American consumer spends more on energy, they have less to spend elsewhere.

Relatively Speaking, Oil is Dirt Cheap

One 1981 dollar is now worth $2.08. So in constant dollars, today's oil price, at $41.50 a barrel is actually only a little higher than $19!. So oil prices have actually dropped by a third since the 1980s. This is a small consolation for the consumer. But as you well know, compared to European prices, gasoline in America is dirt cheap.

The Saudi's Are Already Maxed-Out

Ever since its rich reserves were discovered more than a half-century ago, Saudi Arabia has pumped the oil needed to keep pace with rising needs, becoming the mainstay of the global energy markets.

But the country's oil fields now are in decline, prompting industry and government officials to raise serious questions about whether the kingdom will be able to satisfy the world's thirst for oil in coming years.

Energy forecasts call for Saudi Arabia to almost double its output in the next decade and after. Oil executives and government officials in the United States and Saudi Arabia, however, say capacity will probably stall near current levels, potentially creating a significant gap in the global energy supply.

Outsiders have not had access to detailed production data from Saudi Aramco, the state-owned oil company, for more than 20 years. But interviews in recent months with experts on Saudi oil fields provided a rare look inside the business and suggested looming problems.

- An internal Saudi Aramco plan, the experts said, estimates total production capacity in 2011 at 10.15 million barrels a day, about the current capacity.

- But to meet expected world demand, the United States Department of Energy's research arm says Saudi Arabia will need to produce 13.6 million barrels a day by 2010 and 19.5 million barrels a day by 2020.

> "In the past, the world has counted on Saudi Arabia, Now I don't see how long it can be maintained." Senior Saudi Oil Executive

Saudi Arabia, the leading exporter for three decades, is not running out of oil. Industry officials are finding, however, that it is becoming more difficult or expensive to extract it.

- Today, the country produces about eight million barrels a day, roughly one-tenth of the world's needs. It is the top foreign supplier to the United States, the world's leading energy consumer

Fears of a future energy gap could, of course, turn out to be unfounded. Predictions of oil market behavior have often proved wrong.

But if Saudi production falls short, industry experts say the consequences could be significant. Other large producers, like Russia and Iraq, do not have Saudi Aramco's huge reserves or excess oil capacity to export, and promising new fields elsewhere are not expected to deliver enough oil to make up the difference.

As a result, supplies could tighten and oil prices could increase. The global economy could feel the ripples; previous spikes in oil prices have helped cause recessions

Saudi Aramco says its dominance in world oil markets will grow because, "if required," it can expand its capacity to 12 million barrels a day or more by "making necessary investments."

But some experts are skeptical. Edward O. Price Jr., a former top Saudi Aramco and Chevron executive and a leading United States government adviser, says he believes that Saudi Arabia can pump up to 12 million barrels a day "for a few years." But "the world should not expect more from the Saudis," he said. He expects global oil markets to be in short supply by 2015.

Fatih Birol, the chief economist for the International Energy Agency, said the Saudis would not be able to increase production enough for future needs without large-scale foreign investment.

The I.E.A., an independent agency founded by energy-consuming nations, and Washington see investment in energy exploration and field maintenance as vital, but such proposals face strong opposition inside Saudi Arabia. Tensions with the West, particularly the United States, make such investment politically difficult for Saudi society. For example, an effort by Crown Prince Abdullah, the kingdom's de facto ruler, to encourage Western companies to invest $25 billion in his country's natural gas industry essentially collapsed last year.

> "Access to Persian Gulf oil reserves, especially Saudi Arabia's, is the key question for the whole world," Dr. Fatih Birol, Chief Economist I.E.A.

- President Bush has said he wants to make the United States less reliant on oil-producing countries that "don't like America" by diversifying suppliers and financing research into hydrogen fuel cells, but achieving that remains far off.

His administration backs foreign investment initiatives in the gulf region, including Saudi Arabia, and his energy policies rely Energy Department projections showing the world even more dependent on Arabian oil in 20 years. That may be enough time for governments to find alternatives, but oil field development requires years of planning and work

Publicly, Saudi oil executives express optimism about the future of their industry. Some economists are equally optimistic that if oil prices rise high enough, advanced recovery techniques will be applied, averting supply problems.

But privately, some Saudi oil officials are less sanguine

- "We don't see us as the ones making sure the oil is there for the rest of the world," one senior executive said in an interview. A Saudi Aramco official cautioned that even the attempt to get up to 12 million barrels a day would "wreak havoc within a decade."

In an unusual public statement, Sadad al-Husseini, Saudi Aramco's second-ranking executive and its leading geologist, warned at an oil conference in Jakarta in 2002 that global "natural declines in existing capacity are real and must be replaced."

Dr. al-Husseini, one Western oil expert said, has been "the brains of Saudi Aramco's exploration and production." But he has told associates that he plans to resign soon, and his departure, government oil experts in the United States and Saudi Arabia say, could hinder Saudi efforts to bolster production or entice foreign investment.

• Saudi Arabia's reported proven reserves, more than 250 billion barrels, are one-fourth of the world's total. The most significant is Ghawar. Discovered in 1948, the 300-mile-long sliver near the Persian Gulf is the world's largest oil field and accounts for more than half of the kingdom's production.

Saudi Aramco says that its field production practices, including those at Ghawar, are "at optimum levels" and the risk of steep declines is negligible. But Mr. Price, the former vice president for exploration and production at Saudi Aramco, says that North Ghawar, the most valuable section of the field, was pushed too hard in the past.

"Instead of spreading the production to other fields or areas," Mr. Price said, the Saudis concentrated on North Ghawar. That "accelerated the depletion rate and the time to uncontrolled decline," or the point where the field's production drops dramatically, he said.

• In Saudi Arabia, seawater is injected into the giant fields to help move the oil toward the top of the reservoir. But over time, the volume of water that is lifted along with the oil increases, and the volume of oil declines proportionally. Eventually, it becomes uneconomical to extract the oil. There is also a risk that the field can become unstable and collapse.

Ghawar is still far too productive to abandon. But because of increasing problems with managing the water, one Saudi oil executive said, "Ghawar is becoming very costly to maintain."

• The average decline rate in Saudi Aramco's mature fields — Ghawar and a few others — is in the range of 8 percent per year without additional remediation, according to the company's statement. This means several hundred thousand barrels of daily oil production would have to be added every year just to make up for the diminished output.

• Every oil field is unique, and experts cannot predict how long each might last. For its part, Saudi Aramco is counting on Ghawar for years to come.

• The company projects that Ghawar will continue to produce more than half its oil. One internal company estimate from 2002 puts Ghawar's production at 5.25 million barrels a day in 2011, more than half the total expected crude oil capacity of 10.15 million according to United States government officials and oil executives.

> "The big risk in Saudi Arabia is that Ghawar's rate of decline increases to an alarming point, that will set bells ringing all over the oil world because Ghawar underpins Saudi output and Saudi undergirds worldwide production."
> Ali Morteza Samsam Bakhtiari, a senior official with the National Iranian Oil Company.

The I.E.A. warned in November that huge investments would be needed to offset the decline rates in mature Middle Eastern oil fields — it put the average at 5 percent — and the increasing costs of oil and gas production. The agency, based in Paris, forecasts that Saudi production will need to reach 20 million barrels a day by 2020. (I.E.A. and other research estimates say that more than 90 percent of that would be crude oil; the rest would be liquid products like natural gas liquids that result from the processing of crude oil.)

In his speech in Jakarta, Dr. al-Husseini noted the need for exploration, pointing out that colleagues at Exxon Mobil predict that more than 50 percent of oil and gas consumption in 2010 must come from new fields and reservoirs.

Harry A. Longwell, the executive vice president of Exxon Mobil, says finding new sources of oil is crucial. Mr. Longwell, in an interview, said that increasing demand and declining production were not new problems, but they were "much larger now because of the world's demand for energy and the magnitude of the numbers now are much larger."

To offset its declines, Saudi Aramco is bringing back into production one idle field, Qatif, and is enhancing production at a nearby offshore field, Abu Safah. The company says that with expert management, these fields will produce about 800,000 barrels a day.

But current and former Saudi Aramco executives question those expectations, contending that the goal of 500,000 barrels a day for Qatif is unrealistic and that development costs are higher than anticipated.

Qatif poses real difficulties. It is near housing for Saudi Arabia's minority Shiite population and contains high concentrations of hydrogen sulfide, a highly toxic gas. Its development is "particularly challenging," according to a technical paper by Saudi Aramco engineers presented last year in Bahrain, which said that 45 percent of potential drilling sites "were rejected due to safety concerns."

At Abu Safah, Saudi Aramco has experienced increasing water problems as it has turned to submersible pumps to extract oil. Experts, including American and Saudi government officials, say the technique is ill advised. Saudi Aramco, in its written response to questions, defended the use of the pumps at Abu Safah and its ability to manage the water after 37 years of production.

One United Sates government energy expert noted that "submersible pumps is what the Soviets went to on an indiscriminate basis in West Siberia and it went south."

- Samotlor, a huge field in Siberia, once produced more than three million barrels a day, but it declined sharply in the 1980's after the Soviets pushed it too hard. Today it produces only a few hundred thousand barrels a day

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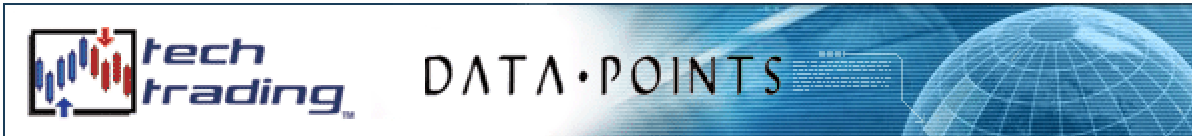


THE DOG ATE MY INFLATION REPORT

March 19, 2004

As previously reported in past Data Points, the Federal Government has been using two ways to under-report/mask the true level of price inflation: hedonic pricing and chain-based pricing. Now that prices are skyrocketing, even those two methods are not enough to mask the dramatic inflation American consumers are facing.

Suddenly the U.S. Bureau of Labor Statistics (BLS) is delaying the release of both the February PPI (Producer Price Index) and the February CPI (Consumer Price Index). The delay, it said, was due to "unexpected difficulties" in the conversion to one classification system from another. The agency isn't yet sure when the report will be ready. The BLS January previously delayed the release of the January report for a month claiming 'computational errors' caused by their 'antiquated' computer system.

We have provided a simple report which shows the true commodity price inflation for a basket of commodities. We calculated the year-to-date percentage price change, and the change in price over the last 12 months. Simple mathematics, no statistical pricing distortion/mumbo-jumbo. See Exhibit 1.

We believe that the BLS is motivated to mask the true level of inflation in order to keep interest rates artificially low, and to minimize the payments that the government must make that are tied to inflation, social security, medicare, TIPs, interest on the $7 Trillion Federal Debt, etc...

No matter how the federal government tries to distort/decieve the true level of price inflation in this country, the fact is: we are seeing a widespread increase in prices, and a widespread decline in the purchasing power of money in the U.S.

The U.S. dollar index, which charts the currency against a basket of six major foreign currencies, has declined more than 29% in the past 2 years, effectively reducing the buying power of the dollar by 30%.

No Matter How They Hide It, The Public is Paying a Steep Price for Skyrocketing Inflation

Commodity Price Change in 2004 (1st Quarter)	12 Month Price Change
Crude Oil UP 73.0%	UP 24.4%
Heating Oil UP 44.5%	UP 20.8%
Unleaded Gasoline UP 16.8%	UP 45.8%
Wheat UP 3.2%	UP 21.0%
Soybeans UP 30.3%	UP 96.0%
Oats UP 14.5%	UP 13.5%
Corn UP 24.1%	UP 26.6%
Gold DOWN 1.0%	UP 20.8%
Silver UP 26.4%	UP 68.0%

Exhibit 1. Skyrocketing Inflation.

There are few things government bureaucrats do well, one of them is destroying the value of their own currencies. History gives us plenty of examples, most famously the great German hyperinflation of the early 1920s or France in the 1790s. But there are recent examples, too, especially in Latin America

(which saw its currency plunge in value by over 75%) and the old Soviet bloc countries. All paper monetary systems tend toward the valueless and are crisis-ridden, as history proves.

In our view, the reflationary/inflationary effort is only in its infancy and is likely to get much worse in the years ahead. [Note: reflation is the somewhat contrived term often used to describe an attempt to revive a previous inflationary boom by increasing or stepping up inflation.] Nonetheless, the stance for investors today should be one of taking action to benefit from, and mitigate the damages caused by rampant price inflation.

There is no doubt the dollar is weakening, as it should be, given ridiculously low interest rates, which provide no incentive for anyone to invest in dollar denominated assets.

The unprecedented size of the U.S. balance of payments deficit ($549 BILLION in 2003) and the enormous holdings of U.S. bonds by foreigners insure further trouble ahead for the U.S. dollar and interest rates. Foreigners currently hold $9 trillion worth of U.S. dollar-denominated assets. Much of that is in U.S. bonds. The accumulation of this debt has surpassed all previous records. Foreigners are not likely to continue buying dollars at record-setting levels and any shifting in this trend will result in a further weakening of the dollar, and will contribute to the fast approaching, severe shock to interest rates in the U.S.

In addition to the extreme risks in owning U.S. stocks and bonds, most people have a bigger exposure, namely, investment in their own homes and real estate, which will certainly suffer tremendously as rates spike higher.

The only cost which is declining is the cost of labor. Wages are falling due to the outsourcing of hundreds of thousands of white-collar/high skilled jobs to cheap foreign labor markets, rampant illegal immigration, and the decimation of the U.S. manufacturing base (which has experienced 43 consecutive months of declining employment.)

India's Colin in 'Operation Desert American Workers'

The Bush Regime has dealt yet another humiliating blow to the millions of unemployed Americans, and the double-digit unemployed high-tech workers, as Secretary of State Colin Powell was sent to India to reassure the Indian government that Bush will continue to allow outsourcing even if India does nothing for us in return. According to Powell, it's a one-way deal.

He [Powell] was also at pains to point out that there ''were no quid pro quos'' in this relationship, not even on outsourcing,

"Outsourcing is a natural effect of the global economic system," Powell said during one of two public appearances here in which sharp questions were raised about the growing U.S. political debate and India's anxious reaction. "You're not going to eliminate outsourcing."

The Indian press widely praised Powell because as they said he was calming the waters. Actually Powell was greasing the wheels of wealthy Indian outsourcers.

Powell admits that outsourcing destroys jobs but follows it with a sweet sounding euphemism about creating jobs for the Americans that lose their jobs to India. He also talked about the need to be servicing the needs of Indians.

> "Great opportunities are available to business on both sides. Outsourcing is the reality of the global environment in the 21st century...It involves loss of jobs, we have to create opportunities to provide jobs.. Here is an opportunity for America as well, to service Indian needs. We hope India understands that... The reality of the 21st century is that this kind of dislocation will take place," Secretary of State, Colon Powell, March 16, 2004

Many CEOs seem to think Indians are smarter, and they may be right. At least India isn't infected with Ivy-league economists that think outsourcing is good for India. Here is India's version of "free-trade":

India still has a ban on direct foreign investment in its retail sector, and imported agricultural goods face a 38 percent tariff. Those barriers, U.S. officials say, are impeding efforts to pare a trade deficit with India that topped $8 billion in 2003.

Corporate America: 'No Plans for Hiring'

On February 5th, the Labor Department reported only 21,000 new, non-farm payroll jobs were created in February, much weaker than the consensus forecast of economists who thought 125,000 new jobs would be created.

The President's Council of Economic Advisers estimates that an average of 2.6 million new jobs would be created in 2004.

Of the 21,000 jobs created, no net new jobs were created in the private sector; all gains came from the government sector with 21,000 hires. Also discouraging was the Labor Department's downward revision of the previous two months' estimates. January's gain of 112,000 was lowered to 97,000 and December's gain of 16,000 was lowered to a paltry 8,000 increase.

The average number of weeks of unemployment jumped to 20.3 in February from 19.8 in January -- a 20 year high! That means workers are unemployed for nearly five months, on average. That's not good for consumer confidence, spending or macroeconomic growth.

Factories shed 3,000 jobs in February, down from 13,000 in January and a range of 40,000 to 60,000 a month last summer.

Anecdotal evidence that we have gathered from 207 quarterly earnings conference calls suggests that new hiring isn't in the tea leaves at least not during the first half of this year. The overwhelming

consensus of the 200-plus quarterly earnings conference calls has been toward job elimination, not creation. We haven't heard any comments regarding new hiring.

Clearly there are few intentions of big business to hire new workers. Research that we have amassed from summaries of quarterly conference calls, direct contact with corporate chieftains, regional reports from the Federal Reserve and the trends of other employment statistics suggest that new hiring and greater job creation isn't in the cards, and probably won't be for several months. With that being said, we find it virtually impossible to forecast any monthly increase in jobs over 100,000 for the next three to six months.

Unless job creation picks up within the next few months, consumers may grow more jittery, as they watch friends and neighbors struggle to find work. That, in turn, could prompt Americans to slow spending,

Mr. Bush's predicament is all the more difficult because there is little more that Washington can do to pump up growth during coming months. The Bush administration's mammoth tax cuts have given the economy some juice during the past two years, but the resulting record budget deficits make it impossible to push through new reductions soon.

Despite the job market, sales at U.S. retail stores proved robust in February, rising 6.7% from a year earlier, excluding the effects of new store openings. As they keep shopping, Americans are going deeper into debt. The Fed reported Friday that consumer-credit outstanding grew at a faster-than-expected annual rate of 8.6% in January.

> "This administration is backing an unfair trade agreement known as CAFTA. This agreement is bad for jobs, it's bad for the economy, and here in Louisiana, you know that it's bad for one of the most important sources of jobs in this state, the sugar industry" Senator John Kerry

> "Today's report is devastating to the 8 million Americans still looking for a job. Clearly, this president's economic policies do not work. America is ready for a change" House Minority Leader Nancy Pelosi, D-Calif.

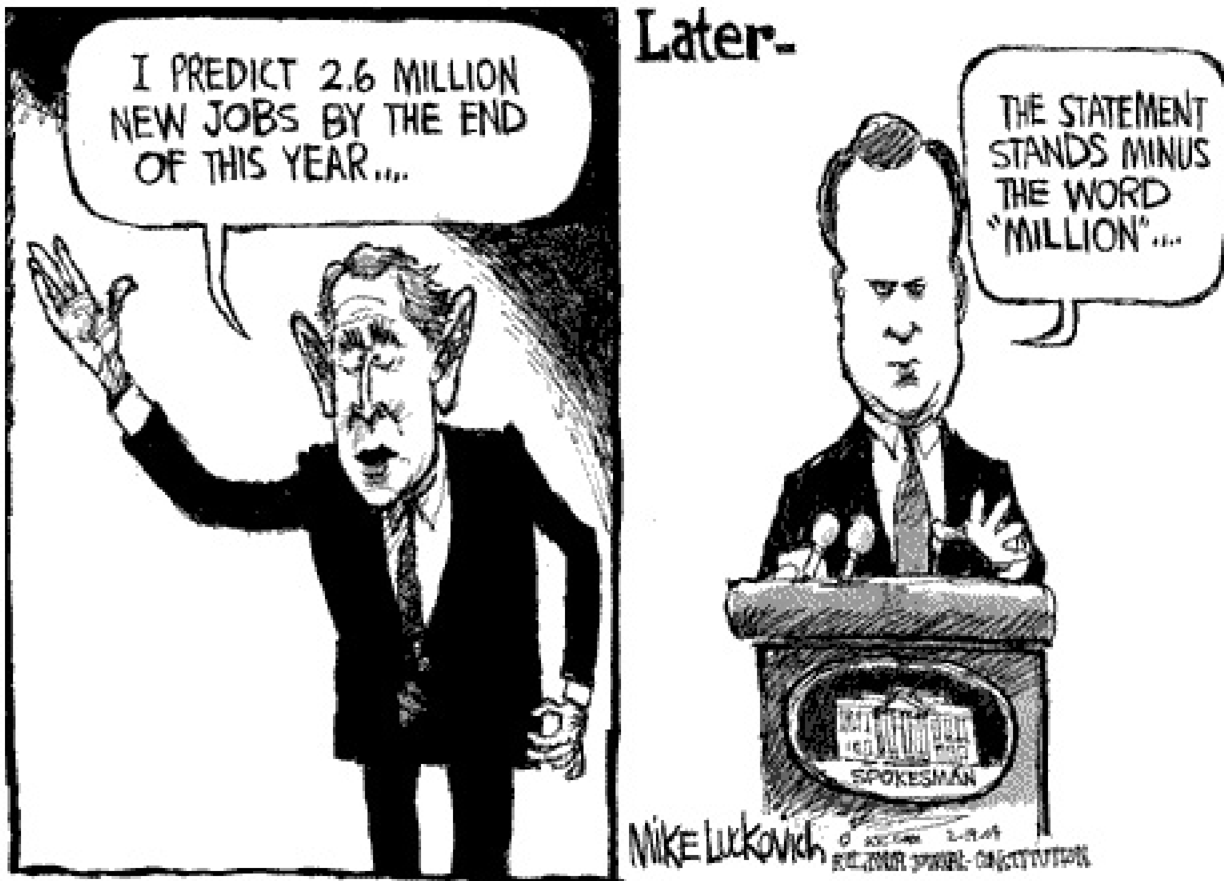
FACT: The manufacturing sector has seen employment decline for 43 consecutive months.

FACT: 1.6 Million workers have dropped-out of the labor force in the last calendar year.

FACT: 588,000 people left the labor force in February 2004 alone.

FACT: 65% of the population participates in the labor force, a 16 year low.

FACT: The economy has lost 2.3 million jobs since G.W. Bush took office 3 years ago; Over 14.7 million Americans are either unemployed, under-employed (forced to work part-time jobs due to lack of full-time work), or have dropped-out (given-up looking.)



"President Bush promised that his tax cuts for the wealthiest Americans would create over 4 million jobs, and in fact he lost 3 million. Just this week we learned that his administration actively HID the cost of his medicare plan from Congress and the American people."
Gov. Jennifer Granholm (D) Michigan, March 20, 2004

"After losing over 2.7 million manufacturing jobs over the last four years, all the Bush administration can say is that shipping jobs overseas is a 'positive development, They continue to negotiate trade deals with no core labor and environmental standards; trade deals that speed the export of American jobs to other countries. They cut funding for job training and retraining for workers who have lost theirs."
Gov. Jennifer Granholm (D) Michigan, March 20, 2004

Reckless Expansion of Debt -- Borrowing Our Way to Prosperity

Curiously, very few news sources mention the biggest bubble of them all -- the huge ballooning of total debt in the U.S. The total credit market debt is an aggregate of the borrowings of all households, businesses and governments (federal, state and local). Total U.S. Credit Market Debt rose from about $4 trillion at the beginning of 1980 to $33.7 trillion as of 2003's first quarter, according to the latest available Federal Reserve flow-of-funds data. (See Exhibit 2.)

In the last 5 years, the total credit market debt has grown 7 times as GDP growth rate. This can't continue. We expect the government to be the borrower of last resort in the coming years, further escalating their deficit spending (and mountainous debt burden) to fund public works projects and provide continued tax cuts for the wealthy in a futile attempt to stimulate the economy. This will require further money supply expansion (debasement) and will likely result in sharply rising interest rates, and a dramatic reduction in the standard of living for the majority of Americans.

Debt as a percentage of GDP exceeds the previous record reading of 264% from early in the Great Depression -- when the aftermath of the Roaring 'Twenties borrowing binge collided with a sharp economic contraction. Today's debt load is clearly starting to pressure consumers and businesses: Credit-card charge-offs of bad loans exceed 7% of total debt outstanding, compared with the previous peak around 5%, reached in the mid-1990s, according to Standard & Poor's.

Rising debt is manageable if it's put to productive use, (e.g. a commercial or industrial investment designed to earn future incomes) may cover its interest costs and even yield entrepreneurial profits. In contrast, new debt in the form of a second mortgage on a home may finance the purchase of a vacation home, new furniture or another automobile, or even a luxury cruise around the world. The debtor may call it "productive," but it surely does not create capital, i.e. build shops or factories or manufacture tools and dies that enhance the productivity of human labor.

To determine if the U.S. is generating a positive return on its borrowing, the gross domestic product (GDP) should be rising as fast as total debt. As you can see from Exhibit 3, that was more or less true until the late 1970s. Total debt was increasing at approximately the same rate as the growth rate of national income. Now the two lines have diverged, with GDP growth slowing a bit and debt accumulation soaring. In the 1980s, real debt increased by $9.5 trillion, while national income grew by $2.4 trillion, meaning that we borrowed more than three dollars for every dollar of new wealth we created. And in the 1990s the gap widened further, with debt increasing by $15 trillion and GDP rising by only $3 trillion, a five-to-one ratio of new debt to new wealth.

What does this mean? Two things. First, it appears that the only way the U.S. economy can keep growing is to borrow ever-increasing amounts of money. Second, the return we can expect on each new dollar of debt is diminishing.

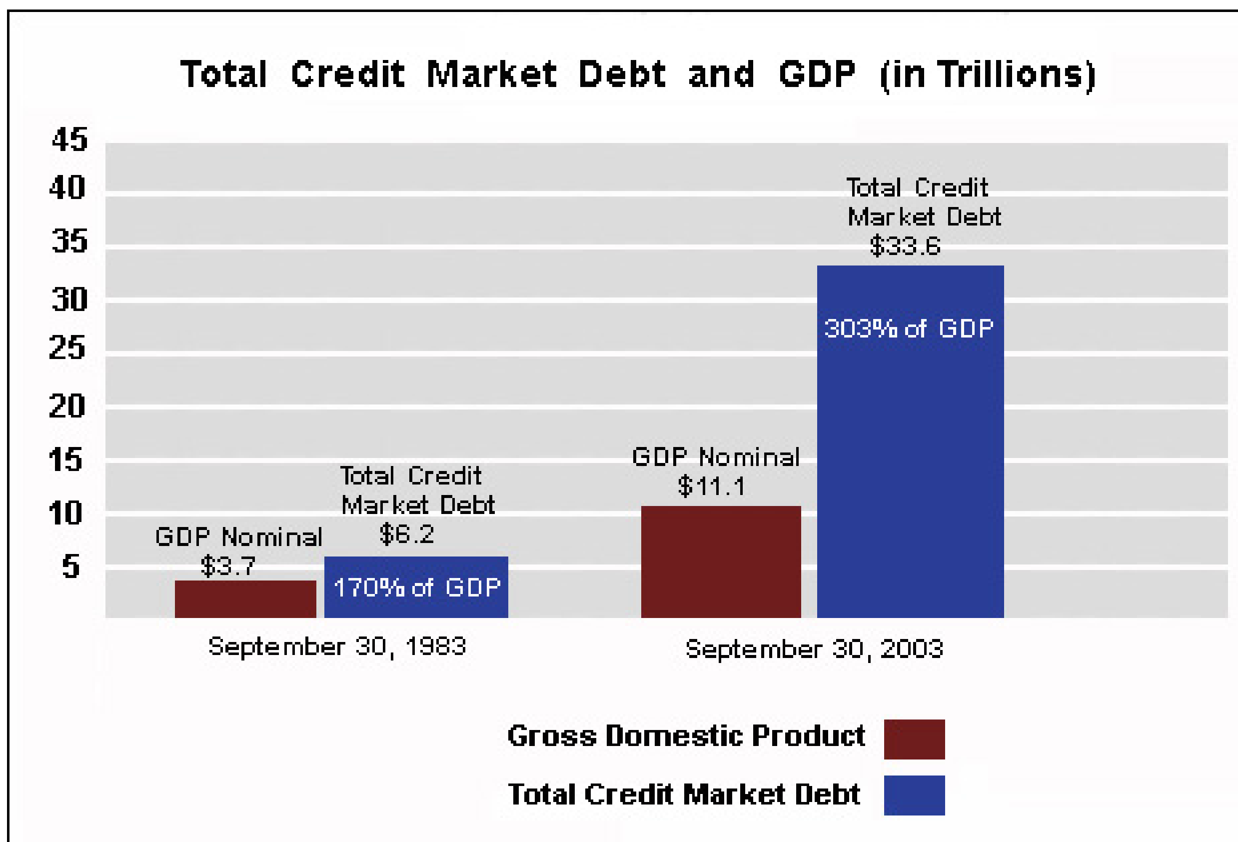


Exhibit 2. Escalating Credit Market Debt vs. GDP.

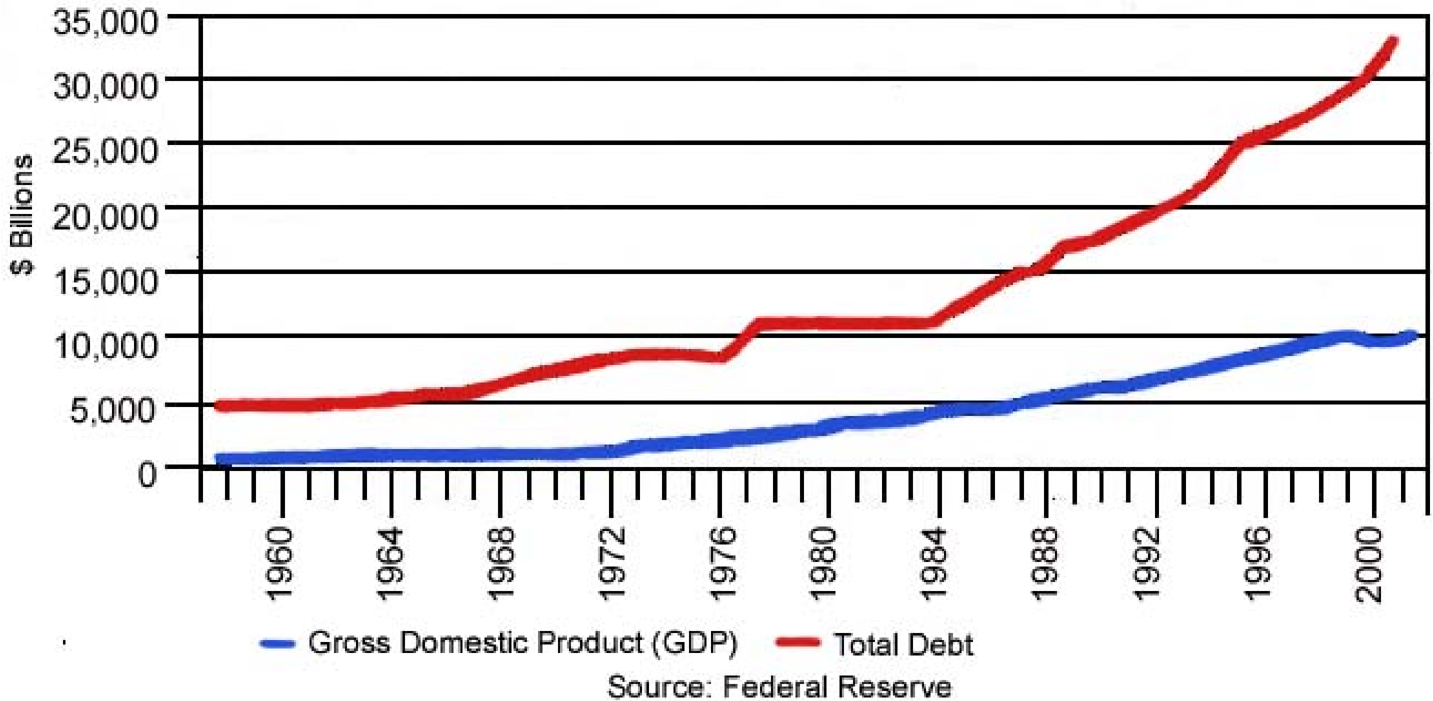


Exhibit 3. Expansion of Credit Market Debt vs. GDP.

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UNSUSTAINABLE CAPITAL INFLOWS

February 19, 2004

How can the U.S. wage a war, run an enormous $500+ Billion fiscal deficit, post a $500+ Billion record trade deficit, and watch its currency lose 29.6% of its value over the course of two years, and still enjoy interest rates at 40-year lows and still have the ability to attract whopping amounts of foreign capital?

Answer: the United States attracted some $774 billion in capital inflows in 2003.

Rarely have the economic fundamentals that dictate capital flows been as unfavorable as they were in the U.S. last year. Yet foreign investors still came, trading their yen, yuan, euros, pesos and other currencies for U.S. dollar-denominated assets. Many investors were in search of higher relative returns, enamored yet again with the tech-heavy Nasdaq, which surged by more than 50% in 2003. Still others — primarily Asian central banks — were not attracted by yield but nevertheless plowed billions into U.S. assets to satisfy their own interests. Dollar-denominated purchases capped the appreciation of their currencies, making life easier for Asian exporters, still the primary vehicle of growth across Asia.

U.S. capital inflows totaled nearly $81 billion in December alone, an amount equivalent to annual average inflows during the period 1990-94. U.S. Treasuries and corporate bonds were the assets of choice, with net foreign purchases of the former totaling $30 billion and the latter $20.4 billion. However, net purchases of U.S. government agencies jumped to $17.3 billion in December from $10.6 billion the month before. And, as a possible sign that foreign investors believe in the January effect, net foreign purchases in U.S. equities surged to $13.3 billion in December, the strongest month of foreign equity purchases since May 2001.

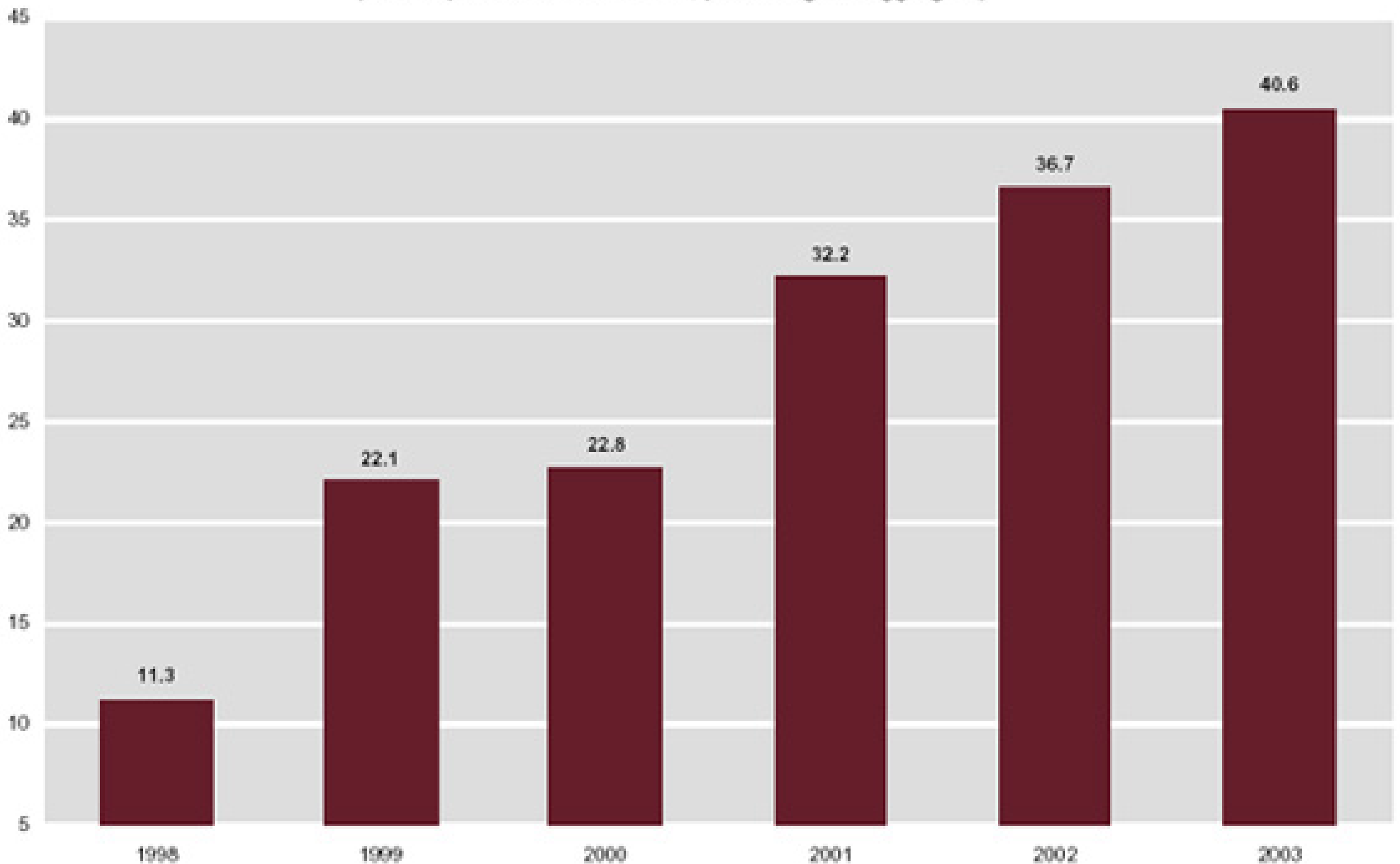


Exhibit 1. U.S. Capital Inflows from Asia, as a percentage of total.

CAPITAL INFLOWS: A DIFFERENT PERSPECTIVE

Looked at through a wider lens, there are several salient points regarding U.S. capital inflows in 2003. Consider the following:

• With net foreign purchases of U.S. assets totaling a staggering $744 billion last year, that equates to a tidy sum of $2 billion per day, including weekends.

• So large were foreign inflows last year that net flows not only covered the U.S. current account deficit (estimated at $550 billion for the year) but also the war with Iraq (estimated at $185 billion), with a few billion left over.

• Inflows from Asia totaled $38.6 billion in December — a monthly record — and accounted for nearly 48% of aggregate inflows. For 2003, capital inflows from Asia came to $302 billion, the largest annual amount on record.

• Treasuries accounted for 61.1% of net foreign purchases, while U.S. equities represented just 0.9% of the total. For the year, Asia represented 40.6% of total U.S. capital inflows versus just 22.8% in 2000 and 11.3% in 1998, as illustrated in Exhibit 1.

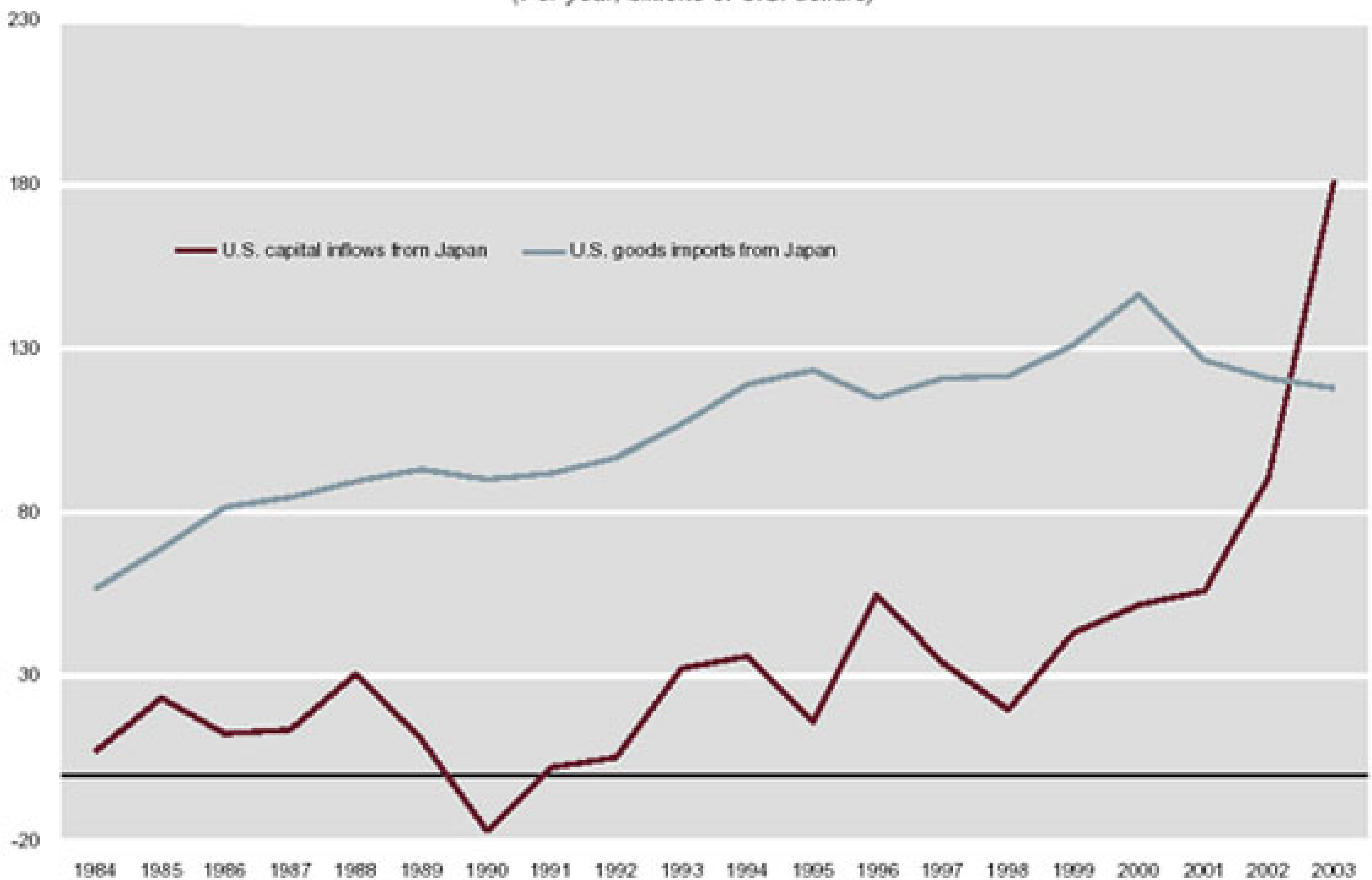
• America’s bi-lateral relationship with Japan has reached a new plateau. In the past, U.S. imports from Japan were primarily composed of consumer electronics and automobiles.

• Today, it is about dollars — America’s top import from Japan was cold, hard capital in 2003. As illustrated in Exhibit 2, capital inflows from Japan totaled a staggering $181 billion last year, well above the $118 billion in goods imported into the U.S. from Japan.

• In the last four months of 2003, the Bank of Japan bought $88 billion in U.S. Treasuries, one of the strongest four month buying sprees on record. Why such robust demand from Japan? Massive Japanese purchases reflect Japan’s “strong dollar” policy, that is, Japan’s efforts at keeping the yen from appreciating against the U.S. dollar.

• Capital inflows from Europe rose to nearly $50 billion last year, up sharply from $17 billion in 2002. French investors, despite the rise of anti-American attitudes in France last year, were net purchasers of U.S. equities to the tune of $6.2 billion in 2003, the highest level since 1997.

• Notwithstanding the U.S. equity meltdown of 2000, the U.S. recession of 2001, the shock of Sept. 11, numerous corporate scandals in 2002, and a U.S.-led war in Iraq last year, the U.S. attracted more foreign capital in the first four years of this decade ($2.3 trillion) than during the entire 1990s ($2 trillion).



Source: U.S. Treasury Department, U.S. Census Bureau

Exhibit 2. America's Top Import, Foreign Capital.

Between a Rock and a Hard Place

America consumes more than it produces; we live beyond our means by drawing from the world's — mainly Asia's — capital savings pool. As long as Asia's central banks remain bent on maintaining their currency competitiveness via large U.S. dollar-denominated purchases, the U.S. will attract the prerequisite inflows to cover its savings shortfall.

> "We are consuming more than we produce which means that we are kinda living at an artificially high standard of living, financed by foreign lenders, particularly Japan and China."
> Clyde Prestowitz, Economic Strategy Institute

That said, there are two issues of potential concern for investors. One centers on the recent testimony of U.S. Federal Reserve Chairman Alan Greenspan, who indicated to Congress that outright selling of U.S. assets by Asian central bankers would have no material effect on U.S. credit markets or interest rates. We disagree. And ignoring this risk only increases the likelihood of such an outcome. Second, America is entering the election season, and with American jobs hard to come by, politicians of all stripes are singing a more protectionist tune. America, the largest debtor nation in the world, could cause a backlash (a steep fall in capital inflows) if it enacts legislation to protect American jobs/ revise unfavorable trading terms with Asian countries (thought of as protectionism). Many of America's largest trading partners are also America's lenders of last resort. When this trend reverses, as it surely will, expect interest rates in the U.S. to sharply increase, and the asset bubbles (housing and equities) to receive their long overdue pins.

> "We are developing a great reliance on foreign capital to pay for our debt, and it is clear that foreigners are losing confidence, that there is a greater reluctance to finance our trade deficit." Richard J. DeKaser, National City Corporation Economist

> "Budget projections from the congressional budget office and the office of management and budget indicate that VERY sizable deficits are in prospect in the years to come, but federal budget deficits could cause difficulties even in the relatively near term.." Alan Greenspan, February 11, 2004

> "My real concern is that when the time comes to start to pay these benefits we are going to find that we are in very serious fiscal difficulty." Alan Greenspan, February 12, 2004; commenting on social security claims coming due.

> "This means that the country under President Bush's budget is spending $900,000 a minute more than we are taking in." Senator Kent Conrad, January 26, 2004

> "We're not very good at cutting anything. We're not even good at slightly reducing things. What we go into particularly in an election year, we go into a phase of trying to outbid each other on every program that comes along." Republican Senator Micahel Enzi

FACT: 54% of American CEOs admit that they shipped American jobs overseas in 2003. Less than 1/3rd of those surveryed see a pick-up in hiring in 2004; according to a survey of businesses that attended the Business Council Meeting in Florida.

> "I think there is a very good chance that President Bush is going to start declining in the polls. He is making a lot of mistakes, people are beginning to realize that he doesn't care about the American people, although he says he does, that he as a conservative president, he's presiding over, and encouraging the shipment of industries and jobs to the despotic commmunist regime, China, that he fabricated the basis for the war in Iraq, which is now a quagmire. And if President Bush doesn't trust the American people with the truth, why should the American people trust George W. Bush with the presidency?" Ralph Nader, Meet the Press, Febraury 22, 2004

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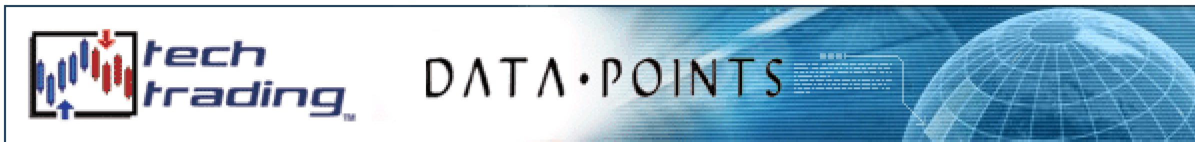

AMERICA'S TEETERING EMPIRE OF DEBT

January 20, 2004

George W's TRILLION dollar annual budget defict, the country's $500+ Billion trade deficit, the federal government's $7+ TRILLION national debt (financed with larger amounts of shorter maturity debt instruments), a rapidly deteriorating U.S. dollar, and sky-rocketing commodity and energy prices, and an estimated $44 TRILLION in unfunded social security obligations, has thus far spared the extremely overvalued U.S. Treasury market (and kept interest rates at near 45 year lows.)

Two things have supported Treasury prices: 1) unsustainably large foreign central bank purchases, and 2) short-covering and scared money buying of Treasuries when the economic reports show just how broken this economy and rotten job market is in the U.S. (case in point, last week's latest in a string of horrendous (un)employment reports.)

At the present time, the bond market is in a very precarious position, totally dependent on foreign government purchases to support absolutely absurd prices. When it finally get it's due, and the unwinding of the 40+ year trend begins, the fallout should be very severe.

A little perspective on this subject: From the start of this decade through October 2003, U.S. capital inflows totaled a whopping $2.1 trillion. That total is not far from the $2.5 trillion in net in-flows reported for the 1980s and 1990s combined. In other words, the United States has drawn from the rest of the world nearly as much capital during the first three years of this decade as during the entire last two decades combined !!! (see Exhibit 1). Such growth is hardly sustainable.

It is estimated that rates can easily rise to 6% if foreigners simply do not maintain this extreme level of treasury purchasing. Imagine how high rates can climb if they begin selling.

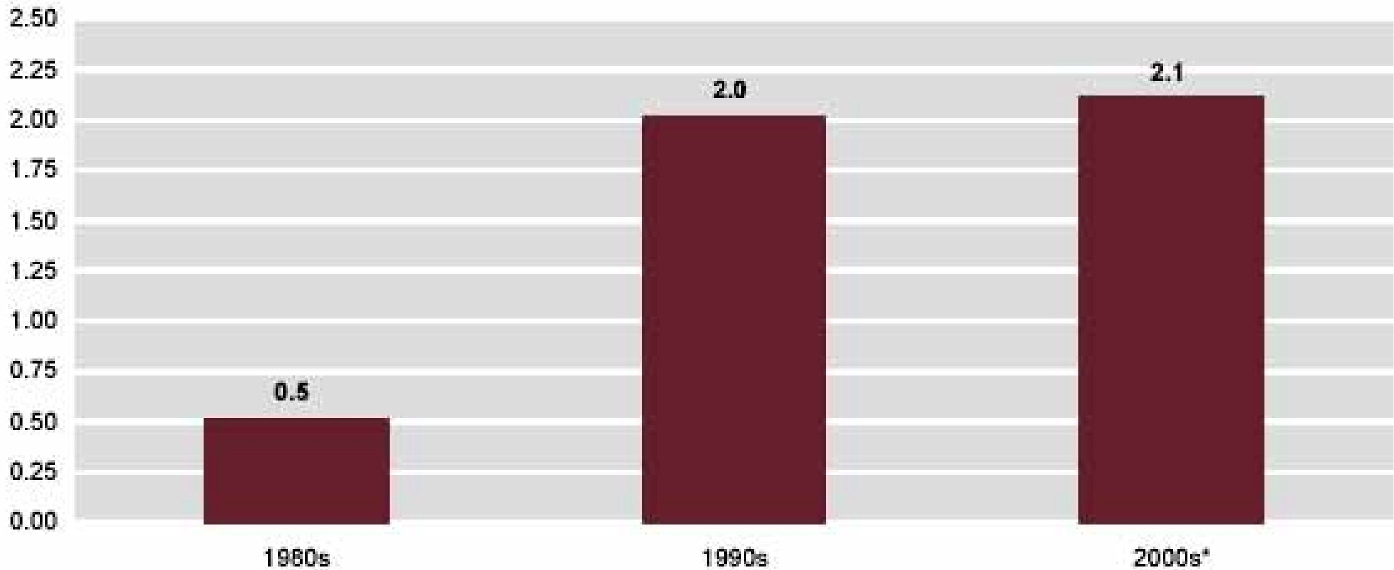

Exhibit 1. Capital inflows in 2003 almost equaled the entire prior 2 decades.

Fallout to Hit Housing, Credit, and Equity Markets

Rising interest rates should deal a severe body blow to the imbalances present in the housing and equity markets, which are both at clear bubble levels.

Even with interest rates at 45-year lows, the trend seems to be nearing some inflection point. The number of people filing for bankrutcy is increasing towards 2 million per year, credit card delinquencies are at a record high, and debt service ratios are at record highs. It is not hard to imagine what would happen if interest were to go up. All of a sudden, the monthly payments would be higher. People would have less to spend, and wouldn't have the money to make their monthly payments. The GSE's (Government 'Sponsored' Enterprises) which have leveraged their equity by over 100 times (and climbing), could see extremely large numbers of home foreclosures, which will likely accelerate the collapse in the real estate prices, and poses a serious threat to the financial system in the U.S.

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The report includes dozens of charts, quotes, and facts about the U.S. Economy. It is a must read for serious investors and concerned citizens.

Despite what you hear in the 'news', and from the politicians, the US Economy is in deep trouble, at the beginning -- not the end, of a prolonged, severe recession/depression. The folks in Washington are nervous, why else would the Federal Reserve cut interest rates 13 consecutive times, and G.W. Bush enact a massive $3 trillion in tax cuts? Your retirement savings could be at great risk if is not invested properly, and you could miss out on the chance to benefit from this special time in history (as investments can be selected that benefit during periods of economic decline.)

In order to learn more about how Tech Trading can help with your investment decisions,
please contact us at http://www.techtrading.com/

Futures and option trading involve substantial risk of loss and may not be suitable for everyone. To obtain a copy of Tech Trading's most recent disclosure document please visit http://www.techtrading.com/docs/disclosure.pdf

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