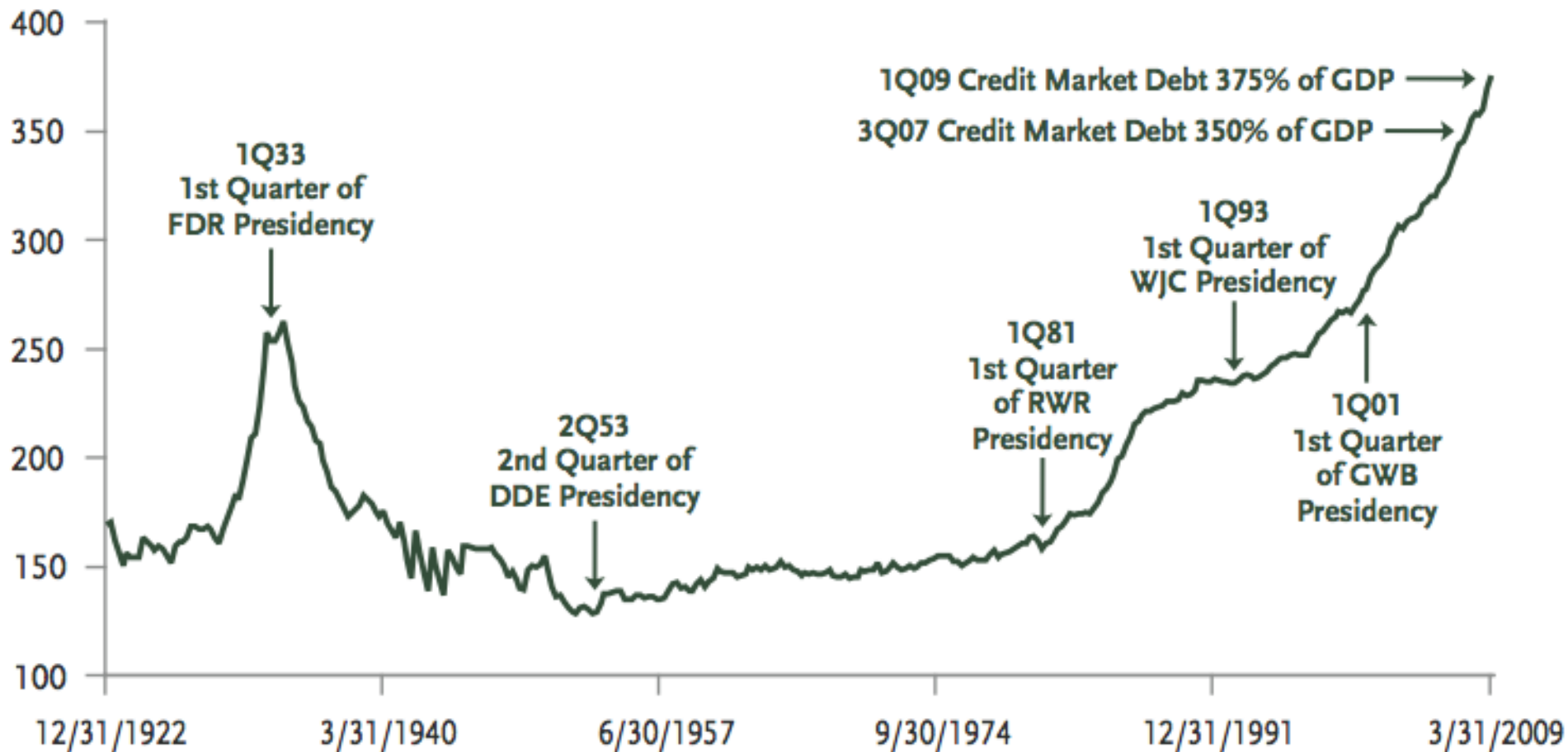
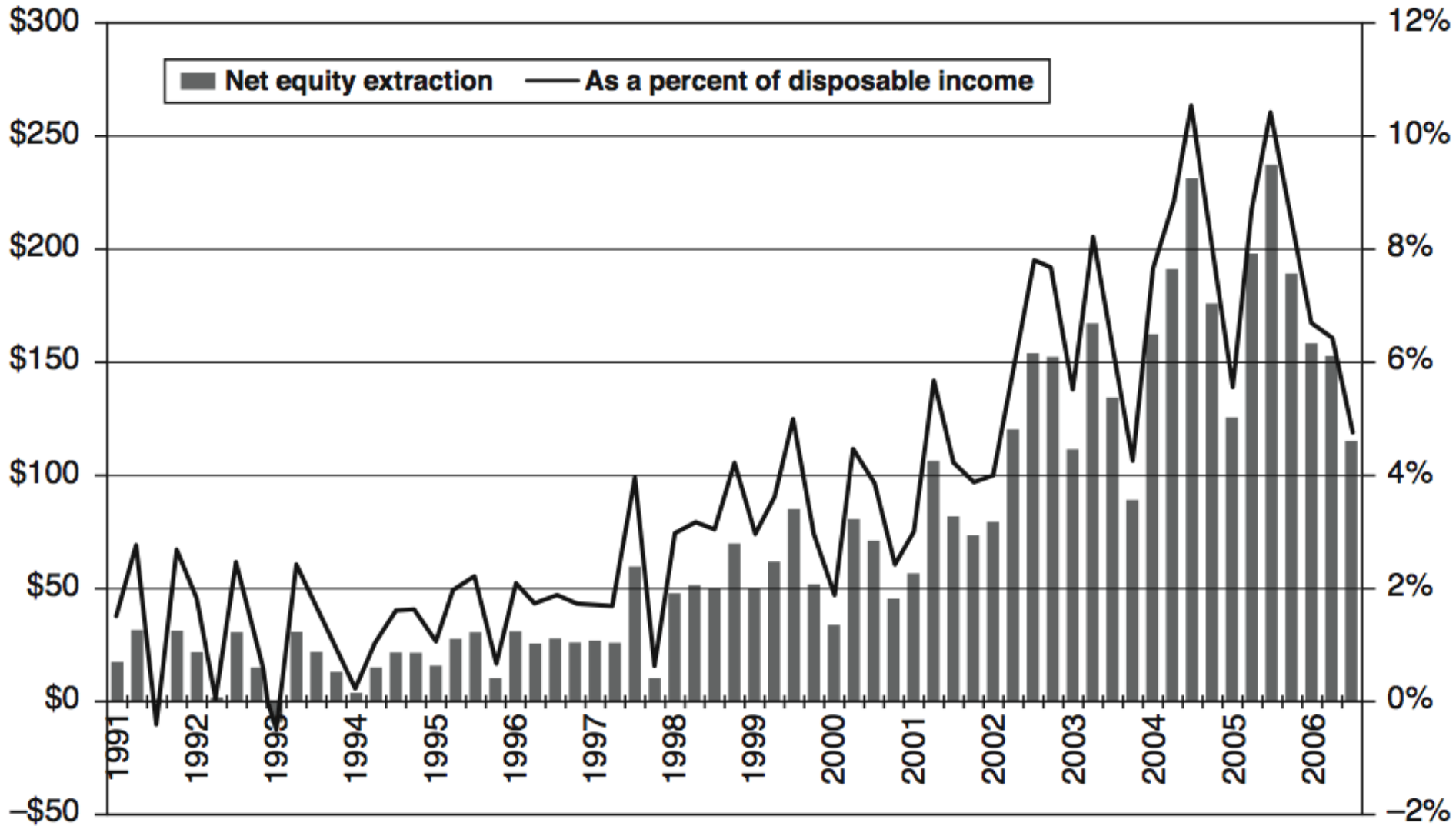


# Total Credit Market Debt/GDP Ratio

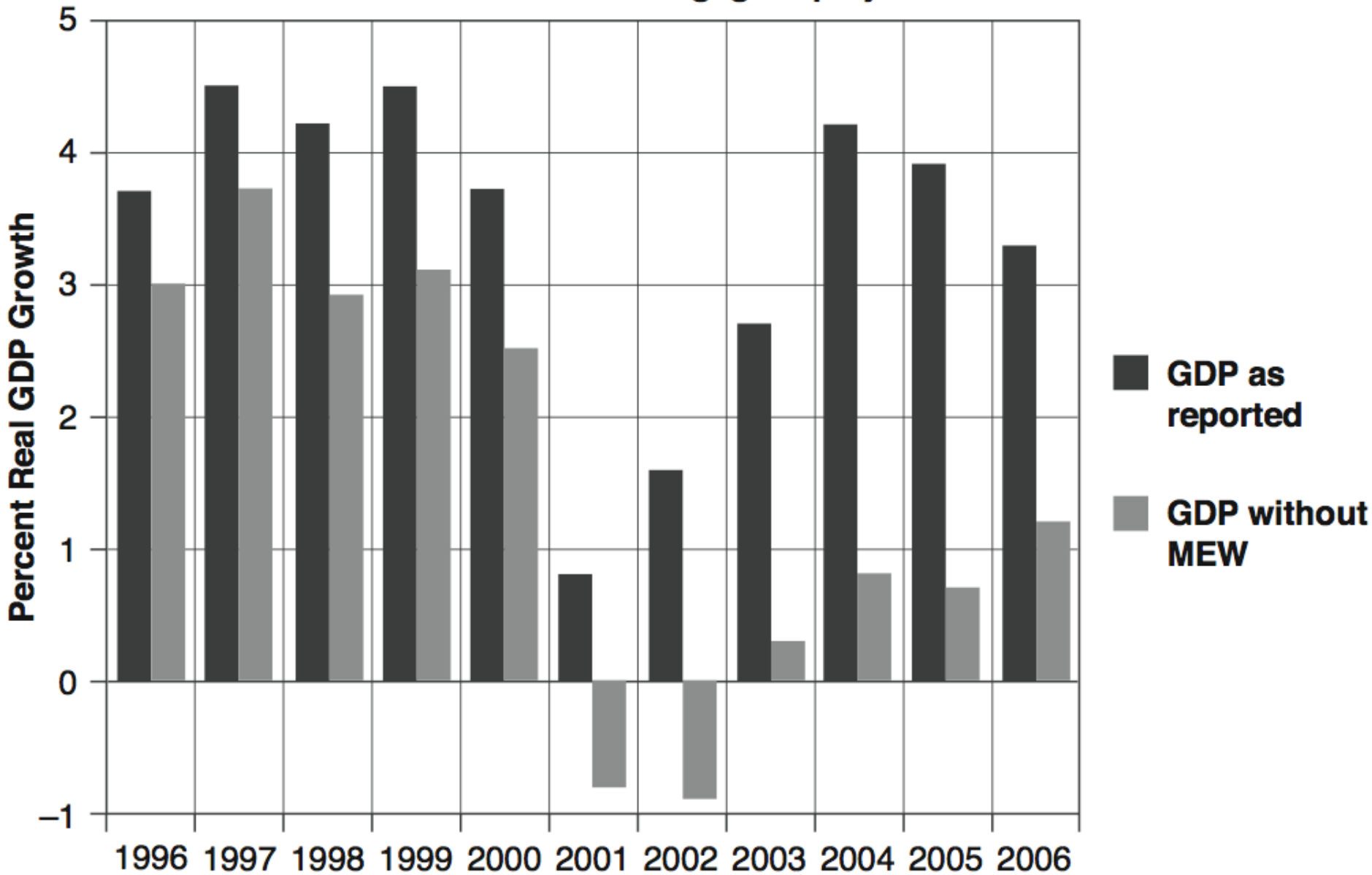
4Q 1922 – 1Q 2009



## MEW, Billions Dollars, Quarterly, Greenspan-Kennedy



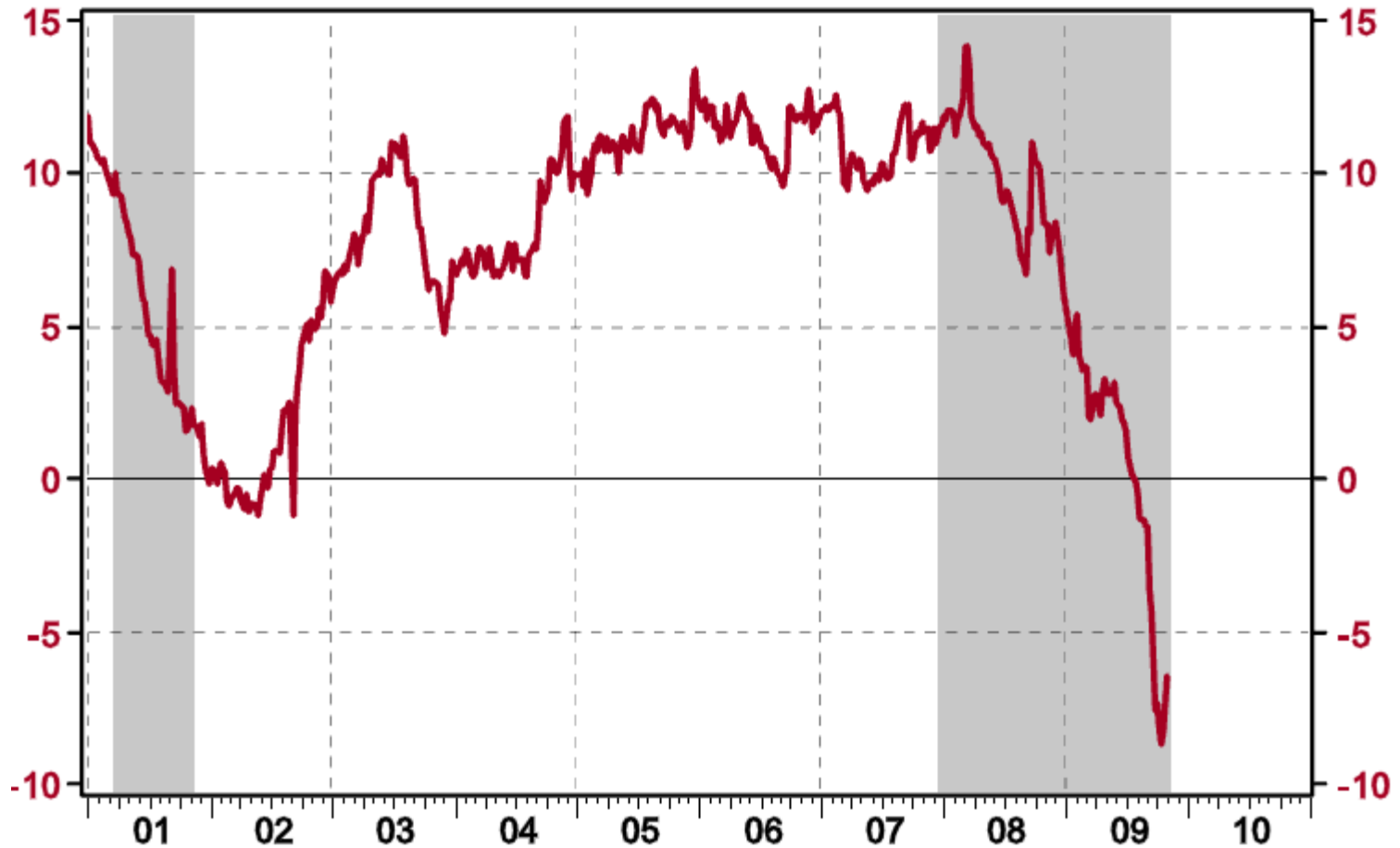
# GDP Growth: With and Without Mortgage Equity Withdrawal



## Loans & Leases in Bank Credit: All Commercial Banks

% Change - Year to Year

NSA, Bil.\$

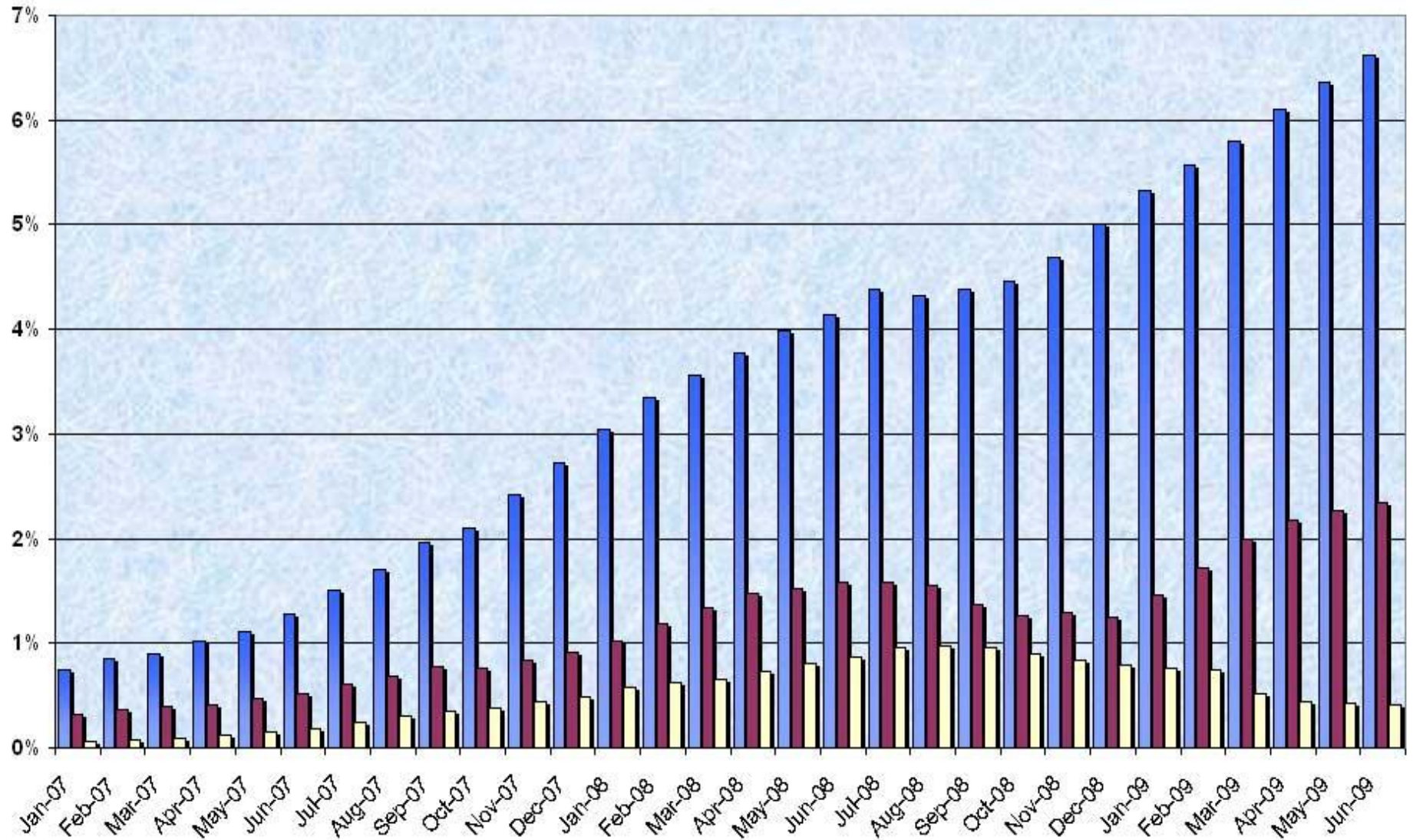


Source: Federal Reserve Board /Haver Analytics



# Delinquencies and foreclosures

■ 90+ Day Delinquency Rate ■ Foreclosure Rate □ REO Rate



Source: Ritholtz.com, Credit Suisse

# Downsizing America

- **Asset Deflation:** Equity portfolios were down about 55%; [Dividends](#) are being slashed, [stock repurchases](#) canceled. Nationally, [home prices](#) are down 33%;
- **Consumer Spending:** [Down](#); 2008 = [worst Xmas](#) in 40 years. [Savings rate positive](#); [Conspicuous Consumption](#) now [Conspicuous Conservation](#).
- **Retail Stores:** Chains filing bankruptcy (Circuit City, Linens 'n Things Sharper Image, Steve & Barry's Tweeter, Mervyn's); Survivors (Starbucks, Macy's, Sears, Office Depot) closing stores (10-20%) Retail shopping will emerge from the recession with a much [smaller footprint](#) than before;
- **Employment:** 10 million [jobs lost already](#), with anywhere from 1 to 4 million [more](#) to go; [Real Under-Unemployment](#) hit a record this past month -- 17.5%[on](#) ;
- **Finance & Wall Street:** Smaller revenue, [staff cuts](#) of 20-25%.
- **Autos:** US auto sales have [plunged](#); Sales [down 37%](#), from a 15 million annual run rate to ~10 million. Toyota, Honda, BMW, Lexus all suffering;
- **University Endowments:** Harvard, Yale, Stanford, others are [down -27% plus](#) Big endowments fund Professorships, grants, student scholarships, pure research.
- **Wages:** US Wages have been [stagnant](#) over the past 10 years; Contractions in wages have been ongoing the past few years; [Can](#) continue the next 1-3 years;
- **Media:** Circulation at major newspapers are [falling](#); 50% of print Papers will be gone (or web only) in 5 years; Odds Fox Business channel, launched at the peak of market in 2007, survives onslaught? [Less than even money](#).
- **Pharmaceutical Industry:** Huge R&D budget and staff cuts – 15-20% at major [pharmas](#) (Pfizer's [huge research layoffs](#)) don't bode well for new drug development; Misallocated resources over the past decade;

# 100 Year Dow Industrial Chart

At 13:32 Op 8519.77 Hi 8795.99 i Lo 8394.16 i Prev 8519.21

INDU INDEX

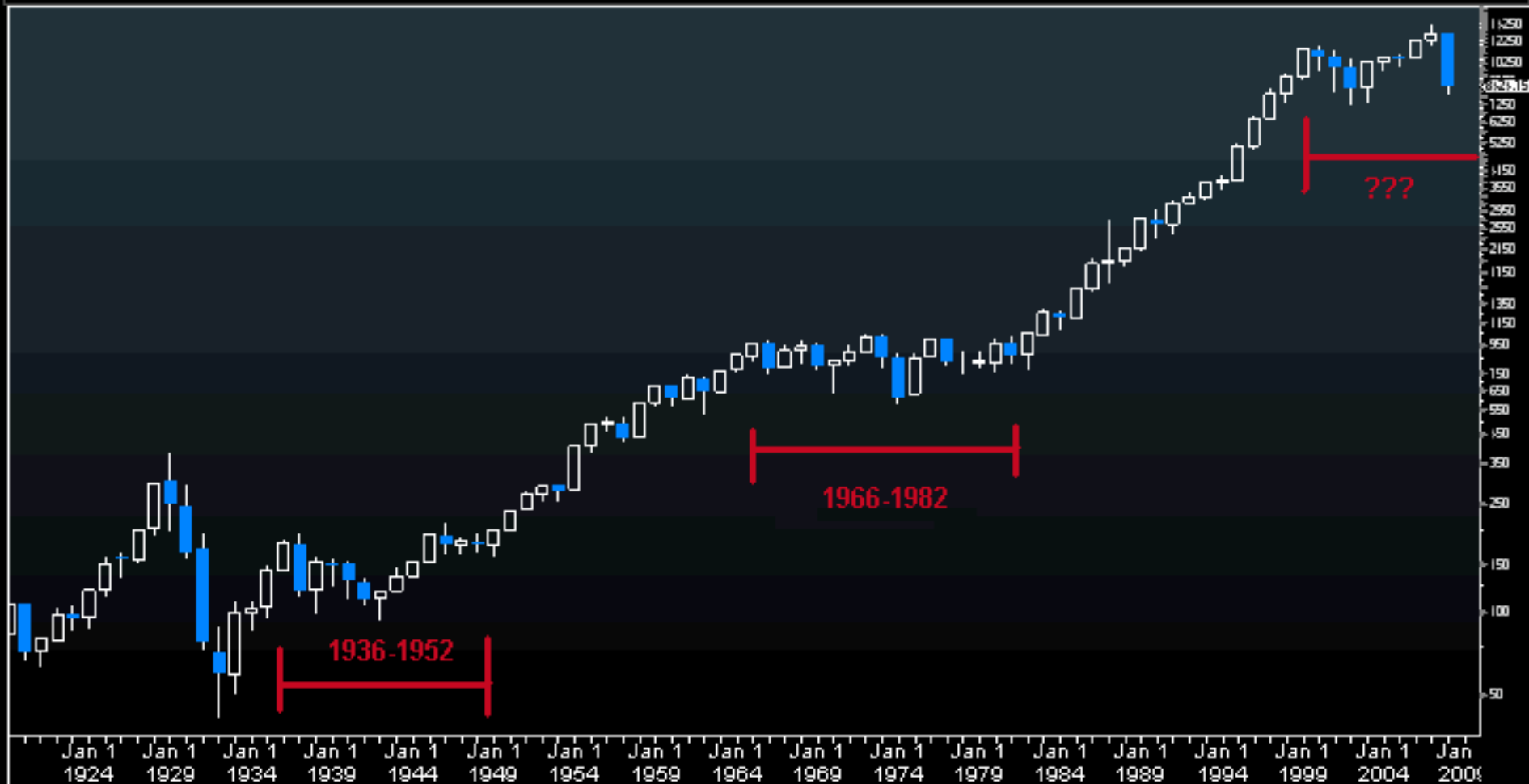
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GPL - Logarithmic Chart

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Range 01/01/20 - 01/01/09 Upper Candle Char Mov. Avgs Currency US

Period Yearly Lower None Mov. Avg 15



# 1966-82 Cyclical Markets

At 13:22 Op 8519.77 Hi 8795.99 i Lo 8394.16 i Prev 8519.21

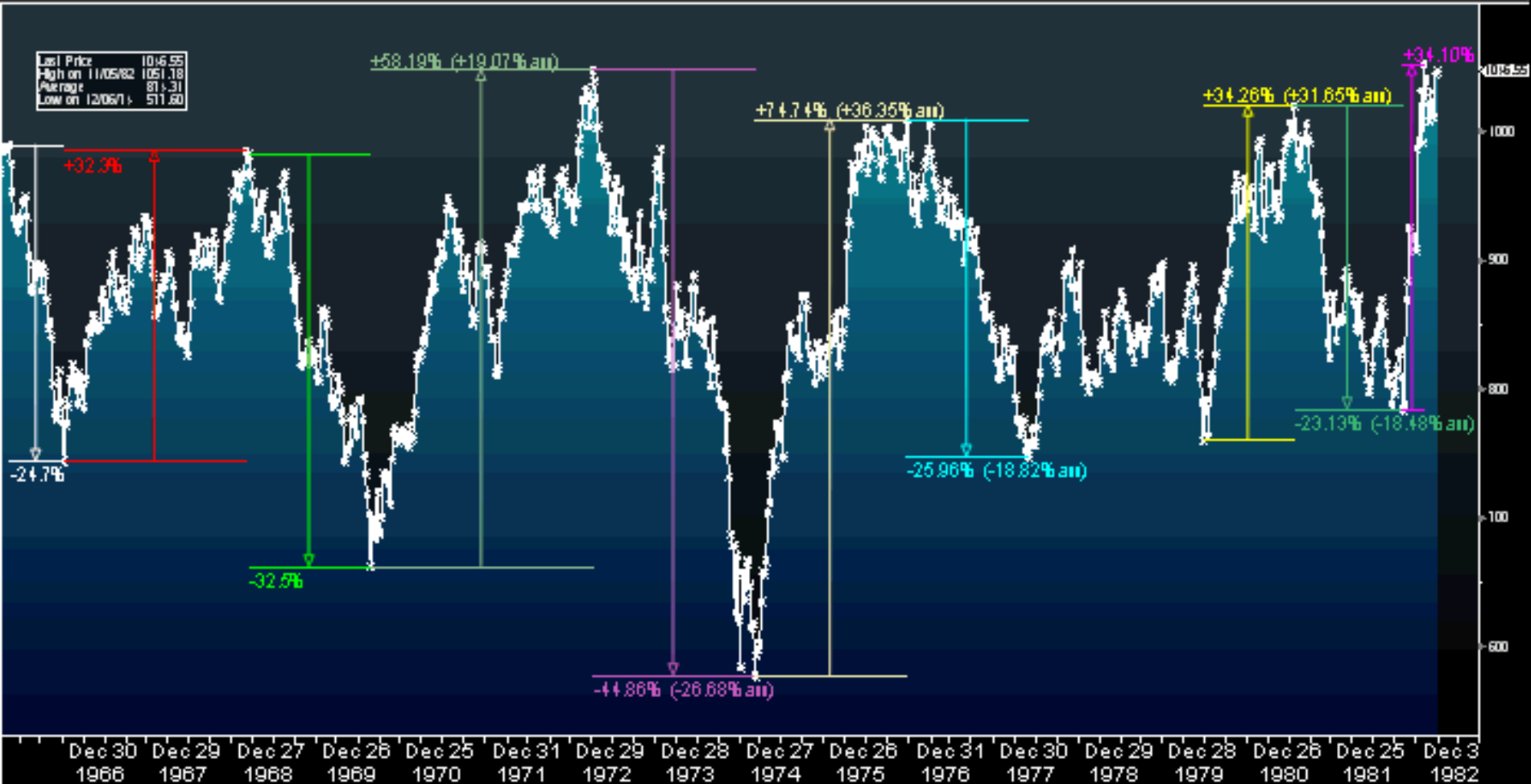
INDU INDEX

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GP - Line Chart

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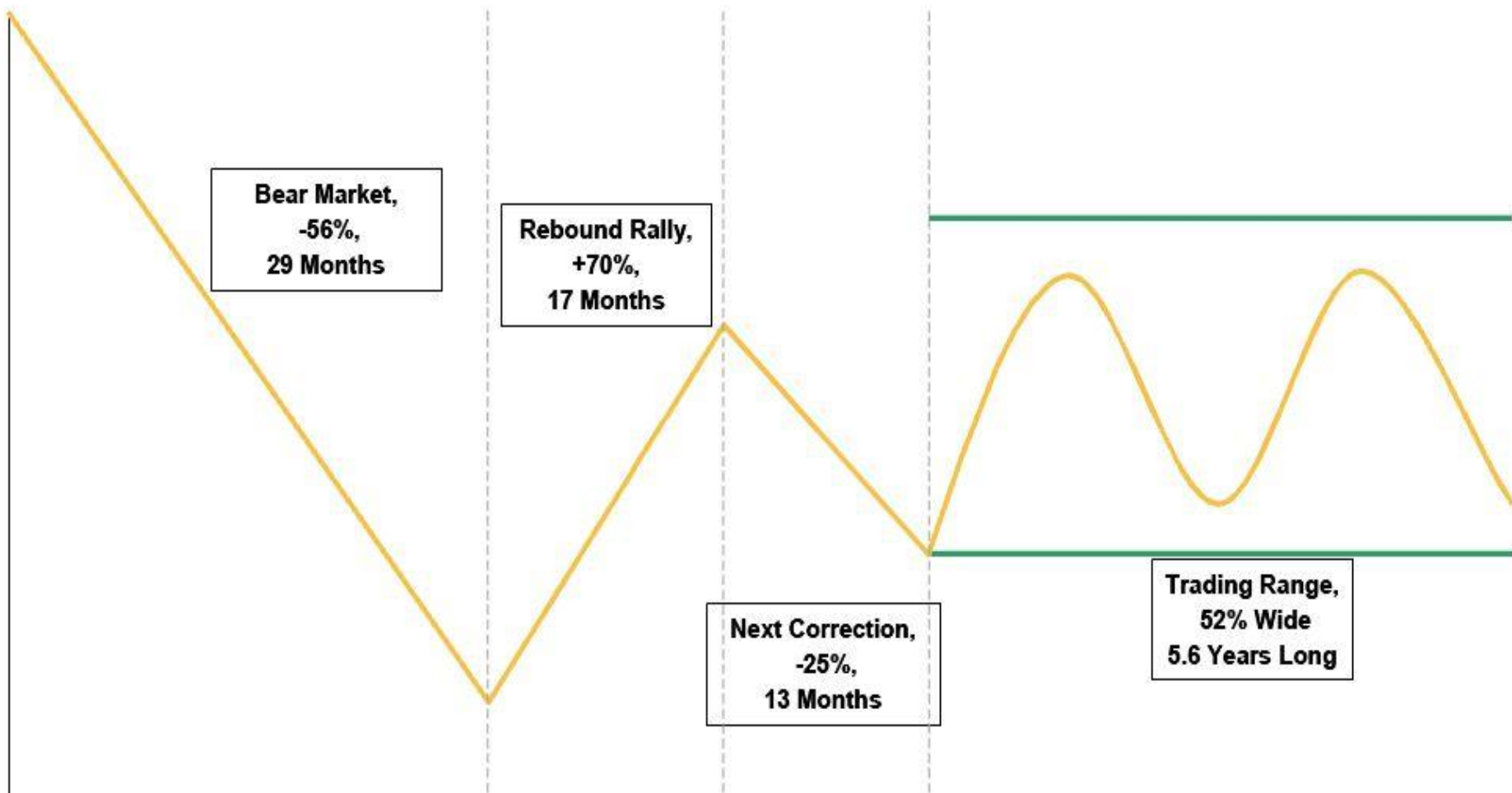
Range 01/07/66 - 12/31/82 Upper Line Chart Mov. Avgs Currency US  
Period Weekly Lower None Mov. Avg 15 Events



# Recession Bear Market vs. Armageddon



# Composite 29 Secular Bear Markets



*Currently we are likely to be over halfway in the rebound rally. We will be watching our market timing indicators, policymakers' action, inflation and Chinese growth surprises to time the peak of the rebound rally (see also "Watch Rates, Inflation, China" from 29 July 2009).*

# Do Markets Forecast the Economy? (No)

NIKKEI 225 (^N225)

Enter Symbol GET CHART COMPARE EVENTS TECHNICAL INDICATORS CHART SETTINGS RESET

Week of Sep 6, 1999 : ^N225 17,711.0195

August 1992	42.5%
Nov 1993	27.9%
June 1995	55.2%
Oct 1998	51.7%
April 2003	131.6%



NIKKEI 225 (^N225)

Mar 1990 : ^N225 29,980

1984 - 2009



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# How Does the '09 Rally Stack Up Against '82 Bull Market?

<b><u>Rally Comparison</u></b>	<b><u>1982</u></b>	<b><u>2009</u></b>
<b>P/E Multiple</b>	8X	26X
<b>Dividend Yields</b>	6%	below 2%
<b>Book Value</b>	Discount to Book	2X Premium
<b>Monetary Policy</b>	Reducing money growth and inflation rates	Creating money growth and inflation rates
<b>Fiscal Policy</b>	Aimed at reducing nondefense spending	Aimed at accelerating nondefense spending
<b>Deficits</b>	Peaking and coming down relative to GDP	Surging to 10%+ relative to GDP
<b>Global Trade Barriers</b>	Were being torn down	Are being erected
<b>Regulation</b>	Deregulation in vogue	Re-regulation rising
<b>US Dollar</b>	Plaza Accord bull market	Mercantilist bear market
<b>Household Credit</b>	Balance sheets and participation rates expanding	Balance sheets now contracting
<b>Tax rates</b>	Income, capital gains and dividend taxes declining	Taxes Rising Now

*for more information, contact*

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The Big Picture

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