

# Central Plains Advisors, Inc.

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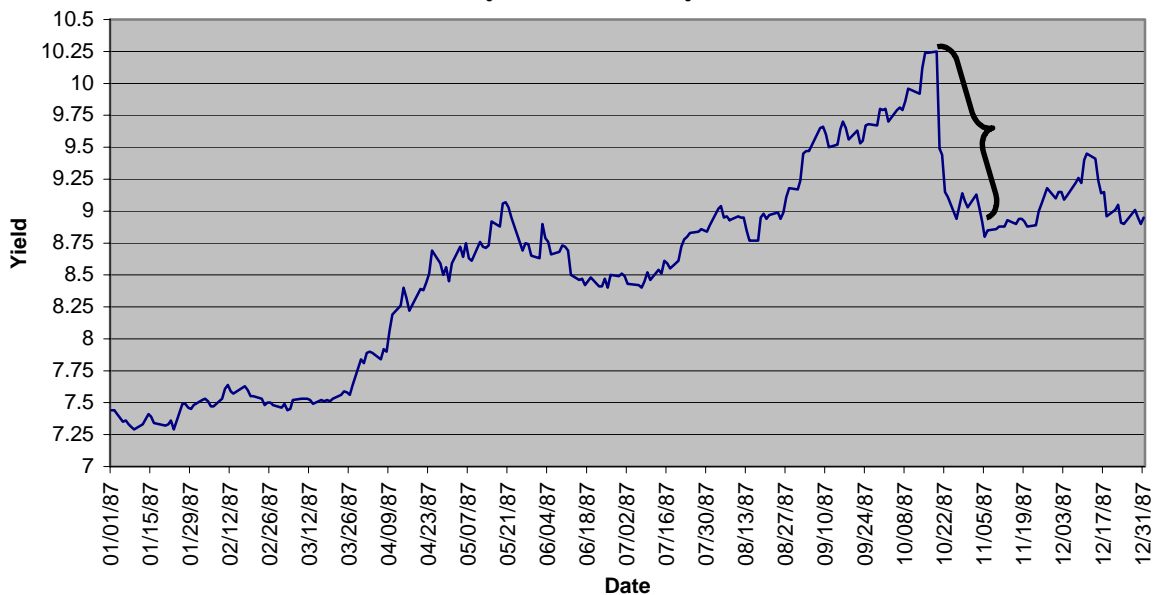
Interim Update

## Is it Déjà Vu All Over Again?

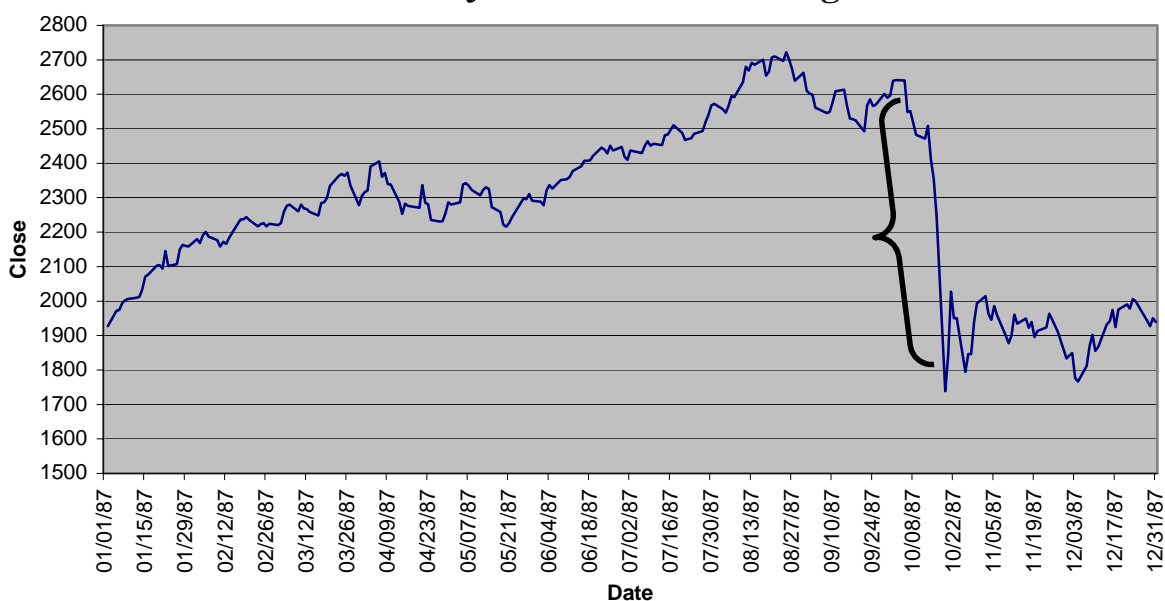
April of 2004, just ended, was a month quite similar to July of 2003. Both were sharp and quick corrections to an ongoing bull market in government bonds. If you may recall, we recovered nicely from the July 2003 correction and we will do so again this time. As a matter of fact, if this current correction goes to an extreme, this will be the “silver bullet” we have been looking for to achieve the 3% number we have been projecting now for some time. The heavily leveraged American economy cannot withstand an increase in long-term interest rates. Think of it – a 1% increase in long rates equals \$340,000,000 in increased costs to those who have borrowed money. This, of course, is not literally true, as some rates are fixed, however, it does indicate rather graphically the monetary cost burden that will stifle the economy under such circumstances. What about increases of 2%, 3% or more?

Our Web Buzz of 4/26/04 introduced this scenario and for those of you who do not have computer Internet access we repeat the charts of 1987, which illustrate the “spike” that did occur then and could again if the April correction is continued. The principals of Central Plains remember well the 1987 experience. At that time we were managing some billion dollars in institutional funds and did not have the luxury of Internet communication. We chartered a private aircraft and spent a week or so urging our clients to “stay the course.” They did, in fact one account added \$10 million, and they were well rewarded for their decision.

1987 30-year Treasury Yield



## 1987 Dow Jones Industrial Average



We have no idea if there will be another 1987, but it sure feels like it. Regardless, the fundamentals each day work in our favor as debt continues to pile upon debt. Asset values can disappear, but not so does debt.

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