

# Interim Market Update



Central Plains Advisors, Inc. • 100 N. Broadway Ste. 130 Wichita , KS 67202 • Economic Consulting & Investment Management

May 5, 2009

## ALERT: FYI

As it turns out, we were early in reestablishing our position in the long government bond. One of the keys we used in taking on our new position was the psychology that has been prevalent over the last month concerning the state of the economy. Wall Street (when was the last time they were right?) has bought into an imminent V-shaped recovery. Common stock money managers who haven't made any money for their clients since 1999 are anxious to get ahead of the crowd in the comparative performance game. They have done this, they think, by plunging back into the stock market over the last six weeks. In so doing, they have sold their government bond holdings. Unless they treat this as a short term trade and take profits soon, another nail will have been driven into their coffins.

As we have urged all who will listen, please use this bear market rally to cut back your position in stocks. Valuations are much too high, and what current buyers believe is a V-shaped recovery will soon prove to be U-shaped at best and more likely L-shaped.

As you know, we do now and have in the past thought it important that you know what the principals of CPAI are doing with their personal money. While a few of our clients have become concerned with the recent decline in the value of long government bonds, we on the other hand, have borrowed money and purchased more. We have never suggested that any of our clients do likewise. We, however, do so from time to time and believe that it is our ethical duty to reveal these trading moves, as opposed to investment positions we take, which are exactly the same as our clients' under CPAI's programs.



Central Plains Advisors, Inc.

---

Information contained in this commentary is based upon information obtained from sources both external and internal which we consider to be reliable, but the accuracy of the information and the recommendations contained herein cannot be guaranteed, nor do they constitute a solicitation for the purchase or sale of any securities mentioned herein. Information contained in this commentary may not be reproduced in any form without written permission from Central Plains Advisors, Inc.

---

# Interim Market Update



Central Plains Advisors, Inc. • 100 N. Broadway Ste. 130 Wichita , KS 67202 • Economic Consulting & Investment Management

So, once again we have lived up to our M.O. of always seeming to be early in and early out. On the other hand, we have escaped the age old mantra of Wall Street touting buy and hold, while they are doing just the opposite. We believe it will soon become apparent that there is nothing in the way of real news that will allow the recent divergence in the stock and bond markets. In our opinion, buying on dips is the current correct strategy for government bonds and not for stocks.

The fear of inflation remains uppermost on many investors' minds. As you know, it has been our position that deflation is coming and as a matter of fact is now here. Please note at the bottom of our discourse the chart that shows that, during the current recession, the Consumer Price Index showed the sharpest rate of decline since the mid 1940s on a compounded annual rate of change basis, and, after a brief recovery, continues on a downward trajectory.

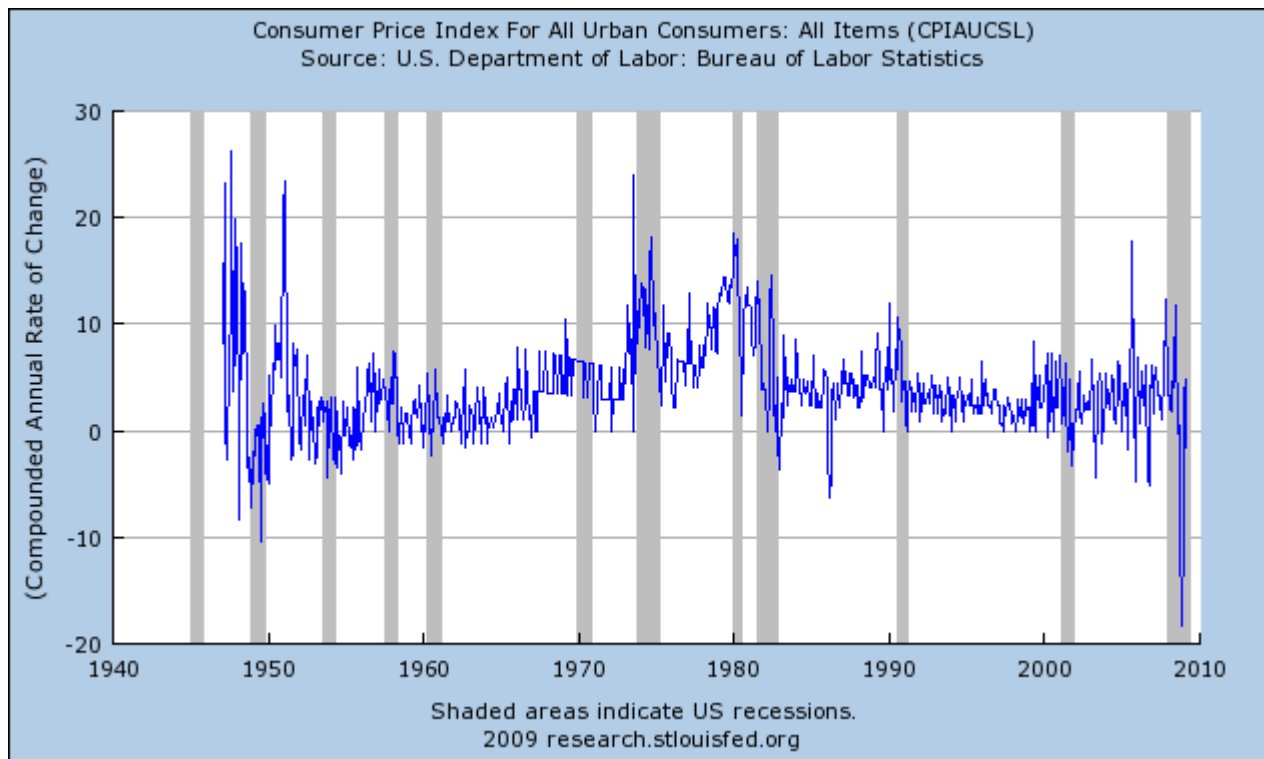


Chart adapted from the St. Louis Fed



Central Plains Advisors, Inc.

Information contained in this commentary is based upon information obtained from sources both external and internal which we consider to be reliable, but the accuracy of the information and the recommendations contained herein cannot be guaranteed, nor do they constitute a solicitation for the purchase or sale of any securities mentioned herein. Information contained in this commentary may not be reproduced in any form without written permission from Central Plains Advisors, Inc.