

Central Plains Advisors, Inc.
Interim Market Update

May 18, 2001

Beware: The Hype

There is no question in our mind but that we are in a recession right now which is of unknown depth and length. We believe it to be shallow and long, however it could be deep and long. We believe Wall Street is suckering in the “country bumpkins” again. It’s not the end of the world but don’t become a part of the great unwashed investors who are going down the prim rose path to a lower standard of living.

American Century has just initiated a new fund, the Target 2030. We are going there, as soon as it’s available, because it gives us the potential to repeat last year’s performance. We shall see. Our long-term outlook remains the same. We are moving toward much lower interest rates. Of course there is the possibility that the Fed may resurrect the economy through lower interest rates. We believe this possibility is much less than 50/50 and even if it does occur, it only delays the massive liquidation of debt that lies ahead. Our gross total return would remain the same but just take longer to achieve.

Only time and savings can correct what ails us. Regardless of what Wall Street believes this is very deflationary. It requires us to be conservative since a financial accident may develop which could be quite damaging. Always remember bond market participants follow the Keynesian economic model. They believe the consumer is 67% of the economy. It’s not, it’s only 38% and remember unemployment is a lagging indicator and has not yet seriously affected retail sales. Also keep in mind, at the beginning of a recession productivity declines, always resulting in an attempt to raise prices on the part of business to recover declining profits. This too shall pass. Price increases will not stick.

Don Peters

Past Performance is no Guarantee of Future Results