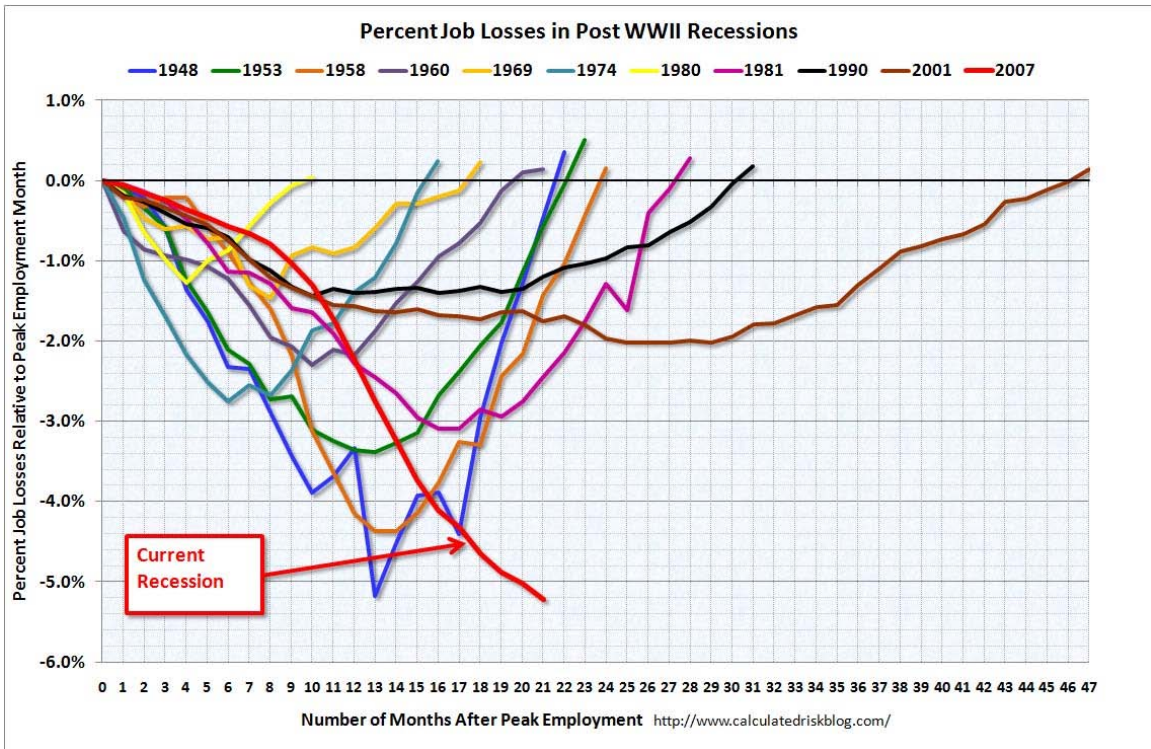


## A WAITING GAME CONTINUES

### WEB BUZZ 2010.01.18

So far in January, the mantra of the last nine months of 2009 has prevailed. This “economic period is just the same as all previous post WWII recessions” mentality is sure to change. What will cause this change? We wish we knew. Sometimes it seems to us that, on a timing basis, one needs to be a psychologist. The following might be the catalysts that will turn the tide:

1. The housing market remains very weak. In 2009, 2.8 million homeowners were threatened with foreclosure. Experts expect something like 3.5 million this year.
2. Commercial real estate is down in value approximately 37% from the top. Several trillion dollars of loans need to be rolled over in the next two years.
3. Banks remain in serious trouble. 140 were closed in 2009 and there are nearly 600 on the FDIC’s watch list today.
4. China clearly has a bubble economy. Will 2010 be the year they hit the wall?
5. Commodities such as copper are being stockpiled, just as in the 1970s. This, of course, is an inflation-driven action when the real problem is deflation.
6. Unemployment continues to be a problem. In our opinion, it may be at least five years before we will see anything like a 5% number. Note the chart below.



Adapted from CalculatedRiskBlog.com

There are, of course, many other problems that are being ignored in the marketplace *for now*. Probably when the mood changes it will be sudden and severe.