

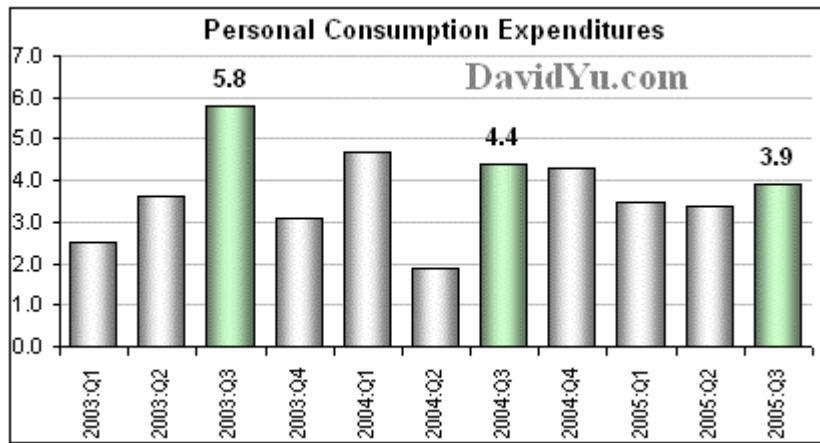
Consumer Out of Gas

February 7, 2006

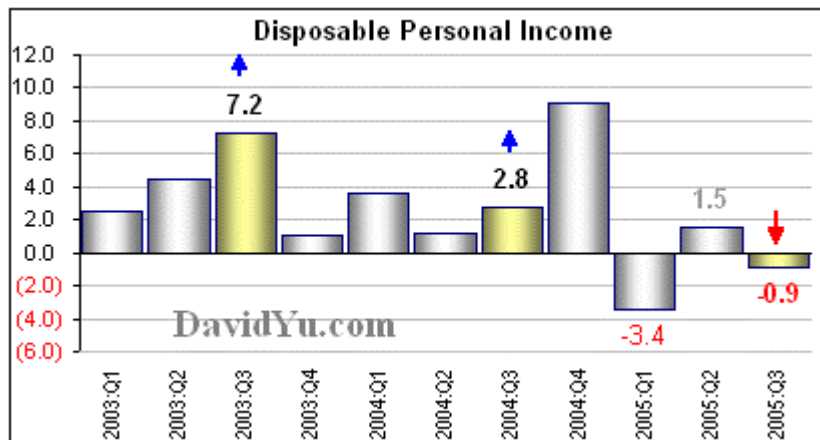
Please note the following personal consumption expenditures percentage, which of course make up 70% of the GDP figures.

Third Quarter 2003 5.8%
 Third Quarter 2004 4.4%
 Third Quarter 2005 3.9%

Now comes the 4th quarter of 2005 that came in at 1.1% which compares to the 4th quarter of 2004 of 4.1%. Do you by chance see a trend here?

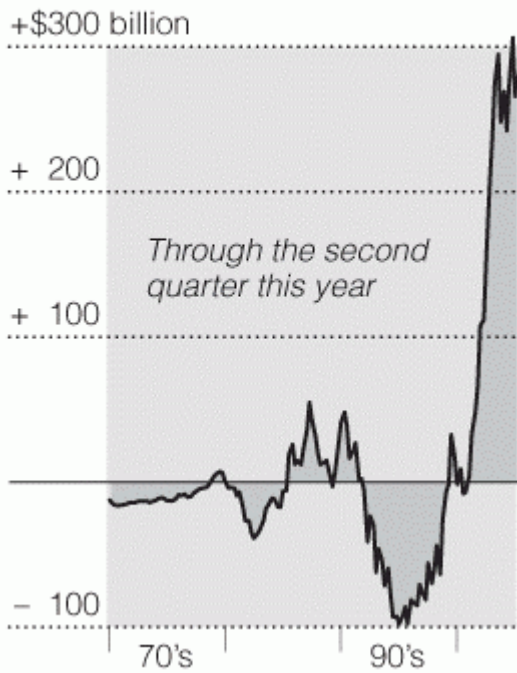


Much of this decline can be explained by the % decline in disposable personal income over the last several years. This decline has occurred due to the very weak employment numbers along with very modest wage increases. Note the following chart:



Despite the above there has been until the 4th quarter of 2005 a rather good amount of consumer spending. Most of this spending has been facilitated by tax cuts, which are now over and net equity cash-outs, plus the draw down in savings. See charts below:

Net home equity cash-outs



Household savings (based on earnings)



Who or what will come to the rescue of the consumer in 2006? We haven't found it yet, but there must be something somewhere as all Wall Street economists are projecting good growth. You know what we think? We believe the consumer is out of gas - no pun intended.