

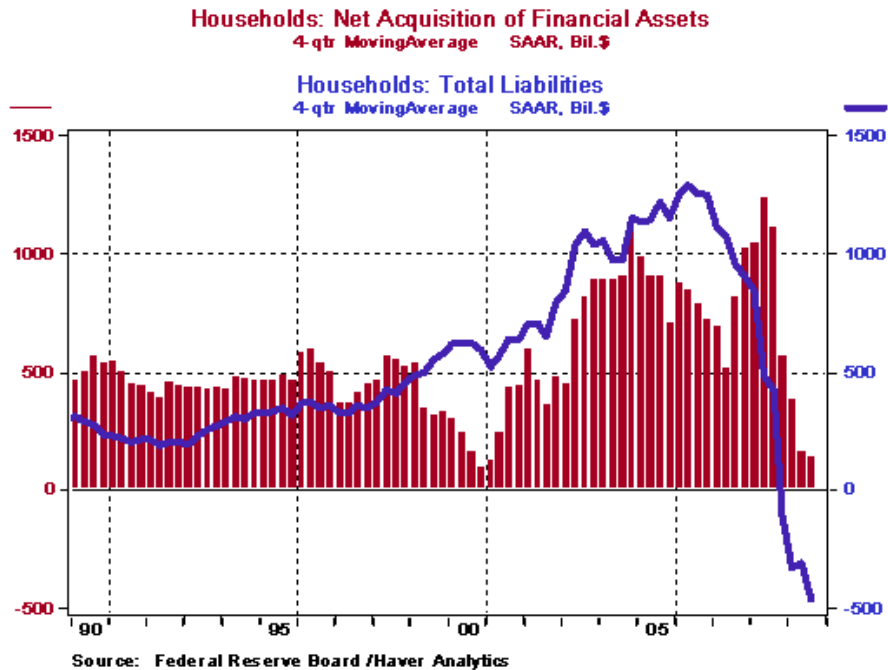
IF YOU BUILD IT, THEY WILL COME

WEB BUZZ 2010.02.01

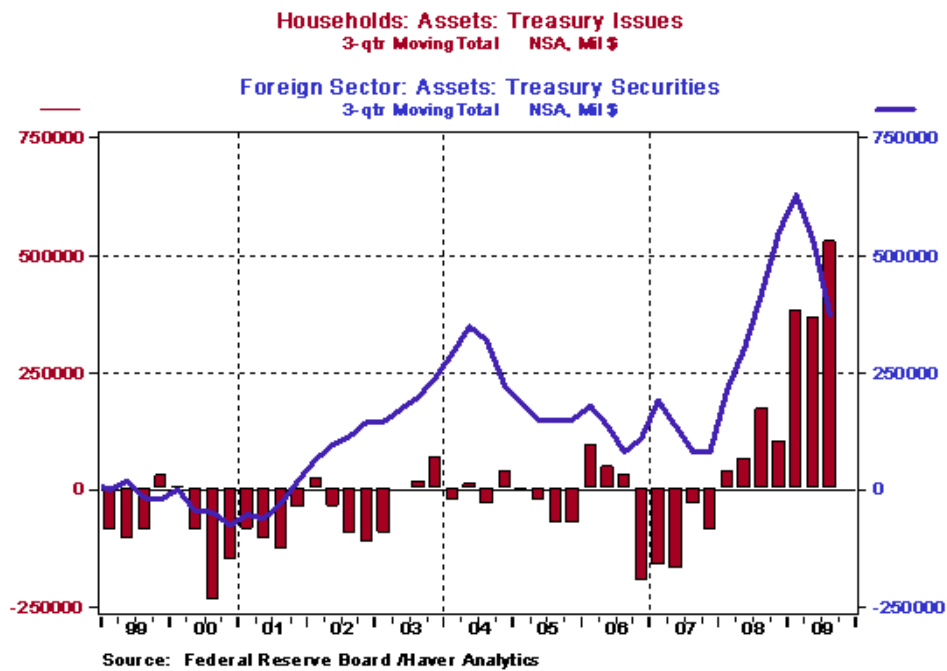
Bond bears continue to be concerned that there will be no one to purchase government debt as so much of it is coming to market. As you know, it has always been our opinion that this is a lot of worry about nothing. It seems as if there is one offering after another, but when the dust clears the results are always the same. Coverage is always good, and foreign participation is quite satisfactory.

What the bond bears don't seem to realize is that individuals have become huge buyers of government treasuries as their savings rate is accelerating. Last year, individuals were large buyers of fixed income securities due to having been burned by common stocks twice in the last ten years, which was just too much for them to bear. We believe this is a cyclical change of attitude that is likely to last for five years or longer. Human behavior being what it is, it's quite likely this trend will last well past the point where common stocks should be purchased. Our plan, of course, is to time as best we can the sale of government treasuries and purchase of stocks. We don't expect for this to happen very soon as stocks remain at least 25% overvalued, in our opinion.

Please note the two following charts. The first depicts households' purchase of financial assets. They have drastically reduced the purchase of such; however, what little they have purchased has been government treasuries after some ten years of liquidation, as seen in chart two. Also note liquidation of debts in chart one and foreign purchases of government treasures in chart two. Foreign purchases are down in line with our trade deficit being corrected, which is what one would assume.



Adapted from SafeHaven.com



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To summarize - don't worry about there not being any buyers of our government securities. As we have said many times before - the U.S. is not in great shape, but in much better shape than anyone else.