

THE BEST LOOKING HORSE AT THE GLUE FACTORY

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The European debt problems continue to garner the business headlines; however, the debt problems are everywhere. What about the U.S.? Are we about to enter a new credit crunch ala the Lehman Brothers debacle of the fall of 2008? Our answer - probably! Just think of the following entities, which, if we owned them personally (gee, I guess we do as taxpayers) would be in bankruptcy:

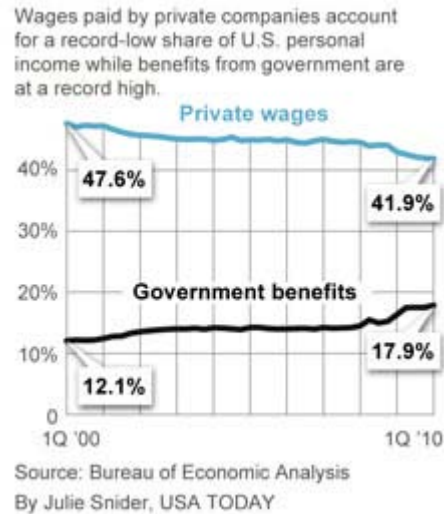
1. Fannie Mae
2. Freddie Mac
3. F.D.I.C.
4. HFA
5. Some states and municipalities
6. The Federal Reserve and ultimately The Treasury Department

Why then are we at Central Plains Advisors still advocating government bonds as a safe haven for one's investment funds? The answer is (and we wish we had thought of the phrasing) the U.S. is by far the best looking horse at the glue factory.

As the weaker horses are turned to glue, frightened capital will come our way. We have commented on this before, but to reemphasize our point, we have the largest capital markets - approximately 50% of the world's total - plus the fact that we are too big to fail, at least for now.

On another matter, we see that the stimulus package turns down during 3Q10 rather than this quarter. This means GDP may be better in 2Q10 than we expected. But that is really old news.

Now, what we are facing later this year and next year is not very appealing. Please note the chart below, which comes from USA Today. The private sector, which pays for the public sector, continues to shrink vis-à-vis the public sector. This clearly cannot continue for long.



Adapted from USA Today