THE ECONOMIC OUTLOOK

	4-14	4-7	Mar	Feb	Jan	Dec'03	Nov	Oct	Sep	Aug	Jul	Jun	May
GROWTH	VS	N	N	S	S	S	VS	S	N	VW	N	S	VS
INFLATION			Rising	Rising	Low	Low	Low	Low	Low	Low	Low	Rising	Very Low

Growth key: Very Weak | Weak | Neutral | Strong | Very Strong

ECONOMIC REPORT TRENDS AT-A-GLANCE

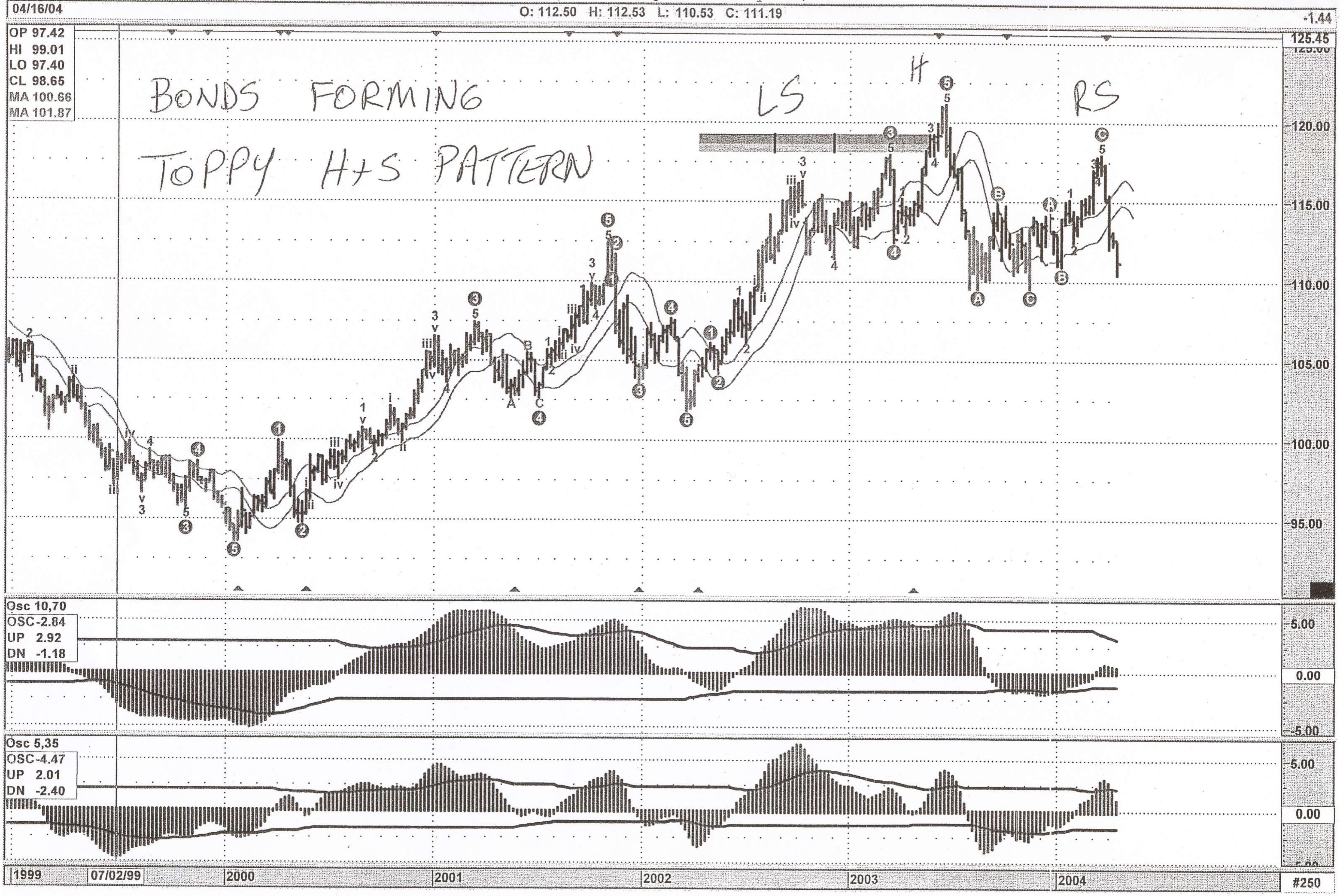
This table tracks the bond market implications of all major U.S. economic reports. The reports are divided into two categories: Economic Strength and Inflation. Weak economicresports are considered "Bullish" for bonds while strong reports are "Bearish"

Date	ECONOMY	Bull	NA	Bear	INFLATION	Bull	NA	Bear
4/15/04	NY Empire State Idx Up to 36			X				
	Phila Fed Idx Apr Up to 32.5			XX				
4/14/04					CPI Mar up .5%			X
					Core CPI Mar up .4%			X
4/13/04	Bus Inventory Feb up .7%			X				
	Ret Sales Mar up 1.8%			XX				
	Ret Sales ex auto up 1.7%			XX				
4/08/04	Whsle Inventory Feb up 1.2%			X				
4/07/04	Cons Credit Feb up $4.2Bn		X		Export Price Mar +.6%			X
					Import Price up .2%		X	
4/05/04	ISM Serv Idx Mar up to 65.8							
4/02/04	~~Unemp Rate Mar up to 5.7%~~	X						
	Payrolls Mar Up 308K			XX				
	Hrly Earnings Mar up .1%	X						
	Avg Workweek unch		X					
4/01/04	Const spend Feb down .1%	X			PPI Feb up .1%	X		
					PPI Core Feb up .1%	X		
3/31/04	Chicago PMI Mar dn to 57.6		X					
3/26/04	Pers Inc Feb up .4%			X				
	Pers Spending Feb up .2%		X					
3/25/04	Jobless claims @ 339K			X	Deflator Q4 final +1.5%	X	X	
	Exist Home Sale Feb unch		X					
	GDP Q4 Final up 4.1%			X				
3/24/04	Durable Orders Feb up 2.5%			XX				
	New Home Sale Feb up 6.3%			XX				
3/18/04	Phila Fed Idx Mar down to 24.2	X			PPI Jan up .6%			XX
	Lead Econ Indic Feb unch	X			PPI Core Jan up .3%		X	
	Jobless Claims @ 336K			X				
3/16/04	House Start Feb down 5%	XX			CPI Feb Up .3%		X	
	Bldg Permits Feb down 3%	X			CPI Core Up .2%	X		
	Bldg Permit Feb @ 1.9MM units			X				
3/15/04	Ind Prod Feb up .7%			X				
	Cap Util Feb up to 76.6%		X					
	NY Empire St Idx Mar dn to 25.3	X						
3/12/04	Bus Inventories Jan up .1%	X						
3/11/04	Retail Sales Feb up .6%			X	Import price Feb up .4%			X
	Ret Sales ex auto Feb flat	X						
3/10/04	Whsl Inventory Jan up .1%	X						
3/5/04	Cons Credit Jan ++$14.3bn			XX				
	Unemp Rate Feb unch		X					
	Payrolls Feb up 21K	X						
	Hrly Earnings Feb up .2%		X					
	Avg Workwk Feb unch		X					
3/4/04	Fact Orders Jan dn .5%	X						
3/3/04	ISM Services Dn to 60.8		X					
3/1/04	ISM Feb dn to 61.4		X					
	Const spend Jan dn .3%	X						
	Pers Spend Jan up .4%			X				
	Pers Inc Jan up .2%		X					
2/27/04	Chicago PMI Feb dn to 63.6		X					
	GDP Prel Q4 @ 4.1%			X	Deflator Q4 @ 1.2%	X		
2/26/04	Durables Jan down 1.8%	X						
2/25/04	Ex. Home Sale Jan dn 5.5%	X						
2/24/04	Cons Conf Feb dn to 87.3	X						
2/20/04					CPI Jan up .5%			X
					CP Core Jan up .2%		X	
2/19/04	Leading E. Indic Jan up .5%			X	PPI Jan @			
	Phila Fed Feb down to 31.4	X			PPI Core Jan @			
2/18/04	House Starts Jan @ 1.903mm			X				
	House Start Jan down 7.9%	XX						
	Bldg Permit Jan down 2.7%	X						

3

Recent Econ Reports
VERY STRONG

US 10 Yr T-Note, Weekly - Advanced GET ©2004 Trading Techniques, Inc.



M5

April 15, 2004

view other charts

Press Quotes

IBD: Fed, Jobs & Inflation

Weekly Leading Index Rises

Leading Employment Index Up

Bloomberg TV Interview

The Newshour: Interview

more press quotes...

Leading Employment Index Up

03/28/2004

Coming Soon: Jobs?

Business 2.0, By Maryann Thompson, April 2004 Issue

Is the employment picture poised for improvement at last? Despite a string of disappointing monthly employment reports, optimists say better times are close at hand, and a usually reliable prognosticator seems to agree. The Leading Employment Index, prepared by the Economic Cycle Research Institute, compiles data about the length of the average workweek, initial jobless claims, and the percentage of industries adding jobs to predict employment growth four to five months in the future. The most recent reading is the strongest since May 1994.

more ECRI press quotes

INFLATION FORECAST UP ALSO!

The signs of incipient inflation extend far beyond commodities and import prices, says Lakshman Achuthan, managing director at the Economic Cycle Research Institute. Growing money supply, higher real estate prices and slower supplier deliveries, which suggest volume strains, all point to budding inflation, he says.

In March, the growth rate of ECRI's Future Inflation Gauge jumped from –2.2% to 3.3%. Based on past precedent, that suggests a cyclical upturn in inflation is two to four quarters away, he says. Since a rate hike can take six months to work its way through the economy, the Fed ordinarily might be about ready to shift to a tightening mode to pre-empt inflation.

But with minimal inflation having triggered fear of deflation, Achuthan said, Fed officials likely will "hold out as long as they can without losing credibility."

more ECRI press quotes

M2

JOB OUTLOOK IMPROVING

The 10-year Treasury is more than 150 basis points below its fair value. We remain confident that the economic recovery will reach a self-sustaining stage. Payrolls will pick up in the coming months and even with a benign Fed, the first strong employment report should push the 10-year Treasury yield back into the previous trading range above 4%. However, the timing is uncertain and we cannot rule out further disappointment on the job front next month. The uncertain near-term outlook for employment has important implications for bond strategy, discussed below.

U.S. Job Outlook

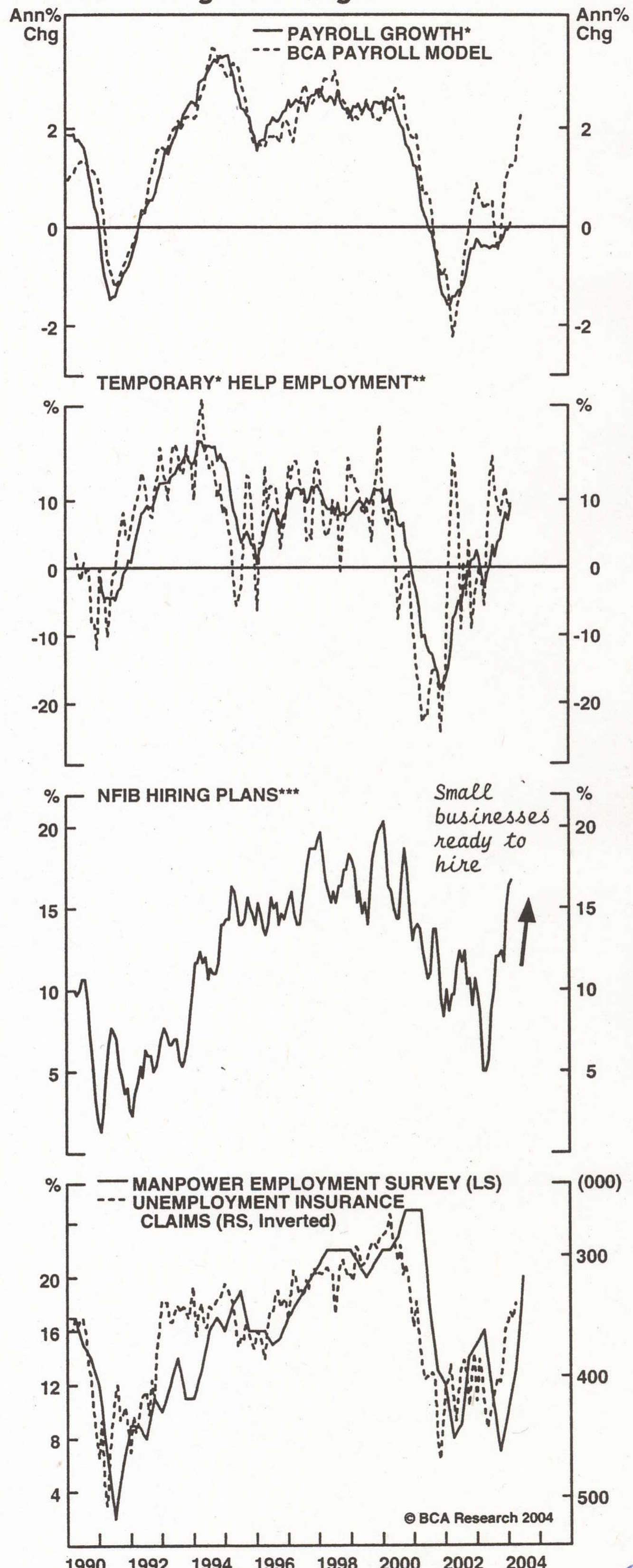
The cautious attitude that developed in the business sector after profits imploded in the first part of the decade has been slow to dissipate. Nonetheless, business confidence and risk tolerance are improving. Core capital goods orders, an important driver of employment growth, expanded by a further 1.1% in February.

Survey data also herald better payroll reports in the coming months. Small companies have been a source of new job formation in the past 25 years (as are new start-ups). According to the NFIB survey, small businesses are planning to boost hiring. This survey, along with other indicators, points to significantly better job creation in the coming quarters (Chart I-2).

The Manpower Employment Survey showed that U.S. companies sharply boosted hiring plans for the second quarter, with the index rebounding to a historically high level. This survey accurately signaled turnarounds in the early 1980s and early 1990s, and is giving the same bullish message now. Thus, we remain upbeat on the U.S. job outlook, although investors will remain nervous until we receive two or three good payroll reports.

The key to job creation this year is productivity. We know that productivity growth last year was well above a sustainable pace and has to mean-revert. Governor Bernanke recently stated that productivity growth at current levels is unsustainable. Yet, it is difficult to estimate just how much longer the corporate sector will be able to squeeze out extraordinary productivity gains and avoid hiring. Chart I-3 shows the nation's real capital stock (plant and equipment) as a ratio to total employment. Growth

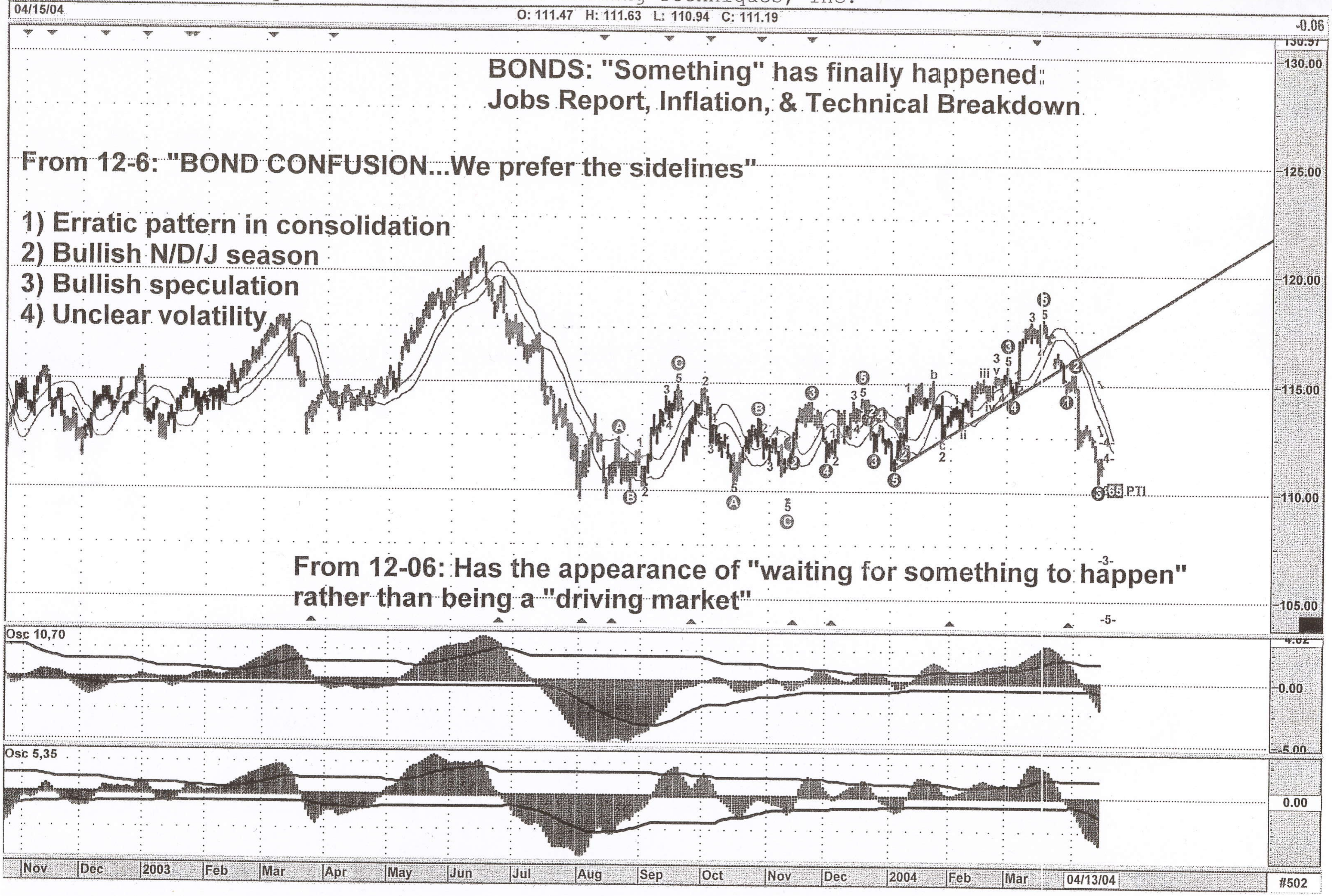
CHART I-2
Still Waiting on the Big One



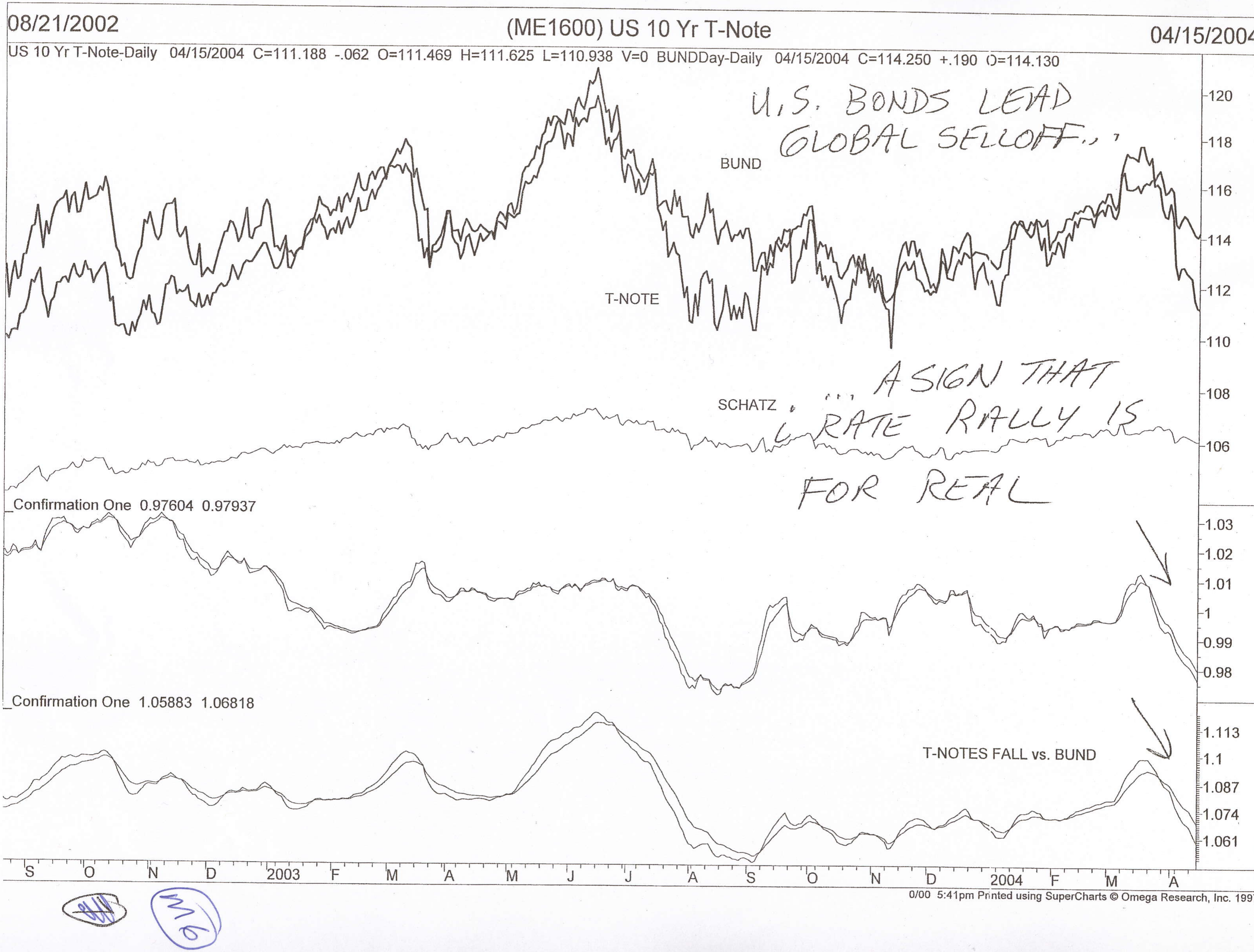
*ESTABLISHMENT SURVEY
** —— ANNUAL GROWTH RATE,
- - - - 3-MONTH RATE OF CHANGE, ANNUALIZED
***NFIB = NATIONAL FEDERATION OF INDEPENDENT BUSINESS; 3-MONTH MOVING AVERAGE

M3

US 10 Yr T-Note, Daily - Advanced GET ©2004 Trading Techniques, Inc.



M4



08/21/2002
(ME1600) US 10 Yr T-Note
04/15/2004
US 10 Yr T-Note-Daily 04/15/2004 C=111.188 -.062 O=111.469 H=111.625 L=110.938 V=0 BUNDDay-Daily 04/15/2004 C=114.250 +.190 O=114.130
U.S. BONDS LEAD GLOBAL SELLOFF...
BUND
T-NOTE
SCHATZ
... A SIGN THAT RATE RALLY IS FOR REAL
120
118
116
114
112
110
108
106
Confirmation One 0.97604 0.97937
1.03
1.02
1.01
1
0.99
0.98
Confirmation One 1.05883 1.06818
T-NOTES FALL vs. BUND
1.113
1.1
1.087
1.074
1.061
S
O
N
D
2003
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M
A
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2004
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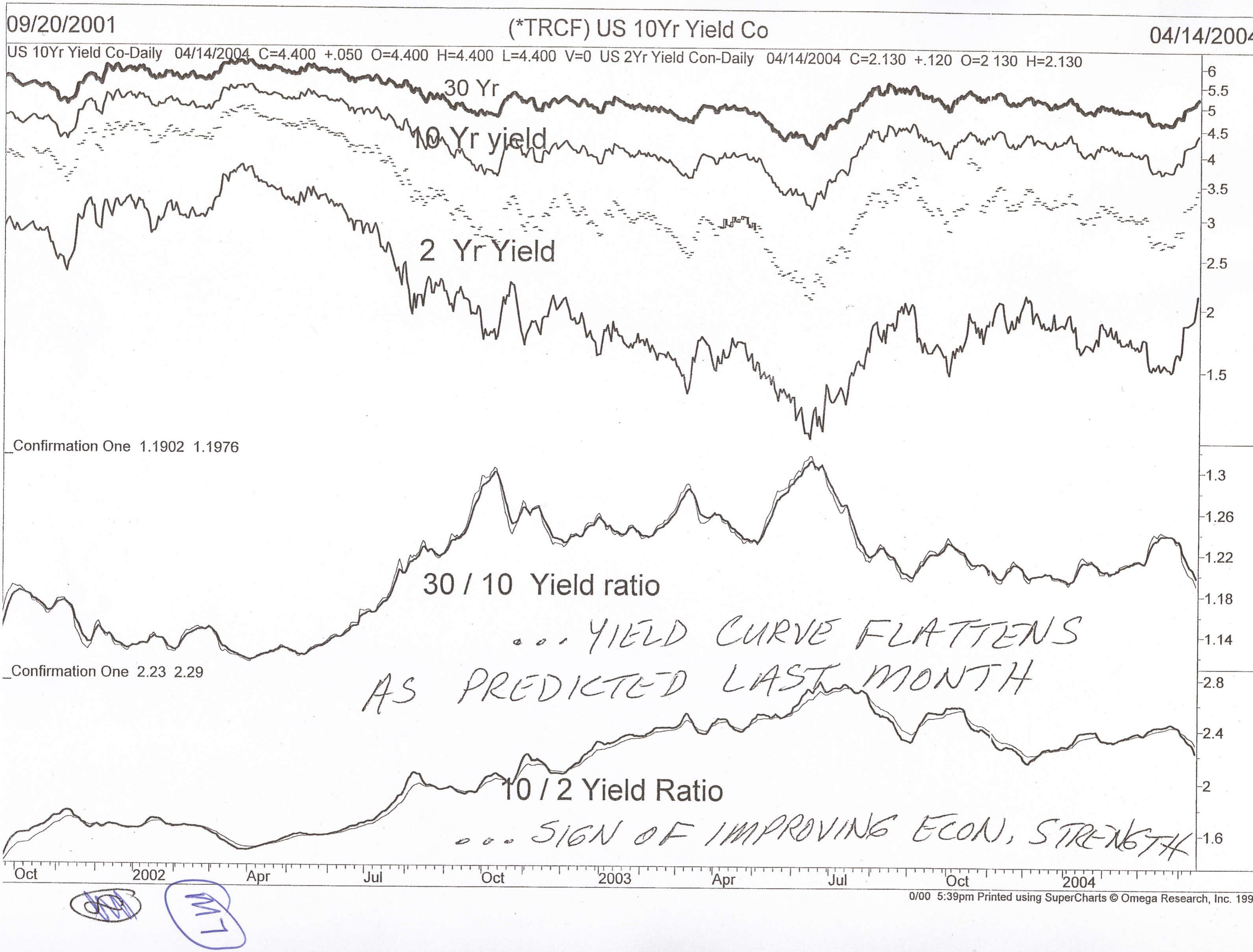
M6


09/20/2001
(*TRCF) US 10Yr Yield Co
04/14/2004
US 10Yr Yield Co-Daily 04/14/2004 C=4.400 +.050 O=4.400 H=4.400 L=4.400 V=0 US 2Yr Yield Con-Daily 04/14/2004 C=2.130 +.120 O=2 130 H=2.130
30 Yr
10 Yr yield
2 Yr Yield
6
5.5
5
4.5
4
3.5
3
2.5
2
1.5
_Confirmation One 1.1902 1.1976
30 / 10 Yield ratio
...YIELD CURVE FLATTENS
AS PREDICTED LAST MONTH
1.3
1.26
1.22
1.18
1.14
_Confirmation One 2.23 2.29
10 / 2 Yield Ratio
...SIGN OF IMPROVING ECON, STRENGTH
2.8
2.4
2
1.6
Oct
2002
Apr
Jul
Oct
2003
Apr
Jul
Oct
2004
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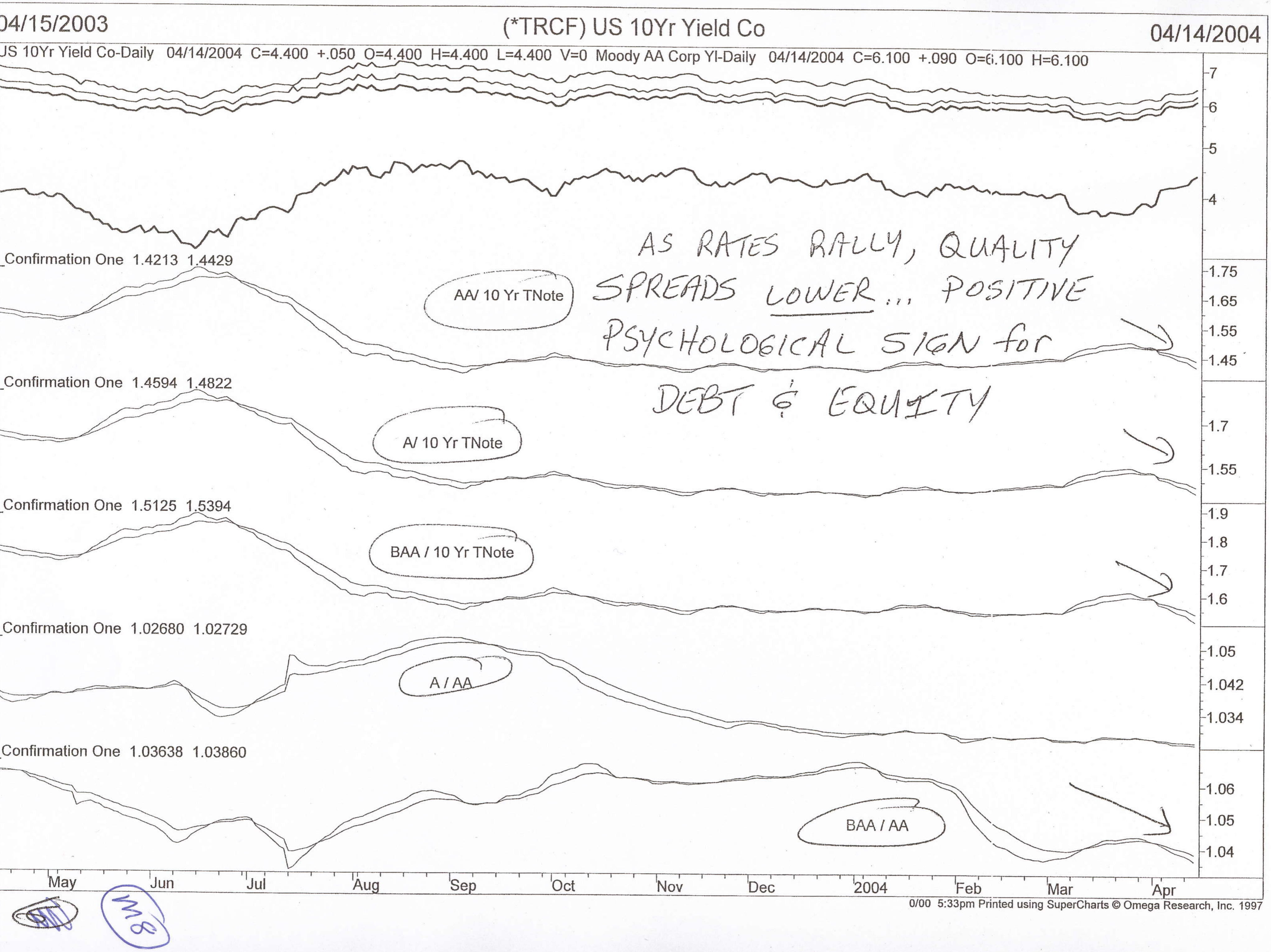
M7



04/15/2003
(*TRCF) US 10Yr Yield Co
04/14/2004
US 10Yr Yield Co-Daily 04/14/2004 C=4.400 +.050 O=4.400 H=4.400 L=4.400 V=0 Moody AA Corp Yl-Daily 04/14/2004 C=6.100 +.090 O=6.100 H=6.100
7
6
5
4
AS RATES RALLY, QUALITY SPREADS LOWER... POSITIVE PSYCHOLOGICAL SIGN for DEBT & EQUITY
Confirmation One 1.4213 1.4429
AA/ 10 Yr TNote
1.75
1.65
1.55
1.45
Confirmation One 1.4594 1.4822
A/ 10 Yr TNote
1.7
1.55
Confirmation One 1.5125 1.5394
BAA / 10 Yr TNote
1.9
1.8
1.7
1.6
Confirmation One 1.02680 1.02729
A / AA
1.05
1.042
1.034
Confirmation One 1.03638 1.03860
BAA / AA
1.06
1.05
1.04
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2004
Feb
Mar
Apr
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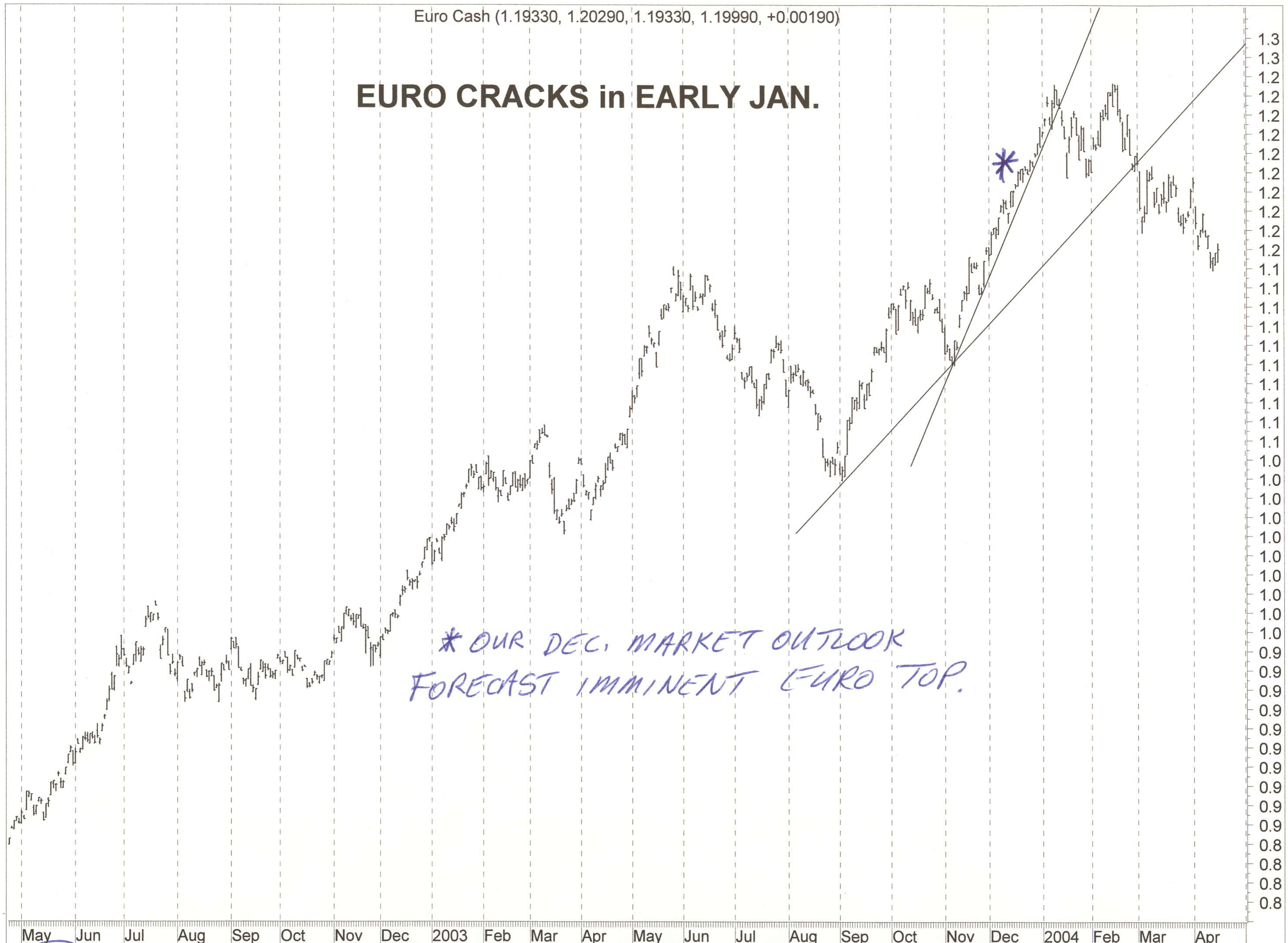
M8

EURO CRACKS in EARLY JAN.



Created in MetaStock from Equis International

M9


06/21/1991
(*SPX) S & P 500 Index
04/16/2004
S & P 500 Index-Weekly 04/16/2004 C=1128.850 -10.450 O=1139.300 H=1147.800 L=1120.750 V=0
ONDS & STOCKS DE-COUPLED DURING THE '97 & '98 ASIAN CRISES
AND ARE LIKELY TO CONTINUE TO MOVE AGAINST EACH OTHER.
TRANSLATION: RISING STOCK PRICES WILL RUN INTO RISING INTEREST RATE
1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
US 10 Yr T-Note-Weekly 04/16/2004 C=111.188 -1.437 O=112.500 H=112.531 L=110.531 V=12526
120
115
110
105
100
95
90
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
0/00 5:42pm Pr nted using SuperCharts © Omega Research, Inc. 1997

M10

WARREN BUFFETT DISCUSSES THE EFFECTS OF INTEREST RATES ON STOCK PRICES

The last time I tackled this subject, in 1999, I broke down the previous 34 years into two 17-year periods, which in the sense of lean years and fat were astonishingly symmetrical. Here's the first period. As you can see, over 17 years the Dow gained exactly one-tenth of one percent.

Case 1: 1 →

- DOW JONES INDUSTRIAL AVERAGE
  Dec. 31, 1964: **874.12**
  Dec. 31, 1981: **875.00**

1 Point in 17 years!!

And here's the second, marked by an incredible bull market that, as I laid out my thoughts, was about to end (though I didn't know that).

Case 2: 2 →

- DOW INDUSTRIALS
  Dec. 31, 1981: **875.00**
  Dec. 31, 1998: **9181.43**

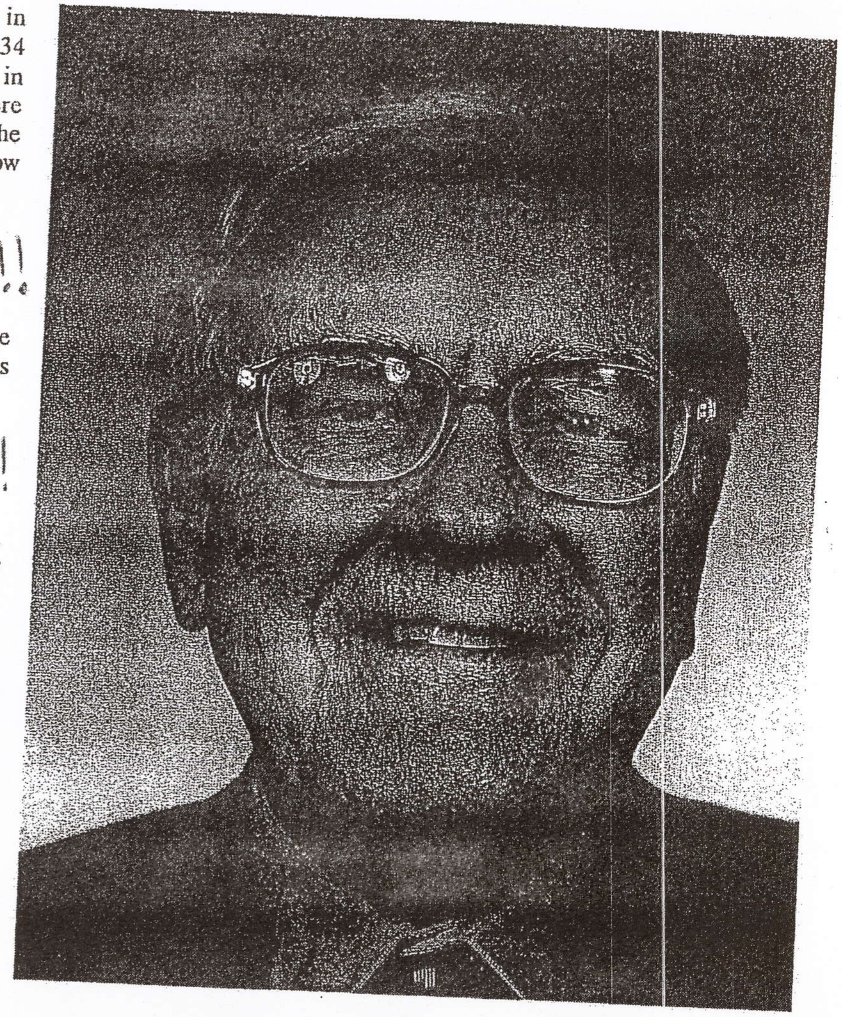
Skyrockets next 17!!

Now, you couldn't explain this remarkable divergence in markets by, say, differences in the growth of gross national product. In the first period—that dismal time for the market—GNP actually grew more than twice as fast as it did in the second period.

- GAIN IN GROSS NATIONAL PRODUCT
  1964–1981: **373%**
  1981–1988: **177%**

So what was the explanation? I concluded that the market's contrasting moves were caused by extraordinary changes in two critical economic variables—and by a related psychological force that eventually came into play.

Here I need to remind you about the definition of "investing," which though simple is often forgotten. Investing is [illegible]



M11

The impact of Rising vs. falling Interest rates

Here I need to remind you about the definition of "investing," which though simple is often forgotten. Investing is laying out money today to receive more money tomorrow.

That gets to the first of the economic variables that affected stock prices in the two periods—interest rates. In economics, interest rates act as gravity behaves in the physical world. At all times, in all markets, in all parts of the world, the tiniest change in rates changes the value of every financial asset. You see that clearly with the fluctuating prices of bonds. But the rule applies as well to farmland, oil reserves, stocks, and every other financial asset. And the effects can be huge on values. If interest rates are, say, 13%, the present value of a dollar that you're going to receive in the future from an investment is not nearly as high as the present value of a dollar if rates are 4%.

So here's the record on interest rates at key dates in our 34-year span. They moved dramatically up—that was bad for investors—in the first half of that period and dramatically down—a boon for investors—in the second half.

- INTEREST RATES, LONG-TERM GOVERNMENT BONDS

  Dec. 31, 1964: **4.20%** > (1)
  Dec. 31, 1981: **13.65%** > (2)
  Dec. 31, 1998: **5.09%**

The other critical variable here is how many dollars investors expected to get from the companies in which they invested. During the first period expectations fell significantly because corporate profits weren't looking good. By the early 1980s Fed Chairman Paul Volcker's economic sledgehammer had, in fact, driven corporate profitability to a level that people hadn't seen since the 1930s.

The upshot is that investors lost their confidence in the American economy: They were looking at a future they believed would be plagued by two negatives. First, they didn't see much good coming in the way of corporate profits. Second, the sky-high interest rates prevailing caused them to discount those meager profits further. These two factors, working together, caused stagnation in the stock market from 1964 to 1981, even though those years featured huge improvements in GNP. The business of the country grew while investors' valuation of that business shrank!

And then the reversal of those factors created a period during which much lower GNP gains were accompanied by a bonanza for the market. First, you got a major increase in the rate of profitability. Second, you got an enormous drop in interest rates, which made a dollar of future profit that much more valuable. Both phenomena were real and powerful fuels for a major bull market. And in time the psychological factor I mentioned was added to the equation: Speculative trading exploded, simply because of the market action that people had seen. Later, we'll look at the pathology of this dangerous and oft-recurring malady.

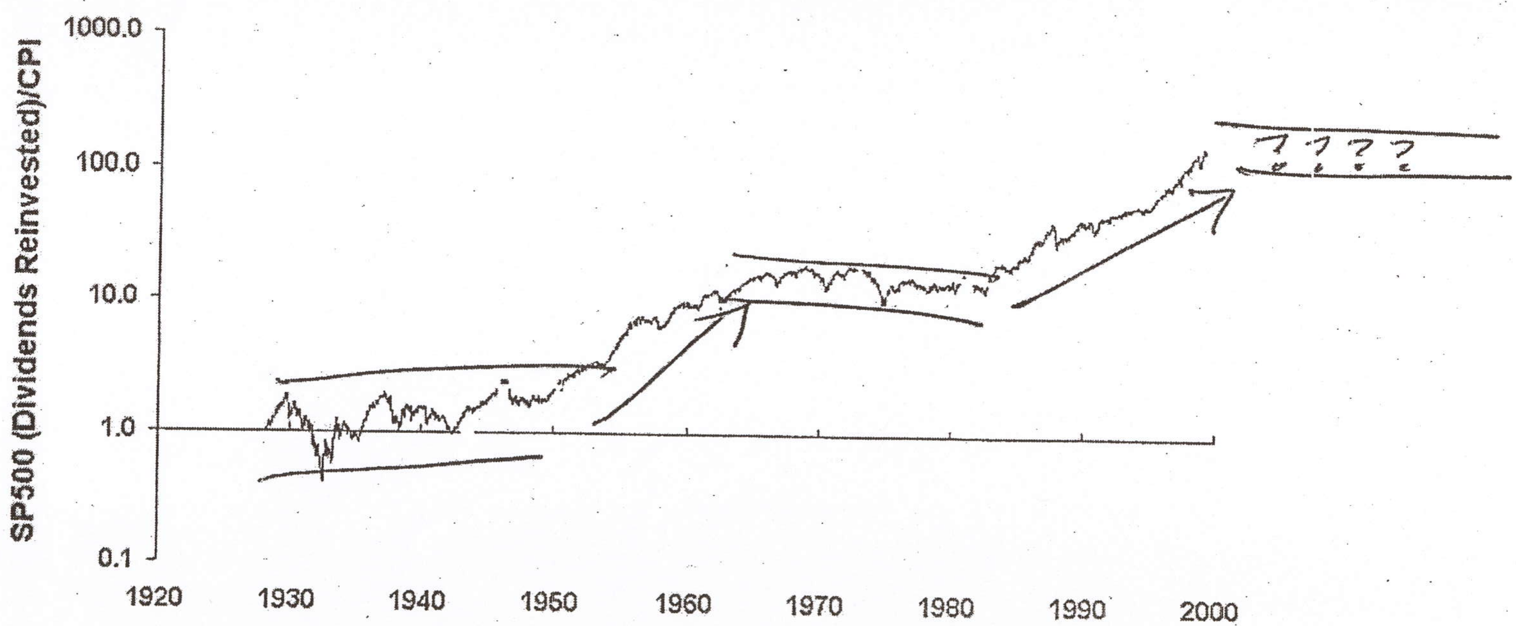
Two years ago I believed the favorable fundamental trends had largely run their course. For the market to go dramatically up from where it was then would have required long-term interest rates to drop much further (which is always possible) or for there to be a major improvement in corporate profitability (which seemed, at the time, considerably less possible). If you take a look at a 50-year chart of after-tax profits as a percent of gross domestic product, you

IM12

16

IF INTEREST RATES ARE FIGHTING STOCK PRICES, ARE WE HEADED FOR ANOTHER SIDEWAYS MARKET?

SP500 Return (Dividends Reinvested)/CPI



From Jan. '02 Outlook

M13

IS THE MARKET AT A TOP or JUST PAUSING

...WHILE IT EVALUATES THE RISKS ?

SHORT-TERM

Inflation on the Horizon

Implications of Rising Interest Rates

- Pressuring Stocks as Bonds Move Inversely to Stocks
- Pressuring Debt-Laden Consumer Credit
- Pressuring Mortgage Rates and the Housing Bubble

"Cooling" of the Over-Heated, Over-Borrowed Chinese Economy

LONGER-TERM

Insolvency of Baby-Boomer Retirement Plans

- Social Security
- Medicare
- State and Local Deficits

M14

AOL NEWS

IMPACT OF HIGHER RATES ON CREDIT + MORTGAGE BUBBLE IS A MAJOR UNCERTAINTY

Updated: 10:16 AM EST

Consumer Debt Loads at Record

USATODAY.com

By Barbara Hagenbaugh, USA TODAY

WASHINGTON (March 18) - U.S. consumers have taken on record levels of debt as low interest rates have lured them to buy bigger houses and fancier cars and to charge more on credit cards than ever before.

Talk About It
- Post Messages

But while historically low interest rates make the higher debt levels manageable now, the big unknown is what will happen when interest rates rise.

Weighing in on the increasingly heated debate, some economists warn consumers might be in over their heads when their payments increase. Others, including those at the Federal Reserve, say interest rates won't rise until economic growth - and incomes - are also gaining strongly, making the higher payments possible. Plus, much of the increase in debt in recent years has been for mortgages, and millions of Americans have low rates locked in for 30 years.

It's a debate that's central to the outlook for the U.S. economy. Consumer spending accounts for more than two-thirds of U.S. economic activity. If households are forced to pare spending to pay debts, that could hamper the economy's ability to grow and create jobs.

"I don't think it will be what does in the expansion any time this year or next," says Mark Zandi, chief economist at Economy.com in West Chester, Pa. "I am concerned about it (in the) longer run, however. I can see scenarios where household debt is the problem that undoes the economy some five, 10 years down the road."

Credit Card Debt

Region	Avg. per cardholder
New England	$6,121
Middle Atlantic	$5,451
Pacific	$5,005
East North Central	$4,915
South Atlantic	$4,790
Mountain	$4,505
West North Central	$4,171

CREDIT CARD BUBBLE

But Chicago Fed senior economist FranÃ§ois Velde says fears about consumer debt are overblown. Although debt is growing, so are household assets.

"Over the past 50 years, we've been reaching (debt) records almost every o quarter," Velde says. "It's not a sign that there's ar impending catastrophe."

Velde points to people such as Laura Gross, whose overall debt rose last year. Gross, 31, increased th of her mortgage when she refinanced her Washingt D.C., condo. But her payments fell because of the l

NEWS HEADLINES:
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- Space Shuttle Gears Were Installed Backward, NASA Says
- HMO 'Horror Story' Goes Before Supreme Court
- Credit Card Delinquency Surges to Record High
- Hiker With Bionic Leg Begins 2,168-Mile Trek

News Alerts

Search for Top News:
Search

~~#10~~

M15

East South Central	**$3,679**
West South Central	**$2,932**
USA	**$4,663**

- State by state list
- 201 Metro areas

Source: Experian/USA Today

interest rates.

"Rates were going down, and I also wanted to use : of the equity on my home to remodel my kitchen a pay off my car loan," she says.

David Moran, 56, owes $85,000 on his home equity of credit. Since being laid off from his tech writing j January 2002, Moran has paid for just about everyt such as health insurance, college tuition for his son basics like groceries and gasoline, with the home e line.

Currently, the interest rate on his equity line of credit is only 3.75%. He figures rates wo go up quickly, and, since rates are starting off so low, they won't be high even when the increase.

If you have to be unemployed and borrowing money, now is a "good time to have to be suffering," Moran of Lincoln, Mass., says.

Mortgage debt jumps

MORTGAGE RATES INCREASING

Household debt levels rose nearly 11% in 2003. Excluding mortgages, consumer indebtedness rose more than 5%, above the 4.4% gain measured in 2002 but below the 2000 and 2001 gains, according to Fed data.

Where the debt is:

- Homes. U.S. consumers had $6.8 trillion in mortgage debt, accounting for nearly three-quarters of their total debt at the end of 2003, according to the latest detailed data from Federal Reserve. That's up 64% from five years ago and includes home equity lines of cr and "cash out" refinancings, when consumers increase their overall mortgage amount an take out money based on the increased value of their homes.

Tyler Beardsley, 34, took some cash out when he refinanced his home a few years ago t a fixer-upper that he turned into a rental property. He has since used a home equity line credit to help buy another rental home. The Arlington, Va., consultant says he keeps a cl eye on interest rates.

"We're in a good period now," he says. But, "Eventually, interest rates are going to marc so you want to take as little out as you can and pay it off as soon as you can."

- Plastic. Households in 2003 racked up $412 billion in credit card charges, up 185% fror years ago, according to Standard & Poor's. The average balance on open credit cards in December was $4,616.90, according to credit bureau Experian.

Economists caution, however, that the trend is partly explained by a rise in usage of crec cards to replace cash and checks, and does not necessarily point to a jump in the desire hold debt.

But that doesn't hold true for everyone.

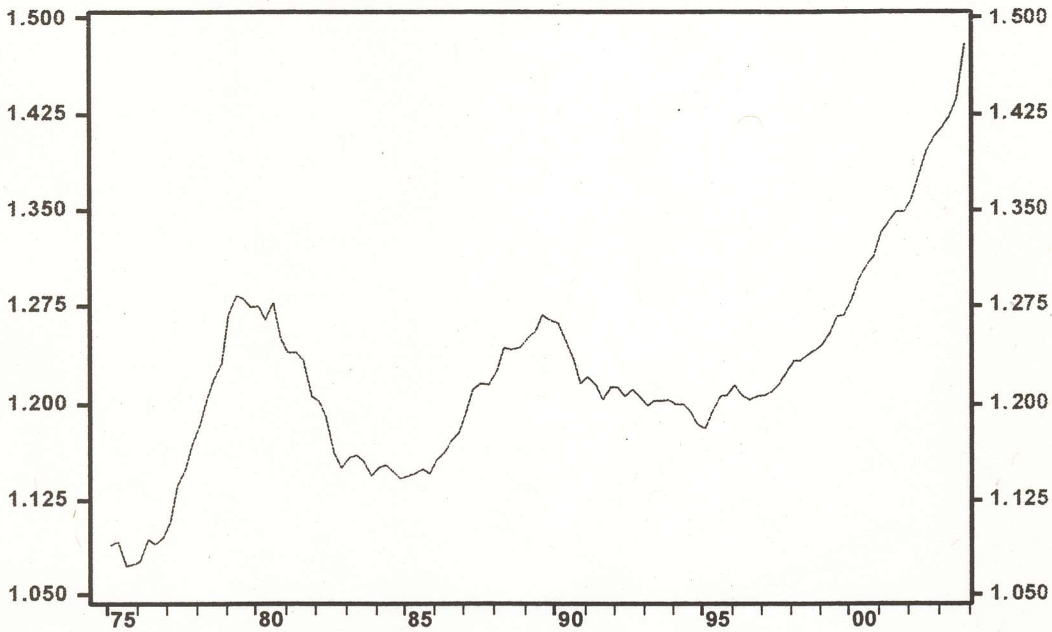
Kin Powell, 57, of Florida has been using his credit cards to finance his commercial real e development business. Since October 2002, he has accumulated $180,000 in credit card on 16 cards. As soon as he makes money in his business, he puts it toward paying off hi cards. But the high debt doesn't bother him.

#3

M16

OFHEO House Price Index / CPI-U Rent of Primary Residence

HOUSING BUBBLE RISKS.

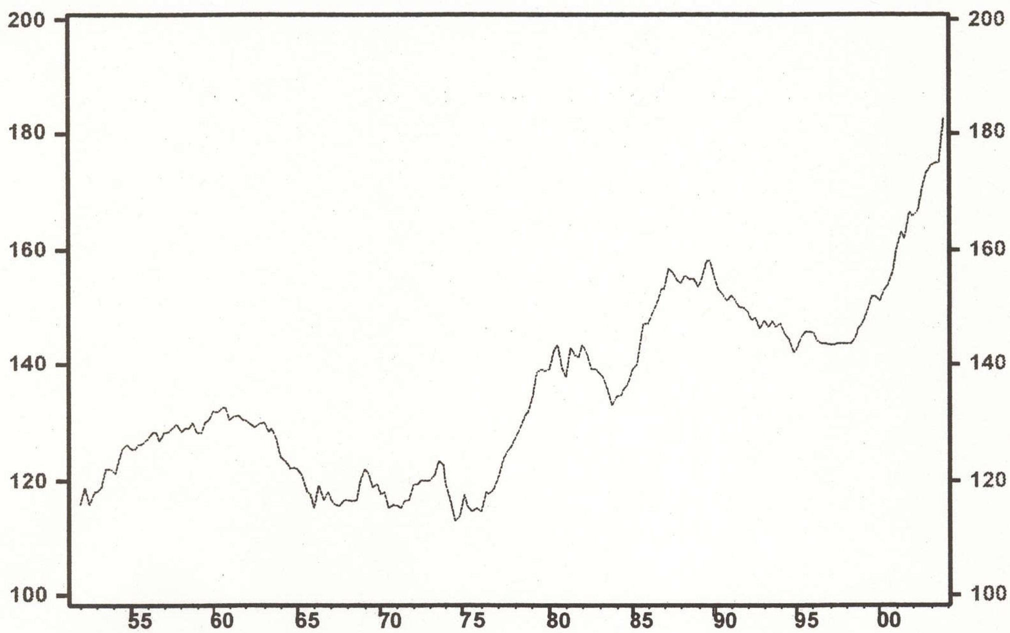


AS RATES HAVE FALLEN, HOME PRICES HAVE RISEN MUCH FASTER THAN CONSUMER INCOME

Chart 3

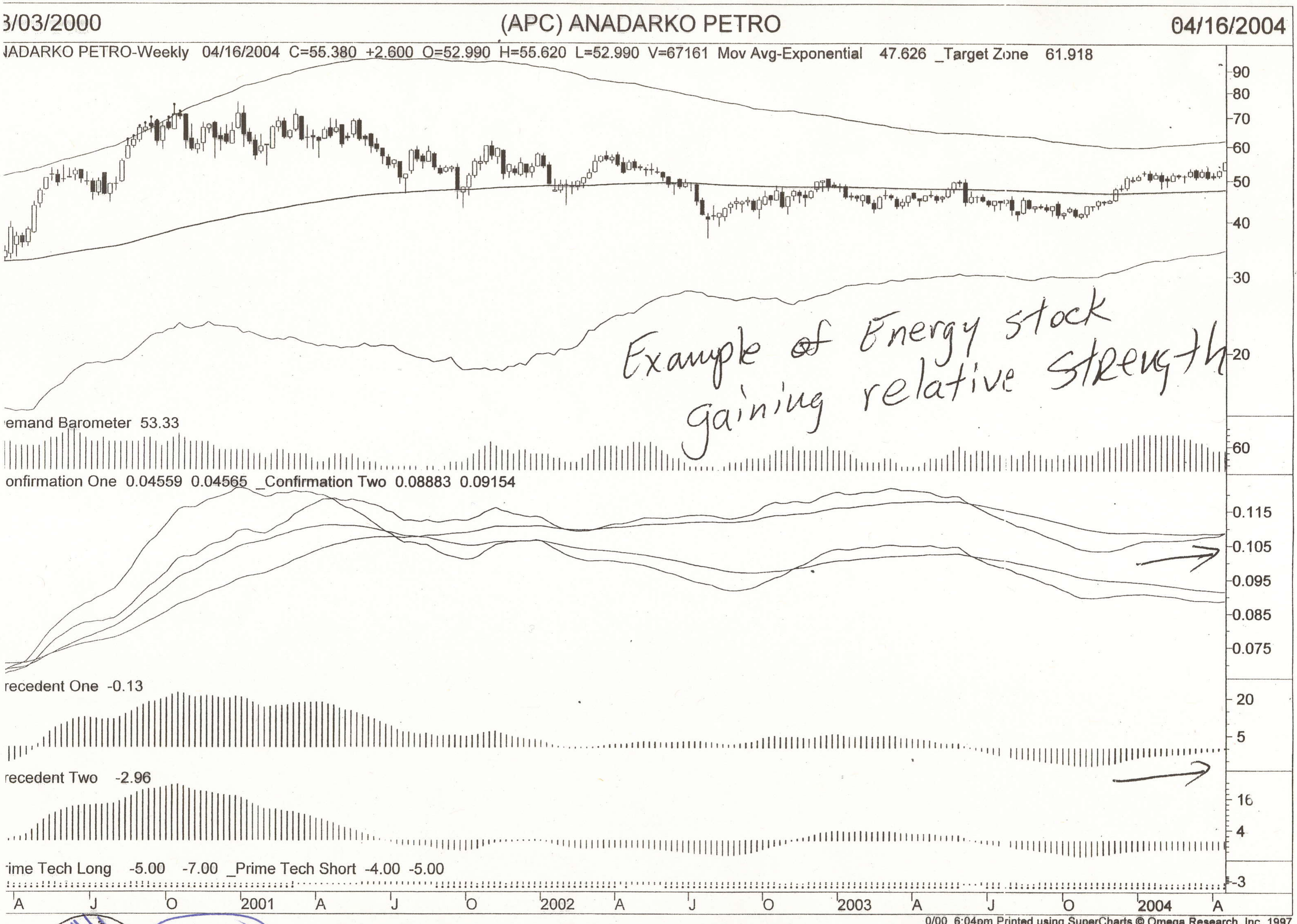
Value of Residential Real Estate / Disposable Personal Income

%



'alue of real estate so high relative to household after-tax income, how can
:main affordable? This brings us back to the Fed's current low interest rate policy.

M17


3/03/2000
(APC) ANADARKO PETRO
04/16/2004
IADARKO PETRO-Weekly 04/16/2004 C=55.380 +2.600 O=52.990 H=55.620 L=52.990 V=67161 Mov Avg-Exponential 47.626 _Target Zone 61.918
90
80
70
60
50
40
30
20
Example of Energy stock gaining relative strength
emand Barometer 53.33
60
onfirmation One 0.04559 0.04565 _Confirmation Two 0.08883 0.09154
0.115
0.105
0.095
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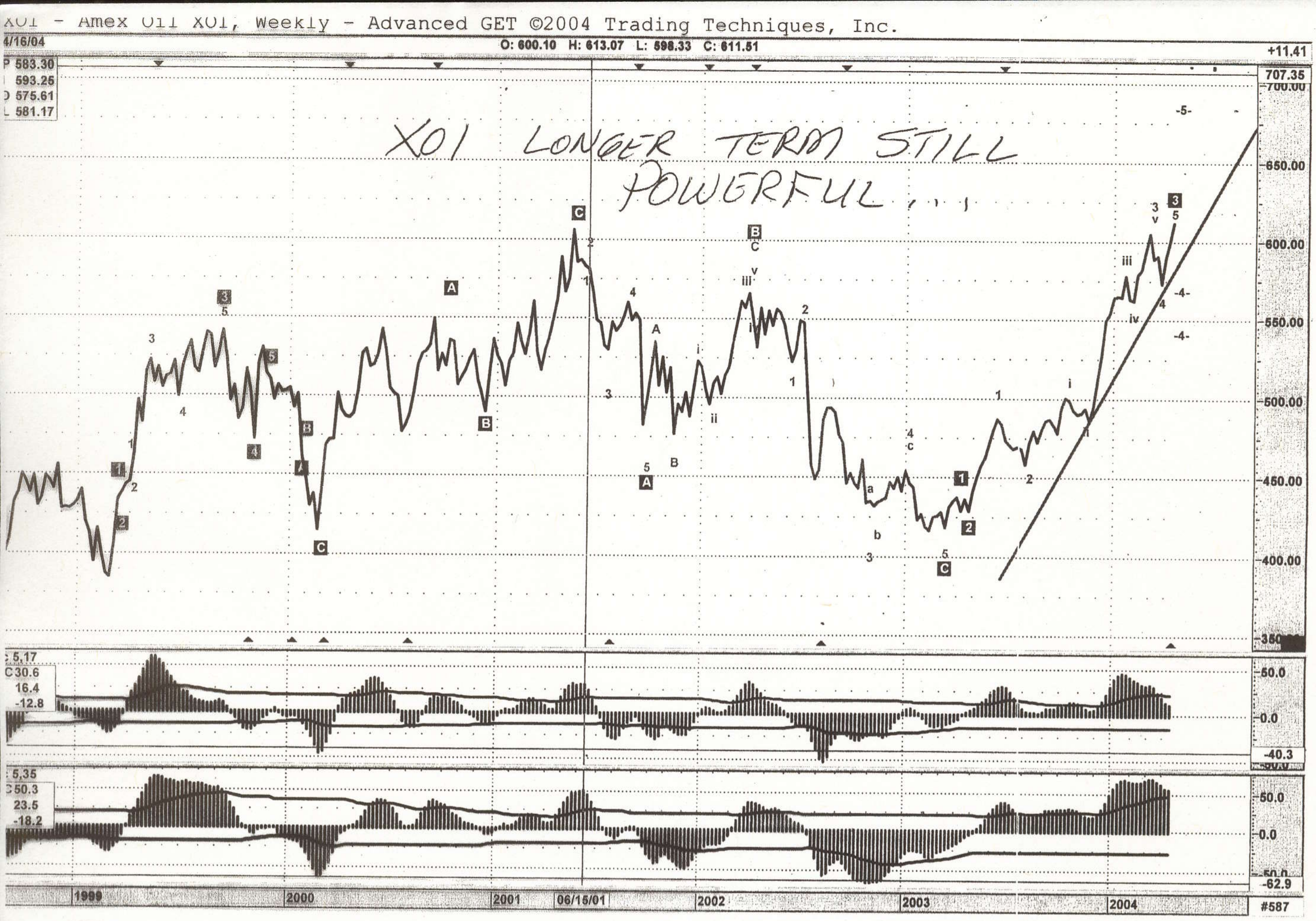
XOI - Amex Oil XOI, Weekly - Advanced GET ©2004 Trading Techniques, Inc.
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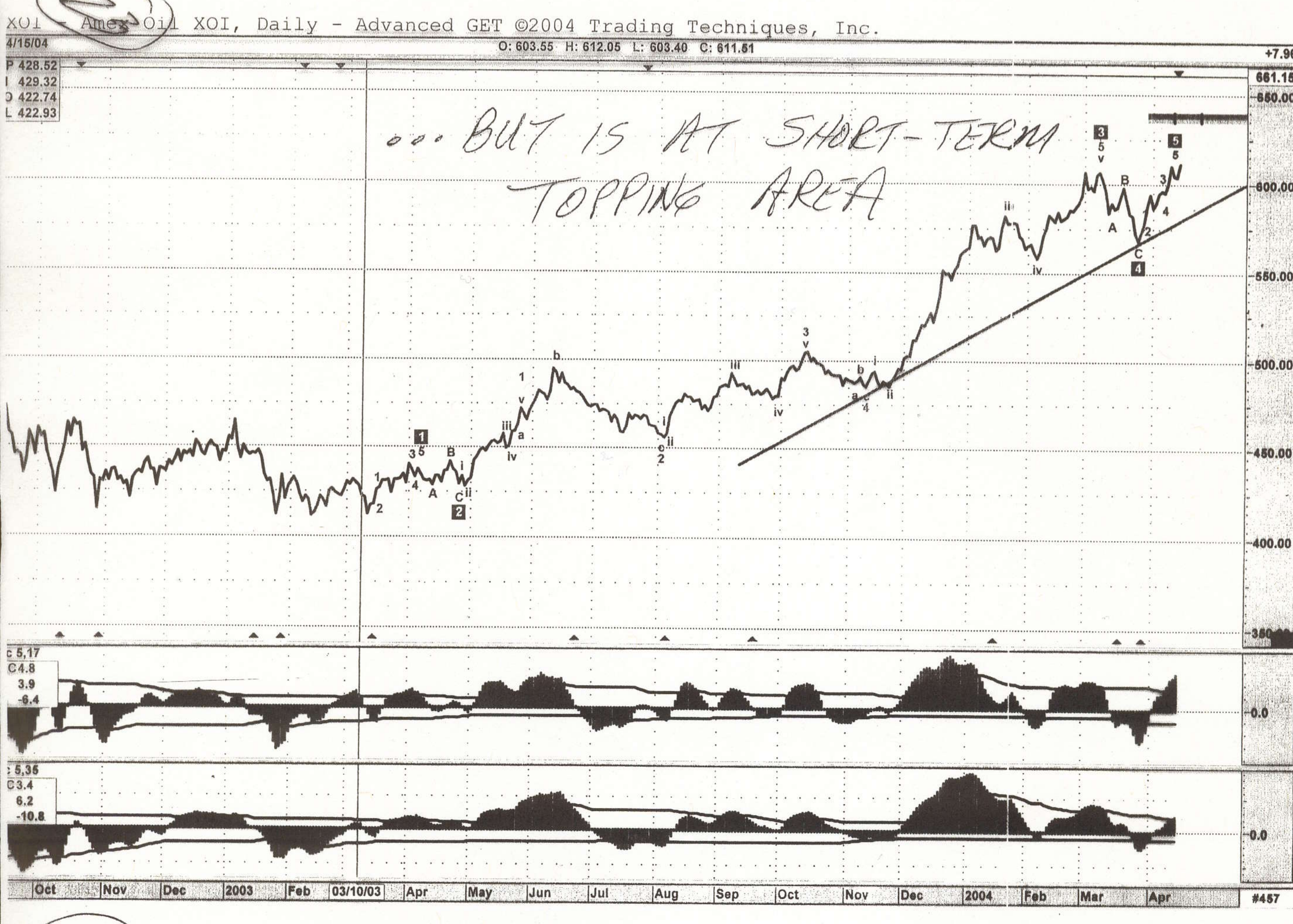
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24


09/01/1999
(EWJ) WEBS Japan
04/15/2004
WEBS Japan-Daily 04/14/2004 C=10.740 -.200 O=10.710 H=10.830 L=10.680 V=88725
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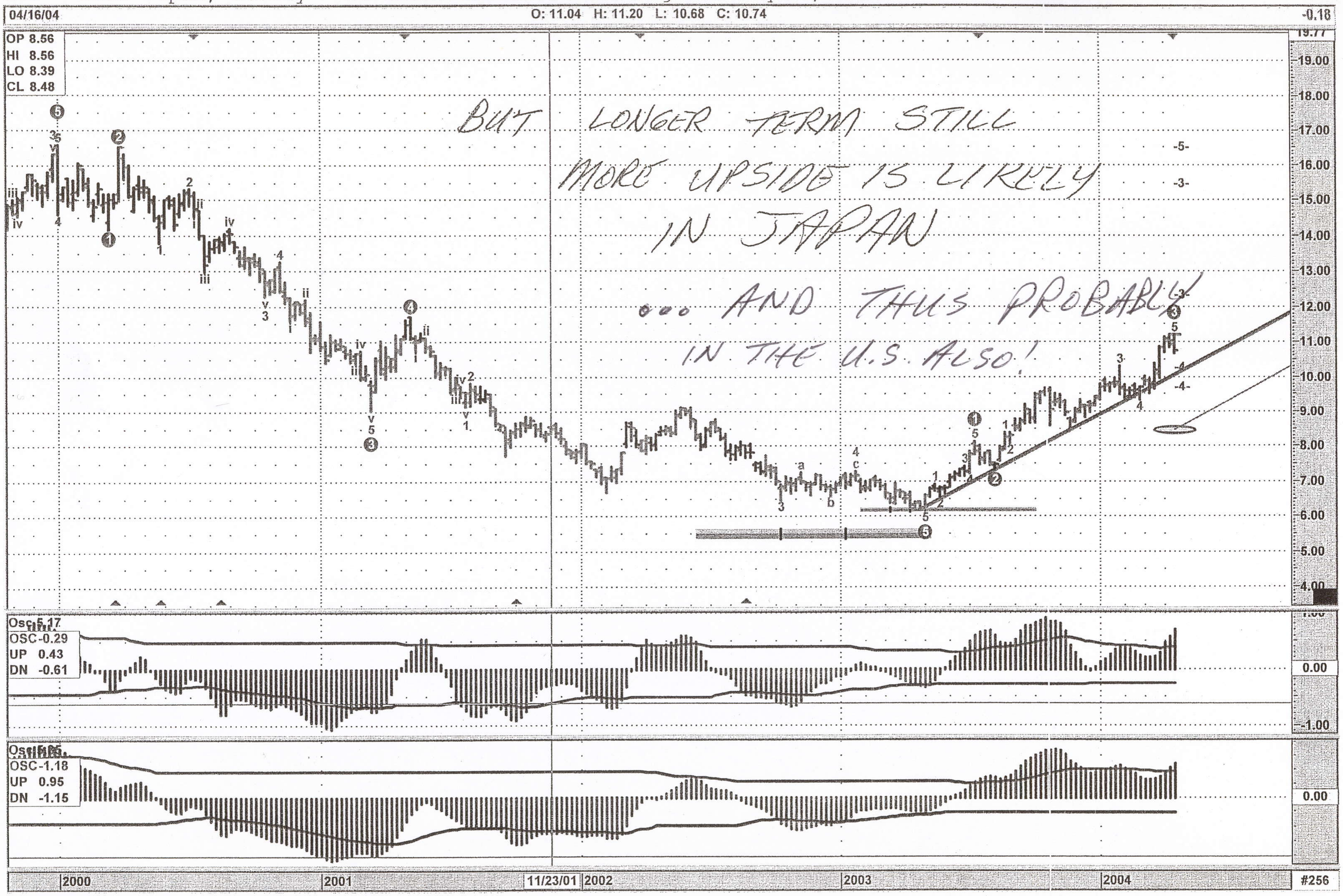

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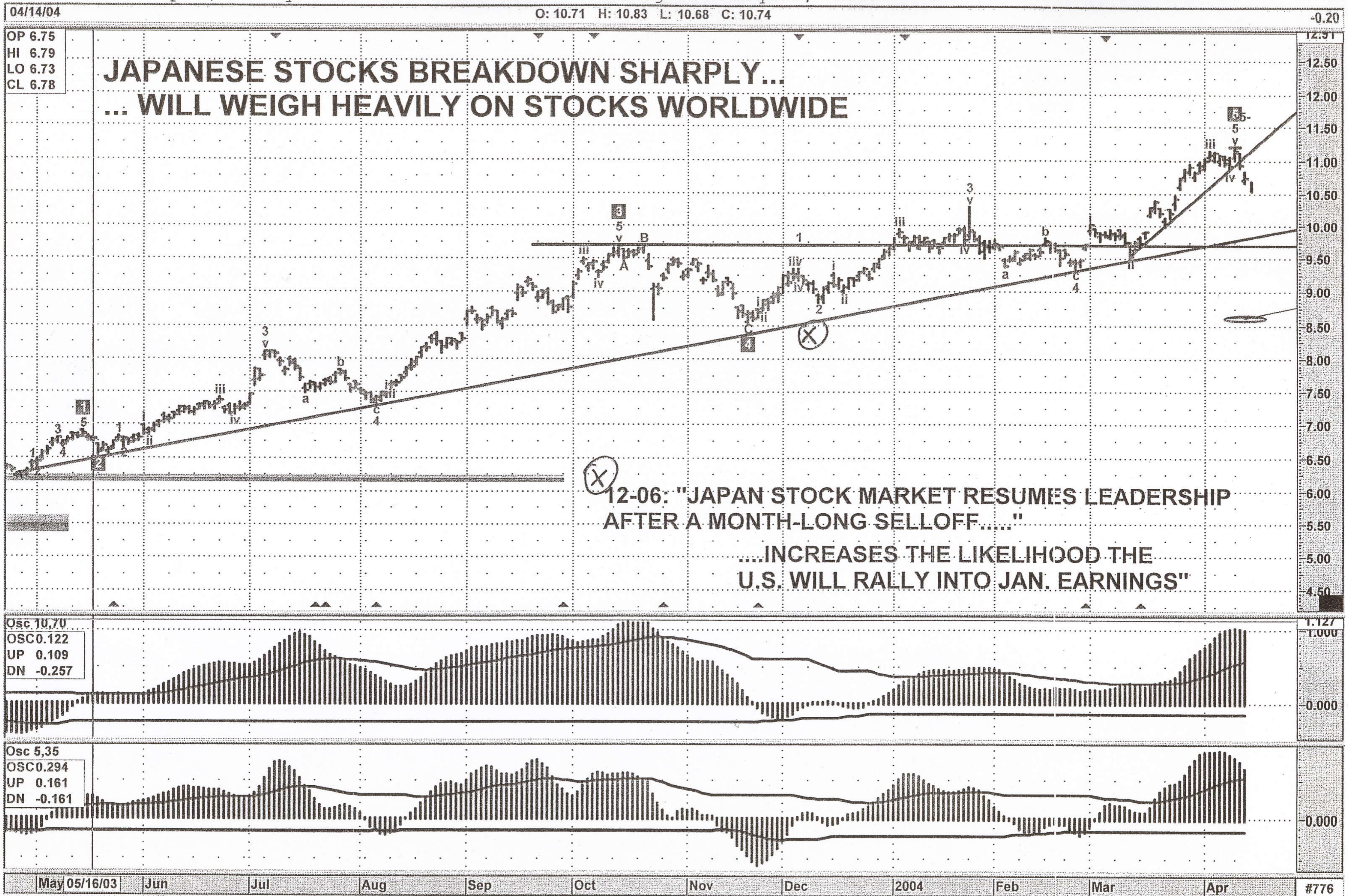
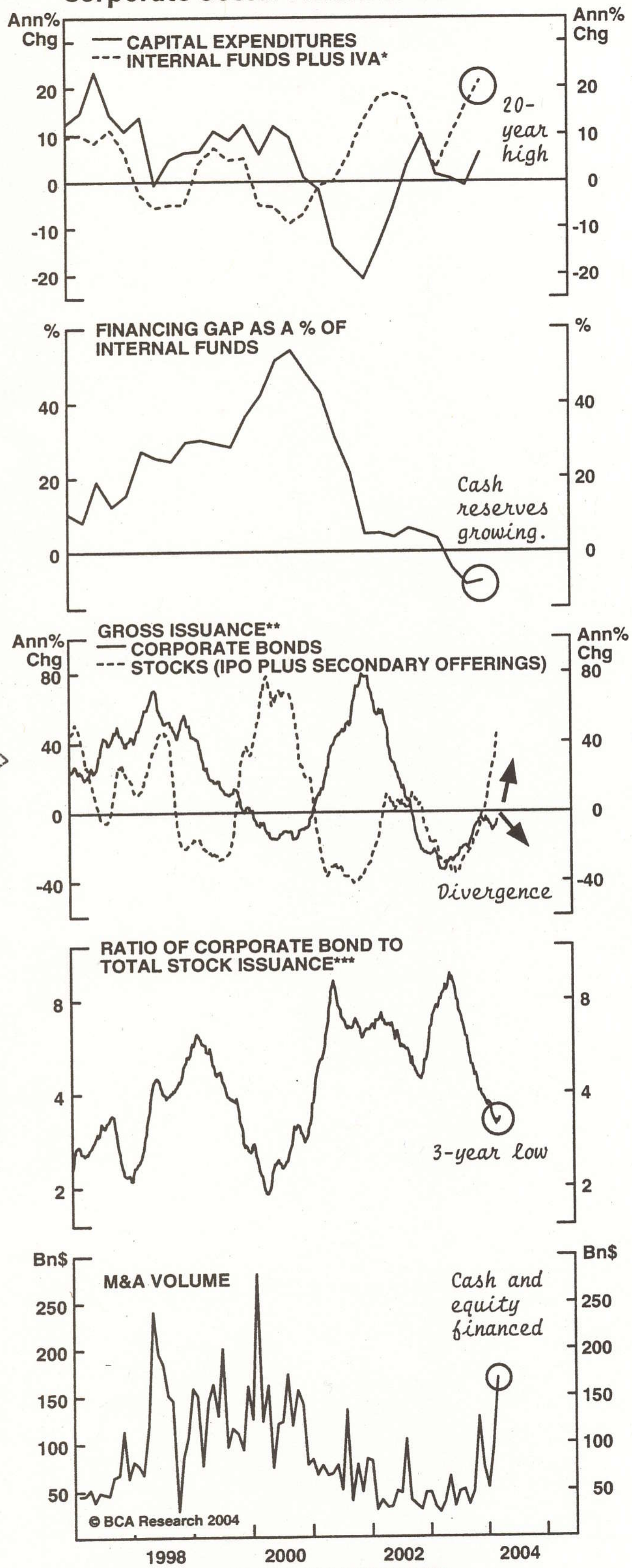


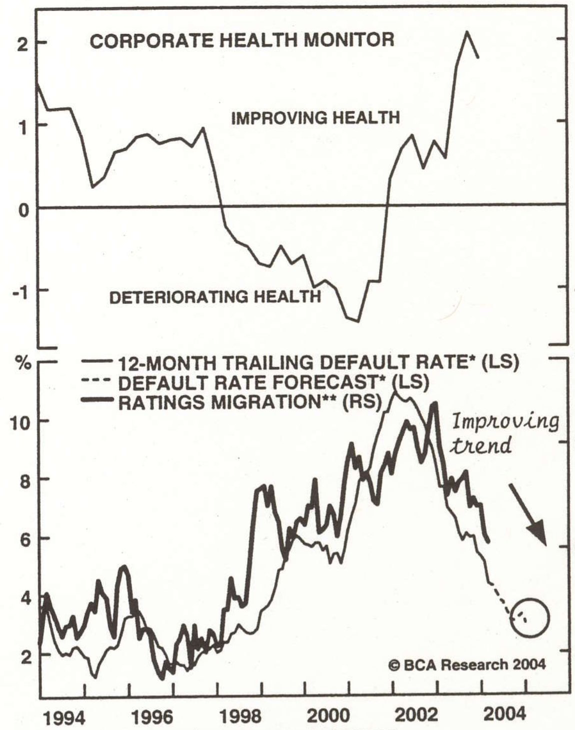
M35

CHART I-10
Corporate Sector Awash in Cash



*IVA = INVENTORY VALUATION ADJUSTMENT
**12-MONTH MOVING TOTAL
***6-MONTH MOVING TOTAL

CHART I-11
Corporate Health Remains Strong



*SOURCE: MOODY'S INVESTORS SERVICE
**DOWNGRADES AS A % OF TOTAL RATINGS CHANGES, 3-MONTH MOVING AVERAGE

An increase in debt-financed merger & acquisition activity is one of the signals we are monitoring to decide when to become less positive on the corporate credit market. Recent data are reassuring. While the volume of M&A is creeping higher, so far these deals are being financed with existing cash and new equity instead of with debt.

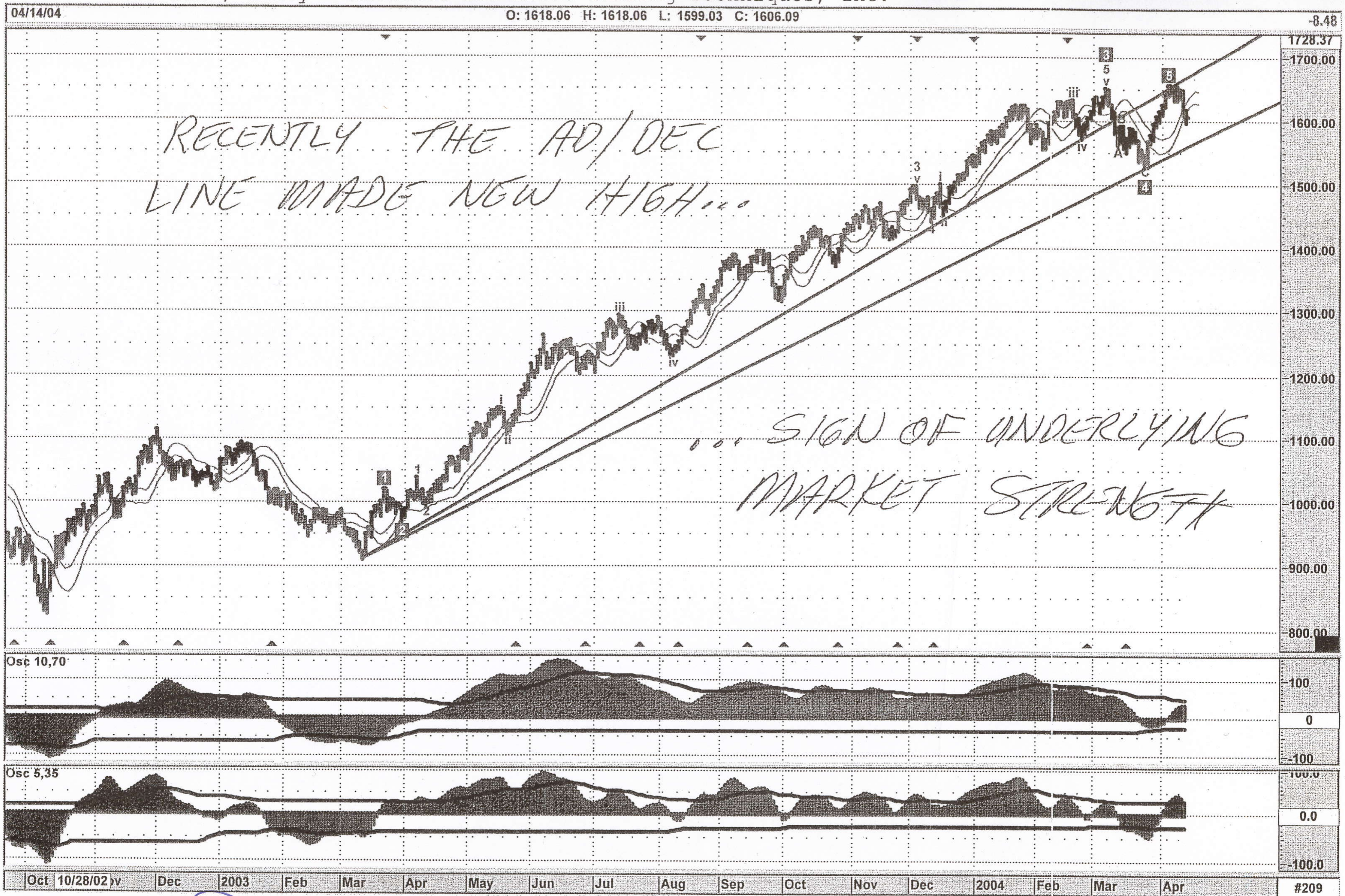
Strong corporate sector cash flow growth and declining leverage are responsible for another strong reading from our Corporate Health Monitor during the fourth quarter (**Chart I-11**). Although it remains deep in "improving health" territory, the indicator deteriorated slightly from the near record peak reached in Q3.[1] After reaching long-term highs in the third quarter, some of the profit-based components of the indicator appear to be rolling over. Nevertheless, the profit outlook remains extremely positive for the non-financial corporate sector. Pricing power is a concern, but employment

---

1 The release of the Flow of Funds data earlier this month provides only a preliminary Q4 figure for the Corporate Health Monitor. A final figure is not available until the non-financial corporate sector output and profits data become available with the NIPA release later this month.

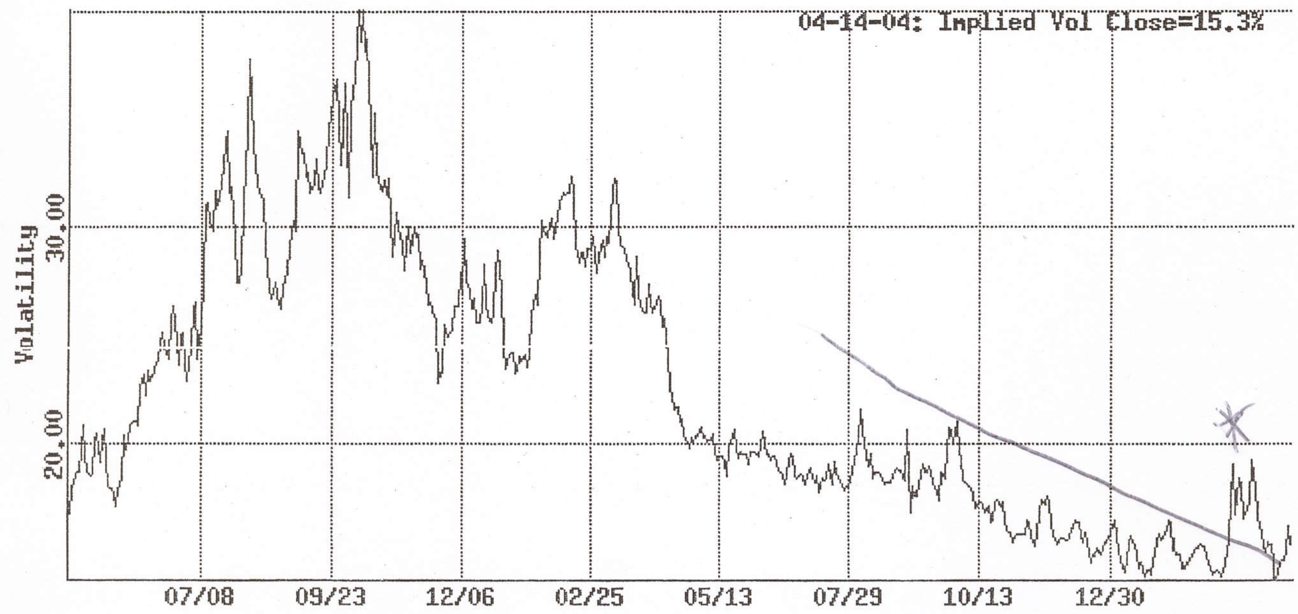
M34

*VLE - Value Line, Daily - Advanced GET ©2004 Trading Techniques, Inc.



M33

... THE "FINAL TOP" IS USUALLY ON NARROWER PARTICIPATION (AD-DEC FALLING)



TRADERS/INVESTORS NOT YET WORRIED SAYS SLEEPY VOLATILITY

* Temporary volatility hiccup at recent top

M32

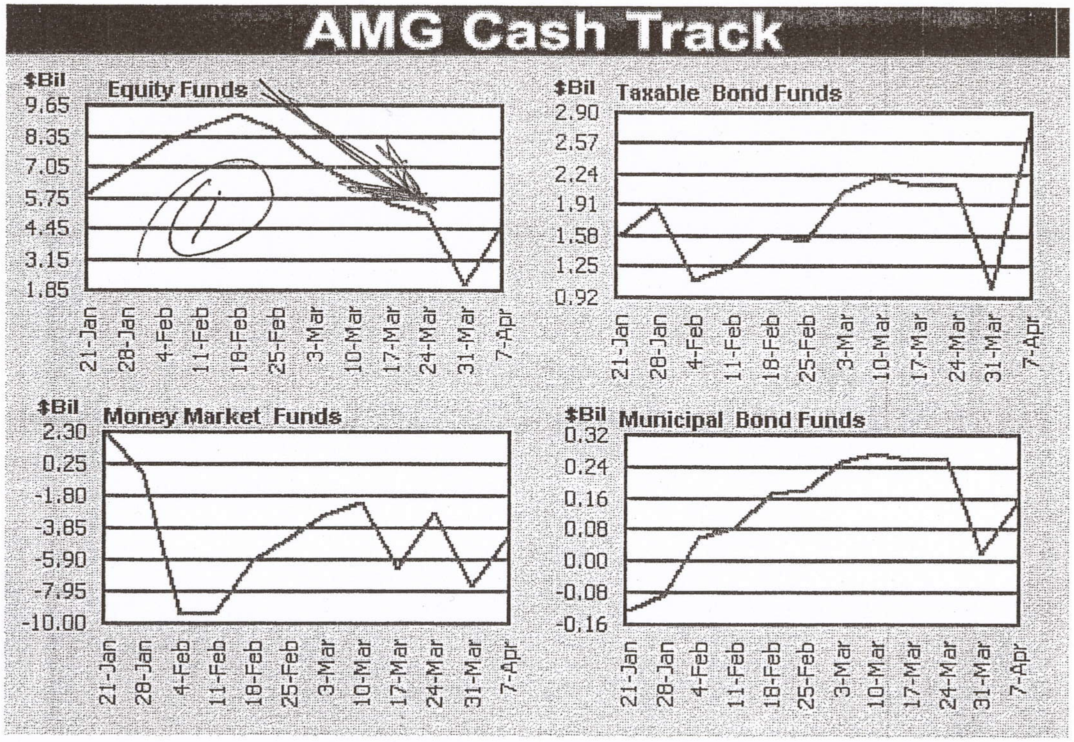
18

AMG www.amgdata.com

AMG Cash Track

Independent Data on Fund Flows & Holdings

① Equity fund flows are temporarily weak



(4-week moving average/Distributions Excluded)

The [Barron's] Cash Track uses the 4-week moving average for funds reporting weekly. While the information is accurate AMG uses the entire set of funds, including Fidelity, Vanguard, and American Funds which report monthly. Weekly reporting funds include 93% of the share classes representing 75% of the assets

The inclusion of the entire data set in the 4-week moving average better describes these investor flows over time. AMG customers are reliant both on these flow trends over a period where all fund changes can be included, as well as the more sensitive change due to flow for the set of funds reporting weekly.

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M 31

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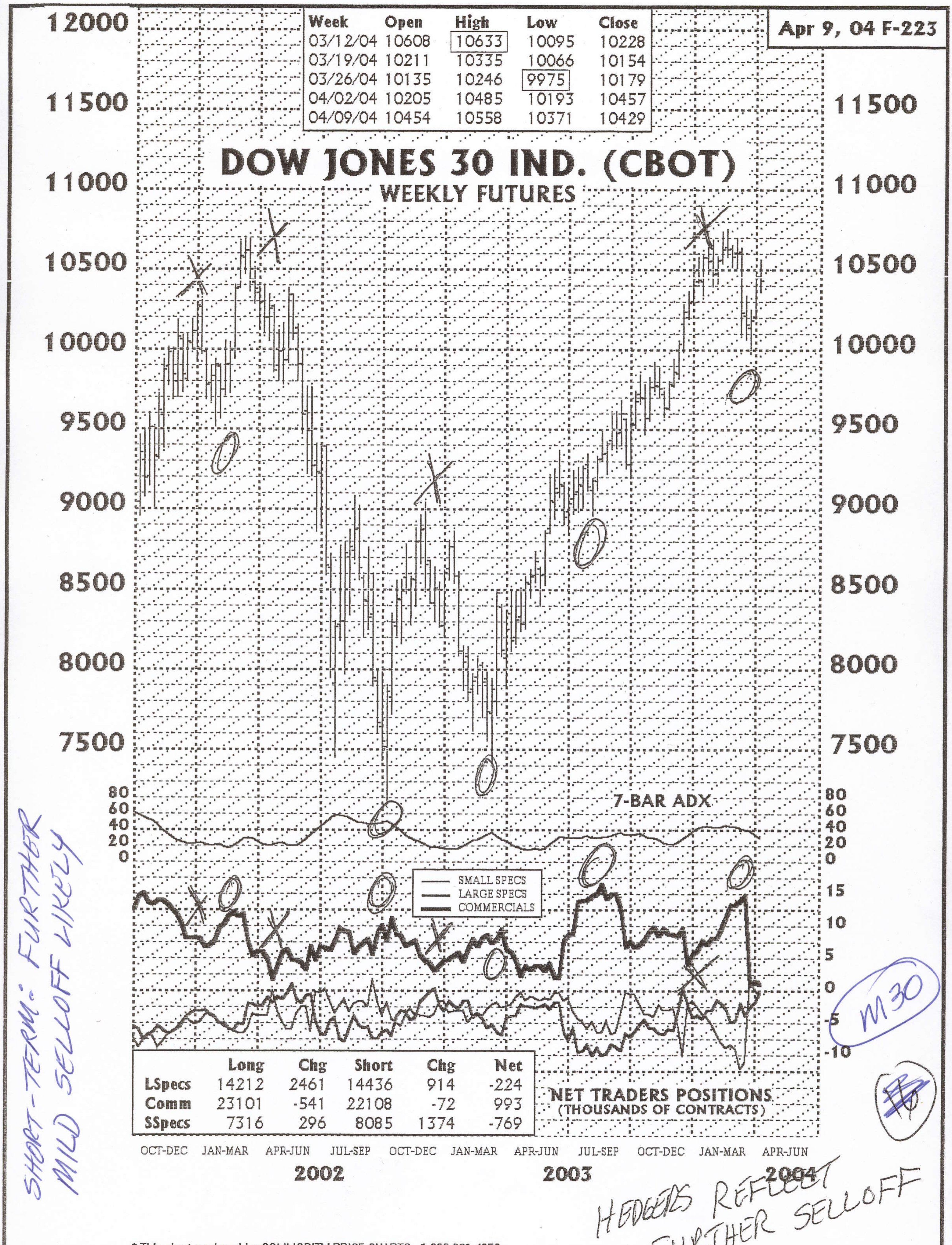


Week	Open	High	Low	Close
03/12/04	10608	$\boxed{10633}$	10095	10228
03/19/04	10211	10335	10066	10154
03/26/04	10135	10246	$\boxed{9975}$	10179
04/02/04	10205	10485	10193	10457
04/09/04	10454	10558	10371	10429

	Long	Chg	Short	Chg	Net
LSpecs	14212	2461	14436	914	-224
Comm	23101	-541	22108	-72	993
SSpecs	7316	296	8085	1374	-769

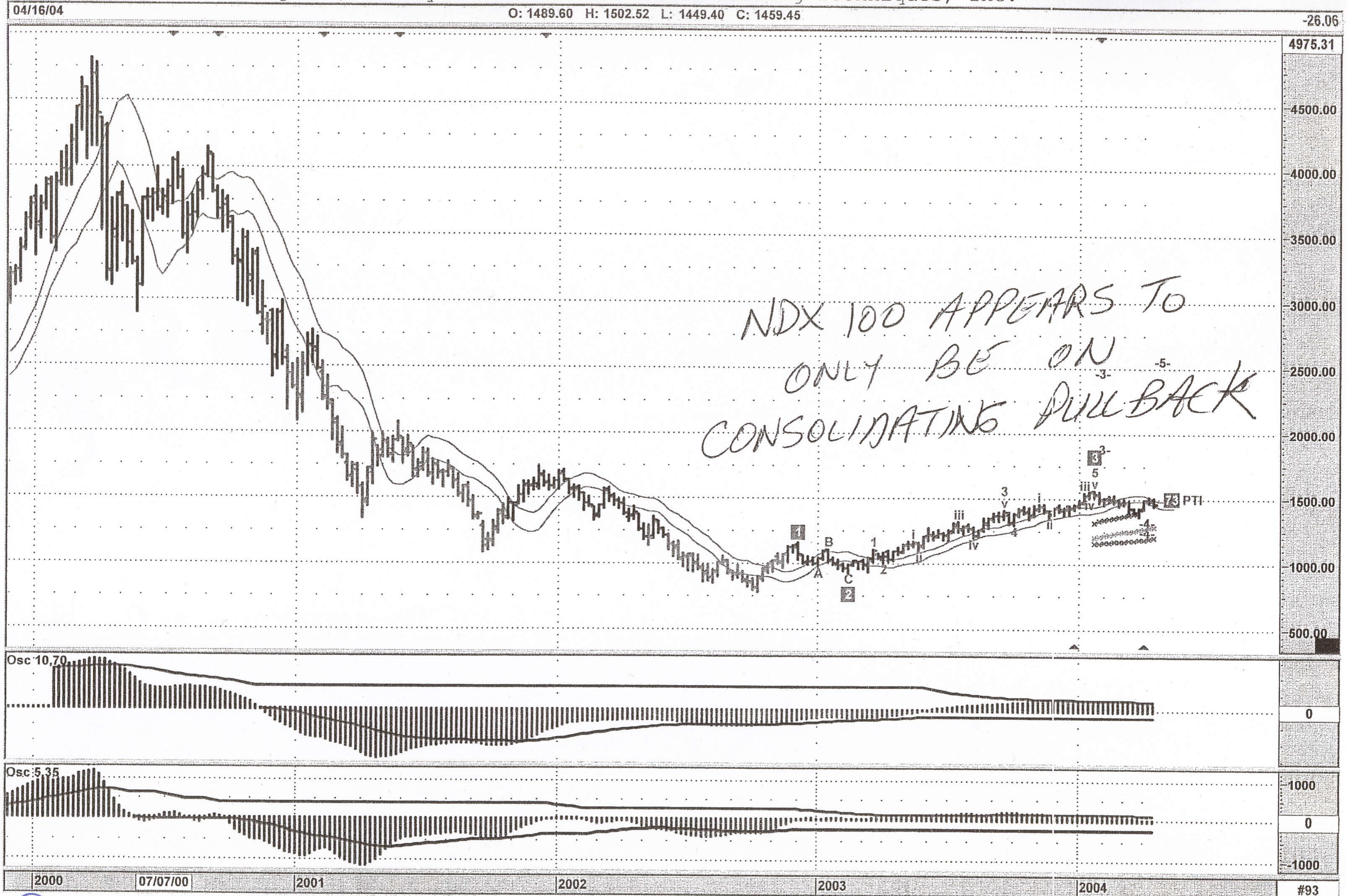
* This chart produced by COMMODITY PRICE CHARTS 1-800-221-4352

*SPX - S&P 500 Index, Weekly - Advanced GET ©2004 Trading Techniques, Inc.

M29

#5

*NDX - CBOE NDX Nasdaq 100, Weekly - Advanced GET ©2004 Trading Techniques, Inc.



M28

GLOBAL STOCK MARKET TIMING SIGNALS

LOW ZONE	BULLISH PATTERNS					PEAK ZONE	BEARISH PATTERNS				
BOTTOM (W5-1)	TURN UP (W1-2)	UPTREND (W3)	PAUSE (W3-4)	RETRACE (W4)	FINAL UP (W5)	TOPPY (W5-1)	TURN DOWN (W1-2)	DOWN TREND (W3)	PAUSE (W3-4)	RALLY (W4)	FINAL DOWN (W5)
			Sing- Austria- Can- India- Mex- VLine- RU2000-	Malay- Chile- BrazBZL- HongK- Austral- Belg- **DJWorld-** France- Germany- Israel- Neth- Italy- UK- Japan- SP500- NDX- DJIA- Thai	BrazBZF- TaiROC EAFE- Spain- Switz- Indon- Swed-	Korea		ChinaJFC			

UNCLEAR, LIKELY BULLISH:

UNCLEAR:

UNCLEAR, LIKELY BEARISH:

* BUY WATCHLIST: France, Spain, Switzerland, Sweden, Germany, Indonesia

SHORT WATCHLIST:

Last updated as of market close: 4-15-04

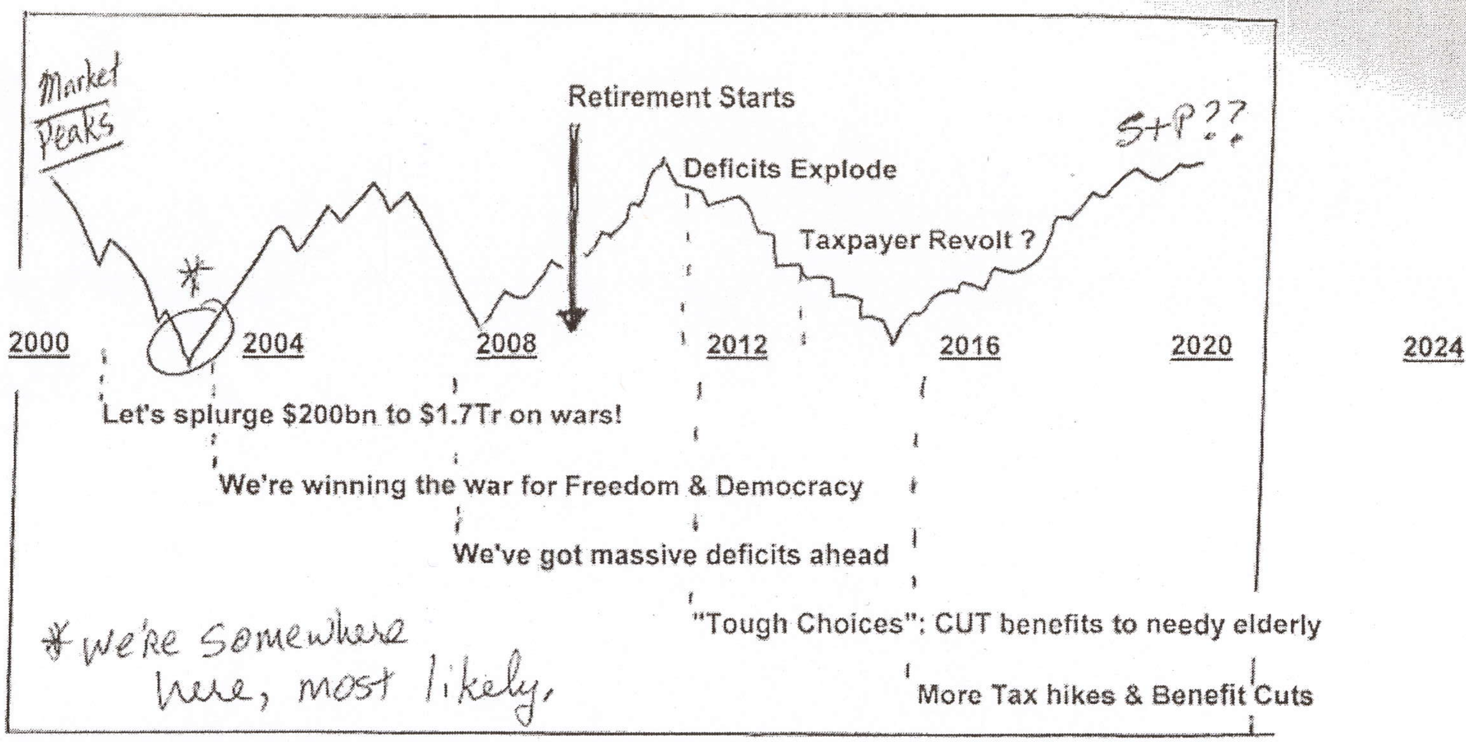
NOTE: The above "country timing sequences" are all based on closed-end funds or mutual funds traded in the U.S. The countries and their associated funds are listed below:

Australia: IAF / Austria: EWO / Belgium: EWK / Brazil: BZF, BZL / Canada: EWC / Chile: CH / China: JFC / France: EWQ / Germany: EWG / Hong Kong: EWH / India: IFN / Indonesia: IF / Israel: ISL / Italy: EWI / Japan: EWJ, JPN / Netherlands: EWN / Russia: TRF / Singapore: EWS, SGF / Spain: EWP / Switzerland: EWL / Taiwan: ROC, EWT / Thailand: TTF / Turkey: TKF / U.K.: EWU

* MARKETS TO WATCH... WAIT FOR CURRENT CONGESTION TO ABATE...

M27

BABY-BOOMER RETIREMENT:
THE SILENT "BLACK HOLE" of FINANCE



WILL MARKETS MOVE "SIDEWAYS", PULLED BY THE GRAVITY of ENTITLEMENT FINANCING DEMANDS OVER THE NEXT 20 YEARS??

520

M26

110

Greenspan urges cuts to Social Security

2-26 -04

Fed chief says nation can't afford benefits to baby boomers

BY MARTIN CRUTSINGER

WASHINGTON — Federal Reserve Chairman Alan Greenspan, stepping into the politically charged debate over Social Security, said Wednesday the country can't afford the benefits now promised to the baby boom generation.

He urged Congress to trim those benefits to get control of soaring budget deficits, which he said threatened a "very debilitating" rise in interest rates in coming years.

Alan Greenspan
For tax cut, too

POLITICAL INACTION WILL ONLY DELAY THE DAY OF RECKONING

Democratic presidential candidates denounced his proposals, and President Bush and other Republicans sought to distance themselves from the Republican Greenspan.

The central bank chairman also repeated his view that Bush's tax cuts should be made permanent to bolster economic growth. He said the estimated $1 trillion cost should be paid for, preferably, with spending cuts so the deficit would not be worsened.

As for specifics on trimming Social Security, Greenspan told the House Budget Committee that one possibility would be to switch to an alternative measure of inflation for annual cost-of-living adjustments. Instead of relying on the Consumer Price Index, he suggested switching to a new chain-weighted CPI that gives lower inflation readings and thus would mean smaller payment increases.

Greenspan, who turns 78 next week, also suggested tying the retirement age for full benefits to longer lifespans with the age continuing to rise. The 65-year age for retiring at full benefits started increasing last year and now stands at 65 years and four months. It will increase to 67 over the next two decades and then stop rising.

The remarks set off a political storm.

Democratic front-runner Sen. John Kerry said the way to address the deficit was to roll back tax cuts for the wealthy and "the wrong way to cut the deficit is to cut Social Security benefits. If I'm president, we're simply not going to do it."

Bush said Social Security benefits "should not be changed for people at or near retirement."

Underscoring the view that Congress is not about to touch Greenspan's suggestions, especially in an election year, Republican House Speaker J. Dennis Hastert was asked to comment on the proposals and replied only, "He's a fine man."

In his testimony before the Budget Committee, Greenspan said the current deficit situation, with projected record red ink of $521 billion this year, will worsen dramatically once the 77 million members of the baby boom generation start becoming eligible for Social Security benefits in just four years.

He said projections show the country will go from having slightly more than three workers supporting each retiree to 2.25 workers for every retiree by 2025.

"This dramatic demographic change is certain to place enormous demands on our nation's resources — demands we will almost surely be unable to meet unless action is taken," Greenspan said.

AP

~~27~~

M25

Business Day

The New York Times

3-2-04

Medicare and Social Security Challenge

By EDMUND L. ANDREWS

News Analysis

WASHINGTON, March 1 — When Alan Greenspan urged Congress last week to cut future benefits in Social Security and Medicare, sending elected officials to the barricades, he was if anything understating the magnitude of the problems ahead. Today's budget deficits are measured in the hundreds of billions, but the looming shortfalls for the two retirement programs are projected to be in the tens of trillions of dollars.

The Bush administration has estimated that the gap between promises under current law and the revenues expected will total $18 trillion over the next 75 years. But an internal study in 2002 by the Treasury Department, looking much further ahead, concluded that the gap was actually $44 trillion — and would climb each year that nothing was done.

Indeed, the numbers are so big and extend so far into the future that they border on the surreal. Analysts in both Congress and the administration warn that the flood of retiring baby boomers will cause federal spending on old-age benefits to eventually consume as much of the nation's economy as the entire federal budget does now. And while the problems would be acute even if today's federal budget were balanced, the budget deficits that seem likely for the rest of the decade make matters worse. That is because the government is borrowing more than $200 billion a year from the Social Security and Medicare trust funds to finance its operating deficits.

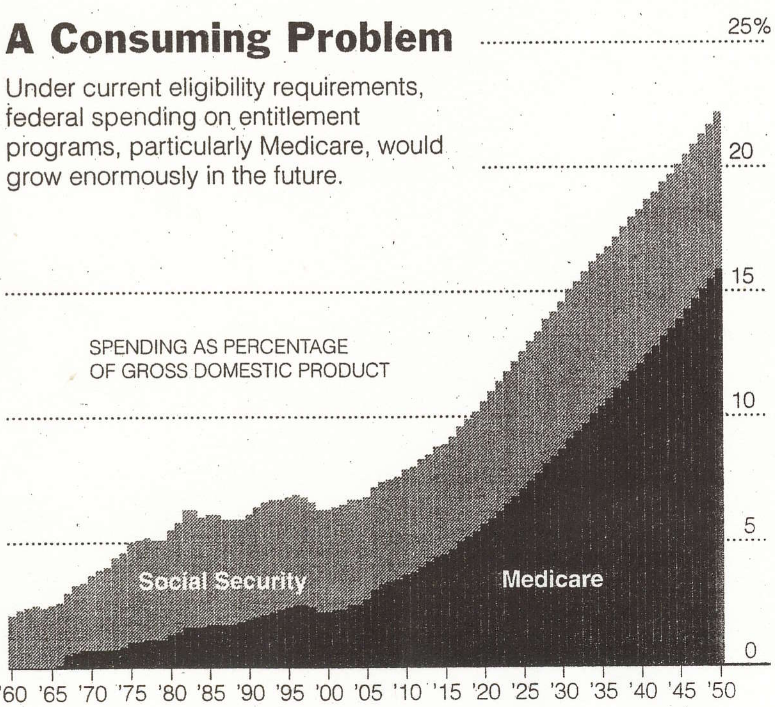
In theory, the two giant trust funds are accumulating huge surpluses that can be used to pay for benefits when the baby

Continued on Page 13

... coming in from payr...

A Consuming Problem

Under current eligibility requirements, federal spending on entitlement programs, particularly Medicare, would grow enormously in the future.



Source: Congressional Budget Office

The New York Times

tions would be more than $10 trillion over the next 75 years. But that was before President Bush signed the law that will add prescription drug benefits to Medicare — which the administration now predicts will cost $540 billion over the next 10 years. The costs would climb rapidly after that, as the number of elderly people soars. The Congressional Budget Office has predicted that the new program could cost as much as $2 trillion in its second decade.

Mr. Bush and many administration officials contend that much of Social Security's problems could be solved by letting people divert some of their payroll contributions to private investment accounts they might manage for themselves.

But some experts say that the government would have to borrow as much as $1 trillion over the next several decades to make up for the lost revenues and pay retirees benefits earned under the old system.

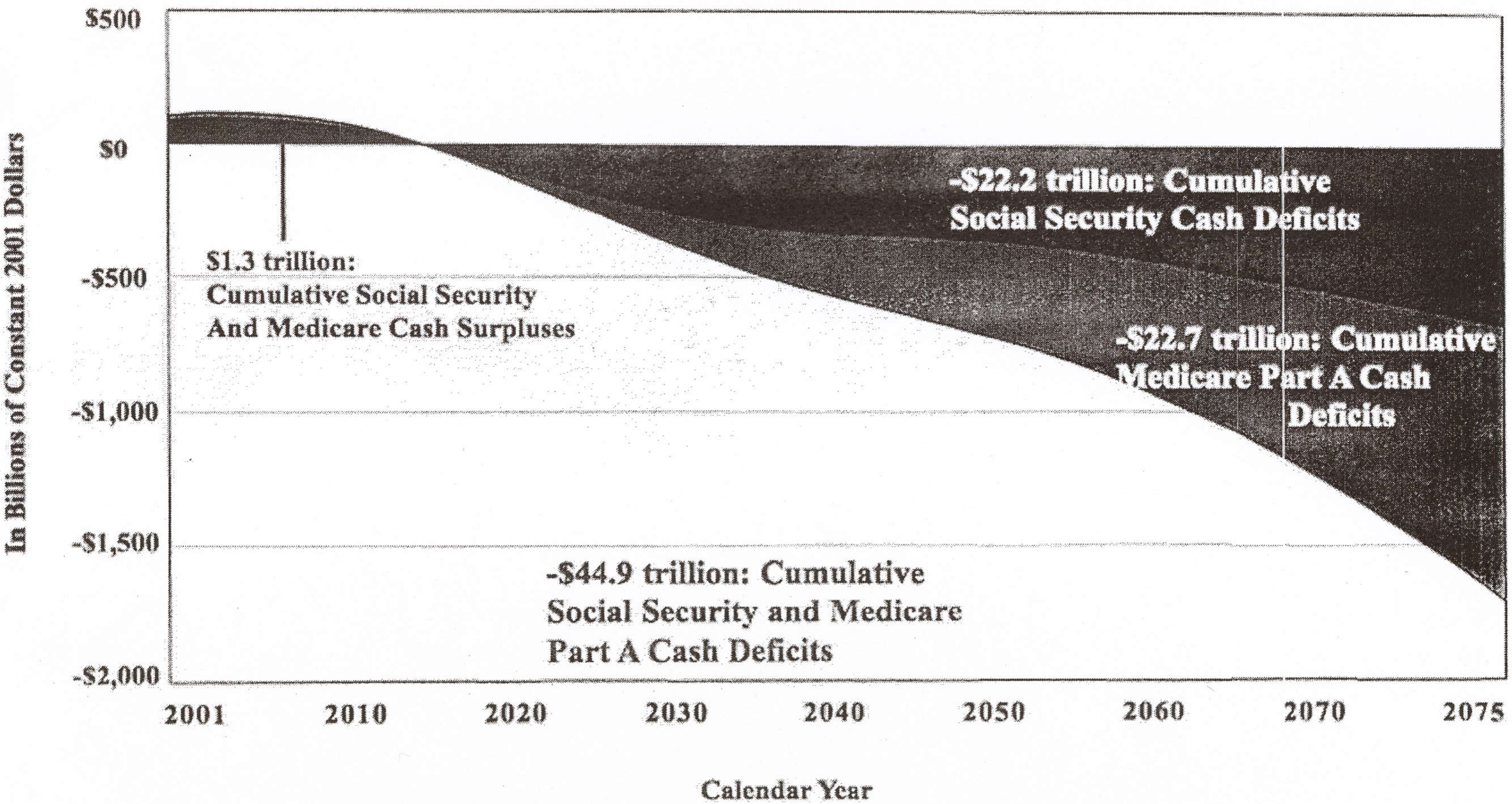
And the Congressional Budget Office, in a report on privatization plans last year, said none of the proposals would have much effect.

"Using government resources to buy stocks and bonds, without other

26

M24

SOCIAL SECURITY AND MEDICARE PART A CUMULATIVE CASH SURPLUSES AND DEFICITS IN CONSTANT 2001 DOLLARS 2001-2075



Increase the figure by $7 Trillion for the Prescription Benefit !

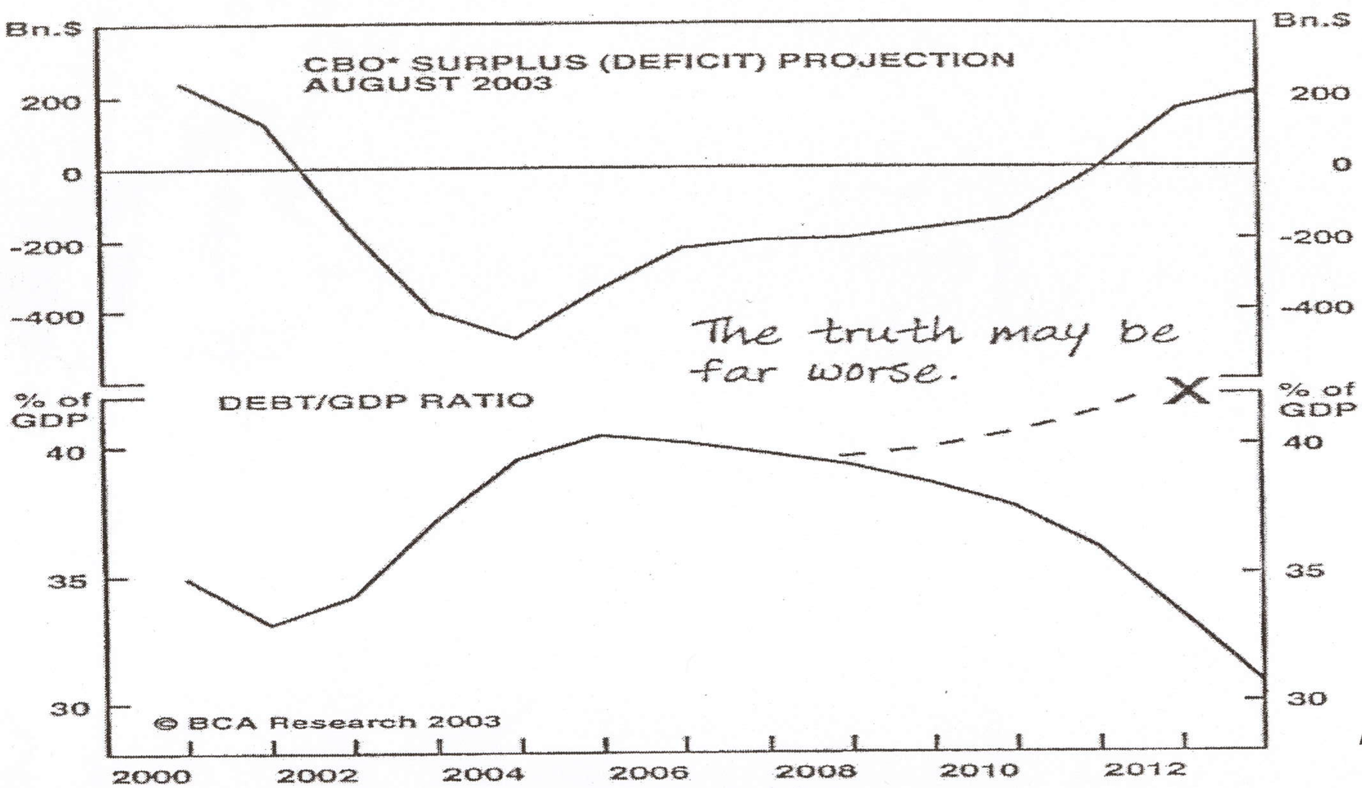
M23

107

LONGER-TERM...

OUR BIGGEST NATIONAL CHALLENGE

Fiscal Blowout



*CBO = THE CONGRESSIONAL BUDGET OFFICE

plan omitted his $87 billion request for Iraq's reconstruction, not to mention the proposed (and very pricey) prescription drug benefit plan. None of the main Democrat presidential contenders have shown how they would balance the budget. Concerns among bond investors are escalating about the lack of political will to tackle the out-of-control budget situation.

"...out of Control budget Situation..."
Bank Credit Analyst

M22

106

China Takes Another Step To Tighten Monetary Policy

By KEITH BRADSHER

HONG KONG, April 12 — China's central bank has tightened monetary policy for the second time in less than three weeks, trying to put the brakes on bank lending and property speculation as top Chinese officials voice concern that the economy may be overheating.

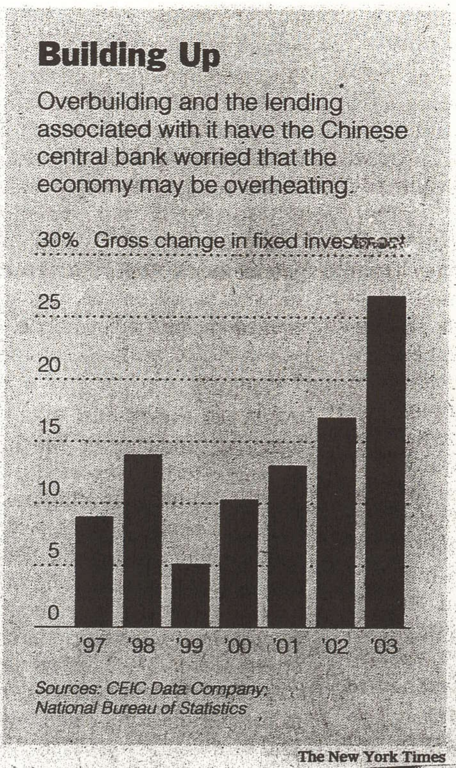
"Excessive growth in the supply of credit can initiate inflation or froth in property prices, which may eventually cause bad debts and increase financial risk," the central bank warned in a statement on Monday.

The latest tightening takes the form of higher reserve requirements for banks. The action accompanied the release of figures late Sunday showing that China ran a trade deficit in March for the third month in a row.

The deficit, though modest at $540 million, makes it more likely that China will continue resisting pressure from the United States, Europe and Japan to let its currency rise, even as Vice President Dick Cheney visits Beijing on Tuesday, economists said. The deficit may also make China more reluctant to compromise in Washington this month when it holds trade talks on semiconductors and other goods.

The official New China News Agency reported on Sunday that China's State Council, as the cabinet is called, called for strict curbs on new construction after a meeting on Friday led by Wen Jiabao, China's prime minister. Mr. Wen recently warned publicly that bringing the Chinese economy under control this year would be even hard-

Continued on Page 9



Continued From First Business Page

er than last year's fight against SARS.

The State Council concluded that while rapid economic growth had yielded benefits for many Chinese, there were "some serious problems during economic performance," including "overgrowth of investment, too many new construction projects, blind or overlapped construction efforts," the news agency said. "The overheating problems in some sectors have imposed pressure on coal, power, oil and transport supplies and resultingly brought about rises in prices for raw materials and other necessities, according to the meeting."

Investment spending has been rising at nearly three times the rate of overall economic growth lately, while consumer spending has lagged, raising fears that China may be erecting new factories and apartment buildings faster than they can be put to use.

What remains unclear is how much China could control public dissatisfaction if growth slowed sharply. The last economic downturn in China was in the early 1990's, when many were still cowed by the Tiananmen Square killings in 1989. The severity of that downturn may have been limited partly because the preceding boom was less spectacular than the current one, which has been fueled by a surge in bank lending.

Officials in Singapore are also worried about inflation. The Monetary Authority of Singapore, the central bank, changed its currency policy on Monday after estimating that the economy had grown 7.3 percent faster in the first quarter of this year than a year earlier, and had expanded by 11 percent from the fourth quarter of last year.

A central bank warning about an overheating economy.

Raising its inflation forecast for this year to a range of 1.5 percent to 2 percent, from a previous range of 0.5 percent to 1.5 percent, the Monetary Authority surprised investors by announcing that it would allow "modest and gradual appreciation" of the Singapore dollar against the American dollar. This step should in theory make Singapore's imports cheaper — although hurting exports — which may hold down the frequency of price increases.

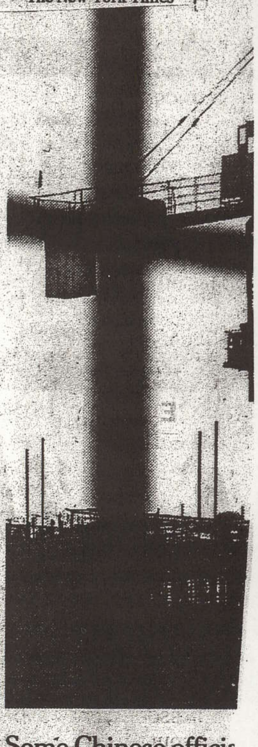
Independent economists said that the Chinese government's actions were late and probably inadequate to contain rampant speculation that is starting to feed inflation, including rising prices for some goods imported by the United States. They warned that China faced a growing risk that its recent economic boom could be followed by a costly bust.

"The hard-landing scenario likelihood is rising fast," said Andy Xie, a Morgan Stanley economist here. "Something bad could happen in the next three to four quarters."

Wang Xiaolu, the deputy director of the National Economic Research Institute, an independent policy group in Beijing, said that Chinese government agencies were uncertain about the seriousness of overheating, and that the latest increase in bank reserve requirements would do little to slow the economy.

"It will reduce credit volume by a small amount — not much compared to the overall volume," he said. "The government is certainly concerned about overheating, and the central bank wants to adopt some contractionary measures, but the ones we've seen so far are fairly limited."

Liang Hong, a Goldman Sachs economist here, said that Chinese policy makers almost certainly made their latest decisions to tighten reserve requirements and discour-



Some Chinese officia
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Liang said.

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① INFLATION
② BAD LOANS
③ OVERBUILDING

CHINA
RISKS

Local Governments Rack Up Debt, Worrying Beijing

By OWEN BROWN
Dow Jones Newswires

BEIJING—Concerns that local governments in China may be sitting on mountains of debt to rival the bad loans held by the country's state banks have triggered a debate about the best way to fund provincial and county authorities.

China's different levels of government are up against a problem many modern countries face when revenue-raising becomes more centralized even as demands for services at the local level increase.

In China, a program to roll back arbitrary fees and levies imposed on the country's mostly rural population has left county and township authorities with fewer fund-raising options. Local authorities have had to go into debt to fund salaries, schools and medical clinics—or rattle their begging bowls at the central government.

A recent study by a government-backed think tank warned that the unspecified amount of hidden debt linked to local governments could pose a more serious threat to China's economic growth than the country's ailing banking system. With state-run commercial banks, by some estimates, needing two trillion yuan ($241.6 billion) to bail them out of

M20

Landlords Launch New Wave of Deals

With Apartment Vacancies at 15-Year High, Tenants Can Get DVD Players, TVs and Free Rent

By RAY A. SMITH

THE APARTMENT industry is hurting again, enhancing bargaining power for renters in much of the country and prompting a slew of incentives and freebies for new tenants.

Last year, landlords were scaling back on concessions amid signs the economy was recovering. But the combination of new apartment buildings, weak demand and low mortgage rates—which make it easier for people to buy instead of rent—has pushed the vacancy rate up to 6.9%, the highest in 15 years, according to Reis Inc., a New York-based research firm.

As a result, landlords are offering new tenants one and two months rent free, waiving security deposits and offering everything from DVD players to Crate & Barrel gift certificates. In Manhattan, Peter Cooper Village is offering 51-inch, high-definition flat-screen televisions to new tenants in its apartments. Steve Stadmeyer, general manager of the luxury apartment building, says the idea is to signal that the living room is large enough for a big-screen TV. (Applicants have to mention that they saw the promotion in a newspaper ad.)

Camden Property Trust, which owns more than 50,000 apartments in markets from California to Florida, is offering a choice of free maid service, a private chef or no rent payments—ranging from three months to a year—to 40 winners chosen from a drawing for prospective and existing renters.

While some of the come-ons may seem more like gimmicks than legitimate concessions, they reflect that the situation has deteriorated again for apartment owners. The average concession on a 12-month lease ran $73 a month in the fourth quarter, up from $67 a month in the third quarter, according to data compiled by Axiometrics Inc., a Dallas-based research firm.

Things aren't likely to change quickly. Developers started construction on 397,000 apartment units in December, the fastest pace since February 2000. Meanwhile, mortgage rates are close to their lows of last summer—further shifting the age-old calculus of whether to rent or buy in favor of homeownership.

Indeed, the difference between the cost of homeownership and typical apartment rents has narrowed in about half of the nation's 50 largest metro areas since the end of 2000, according to M/PF Research Inc., a Dallas-based apartment consulting firm, and Torto Wheaton Research, a Boston-based real-estate research firm. Research firm Economy.com estimates that the low rates last year resulted in 358,000 additional households bailing out of apartments to buy a home.

That's the macro picture. The micro picture is

Please Turn to Page D2, Column 5

Paying Less

Tenants' bargaining power depends on the market

- **Renters** have the upper hand in the following markets, where vacancy rates are running at 8% to 10%

Atlanta	Denver
Dallas	Seattle

- **Landlords** have the upper hand in these markets, where vacancy rates are 4% to 6%

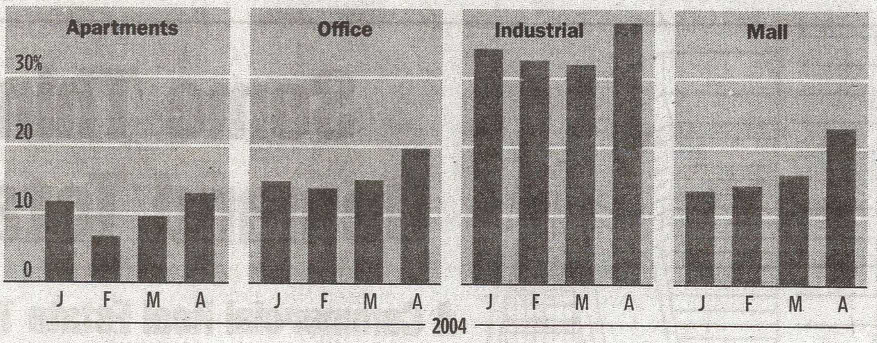
So. Calif.	Baltimore
Washington	Philadelphia
South Florida	

Source: Witten Advisors

APARTMENT BUBBLE REACHES 15-YEAR VACANCY HIGHS DUE TO OVER BUILDING

Premium Value

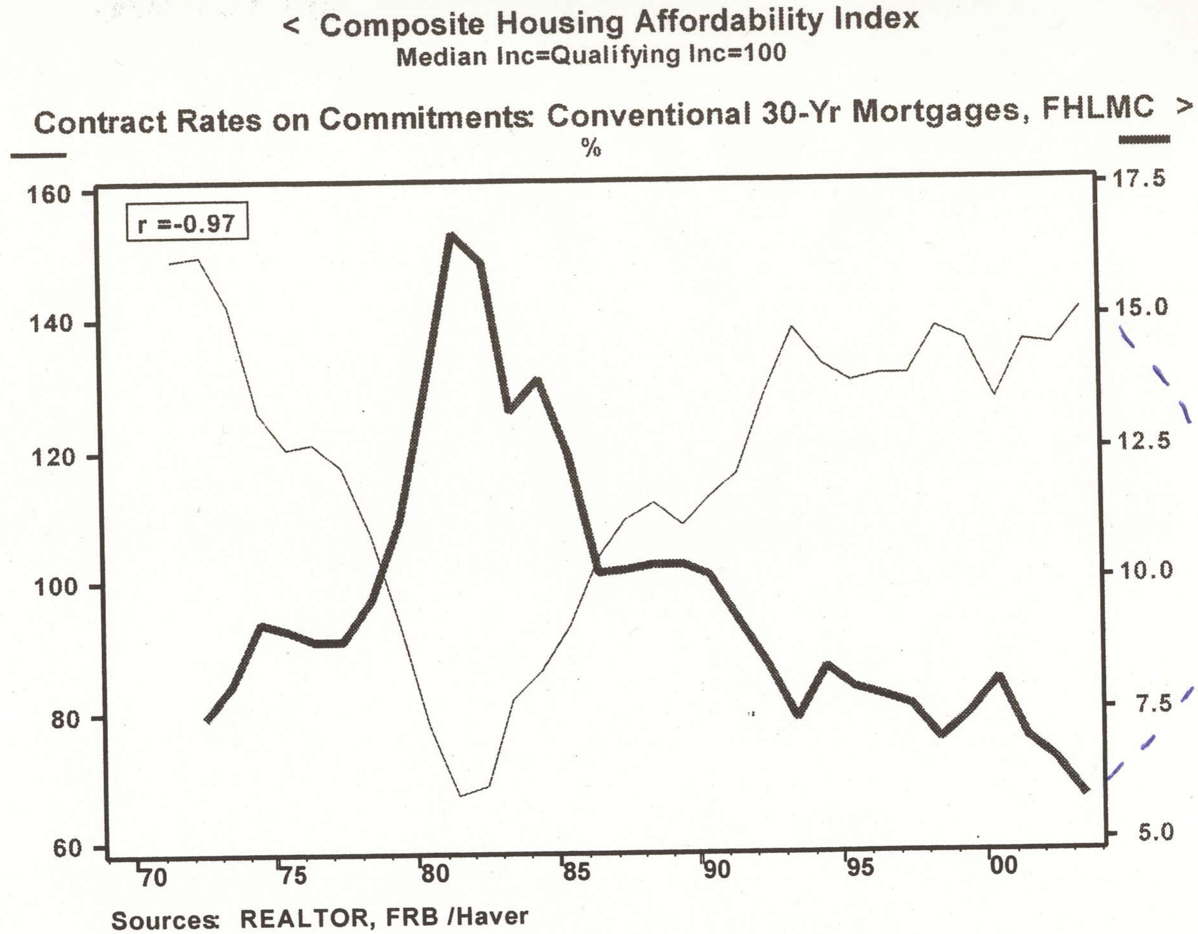
Prior to their recent slide, REITs' premiums over the estimated values of their assets have been increasing. As of April 1, REITs overall were trading at a 22.3% premium to their estimated net asset valuations, up from 17.5% at the start of the year. As of Monday, after the stocks' decline, the premium fell to 5.22%.



Source: Green Street Advisors

... WHILE COMMERCIAL PROPERTY IN GENERAL IS OVER-VALUED...

M19



HOUSING PRICES ARE VULNERABLE TO INTEREST RATE HIKES

So, if the Fed were to act to preempt the rise in final-sales inflation being telegraphed by rising production-input prices, it could do serious harm to the housing market. But to do serious harm to the housing market would mean doing serious harm to the financial system. The U.S. banking system today has more exposure to the housing market through its holdings of mortgage-related assets than at any other time in the past 52 years (see Chart 5). At the end of 2003, mortgage-related assets on the books of U.S. banks, including the direct liabilities of government-sponsored agencies such as Fannie Mae, represented a record 59% of banks' total earning assets. At the same time that banks' exposure to the housing market is at a record high, households have the least relative equity in their homes than at any other time in the past 52 years (see Chart 6).

M18

DEVELOP WATCHLISTS of RELATIVELY-STRONG STOCKS THAT MAY RALLY in NEXT UPLEG

RELATIVELY STRONG ENERGY STOCKS

Abraxas

Amerada Hess

Anadarko

BP

Burlington Resources

Smith Int'l

Vintage Petroleum

TRADES ONLY w/ TIGHT STOPS… Have moved a long way

Nuevo

Occidental

Sun Company

World Fuel Svcs

M40