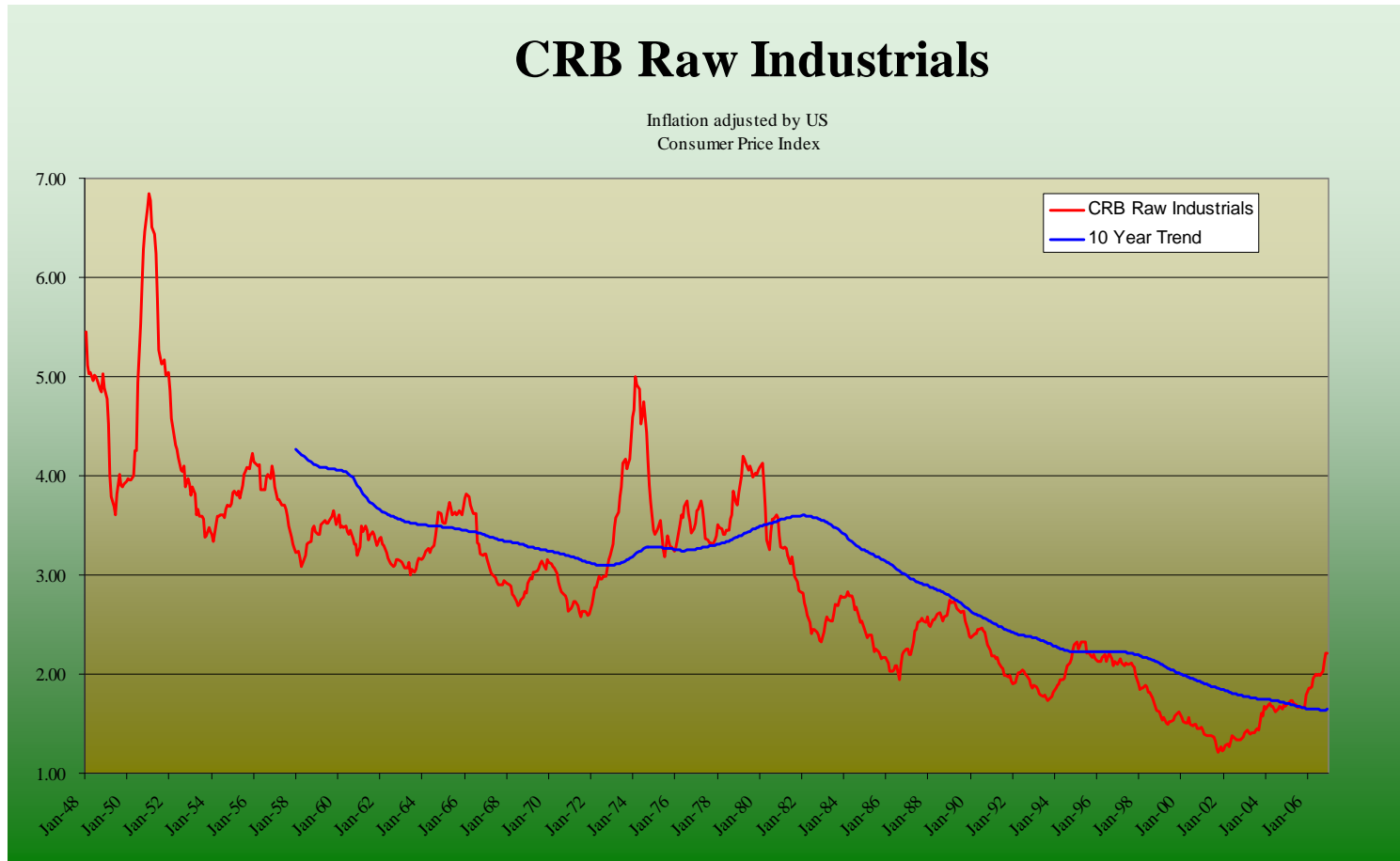


Monthly Chartbook

February 2007

Status Quo...with inflationary pressure remaining

Macro-economic research



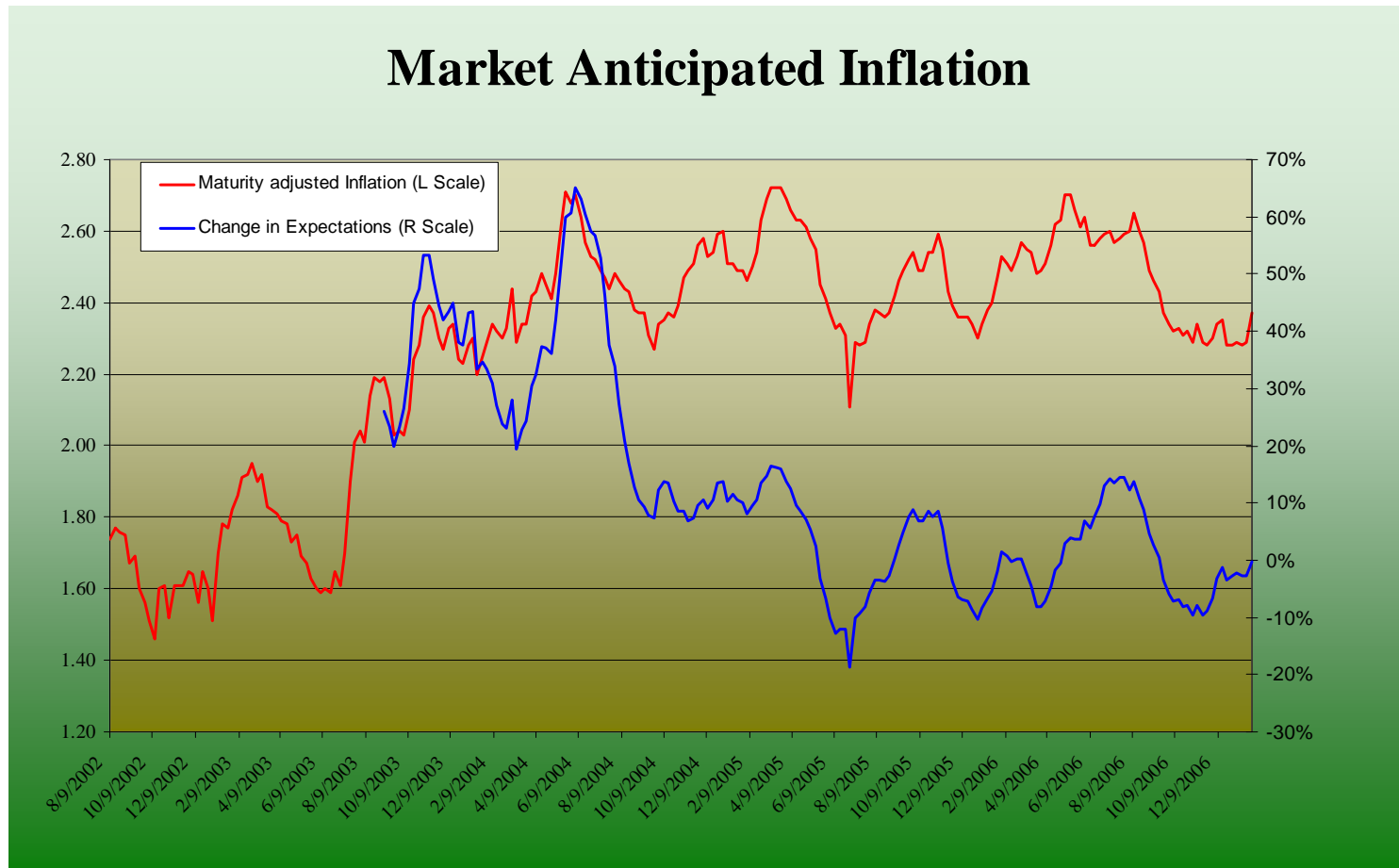
The deflated CRB raw industrials (think lead) has gone and done something it has not done since 1982, it has clearly breached the 10 year trend line. Further evidence to us that commodities are in a super cycle.

Inflation expectations

Remember, energy and commodity prices are small cost centers on the input side, labor, labor, labor is the big cost center.

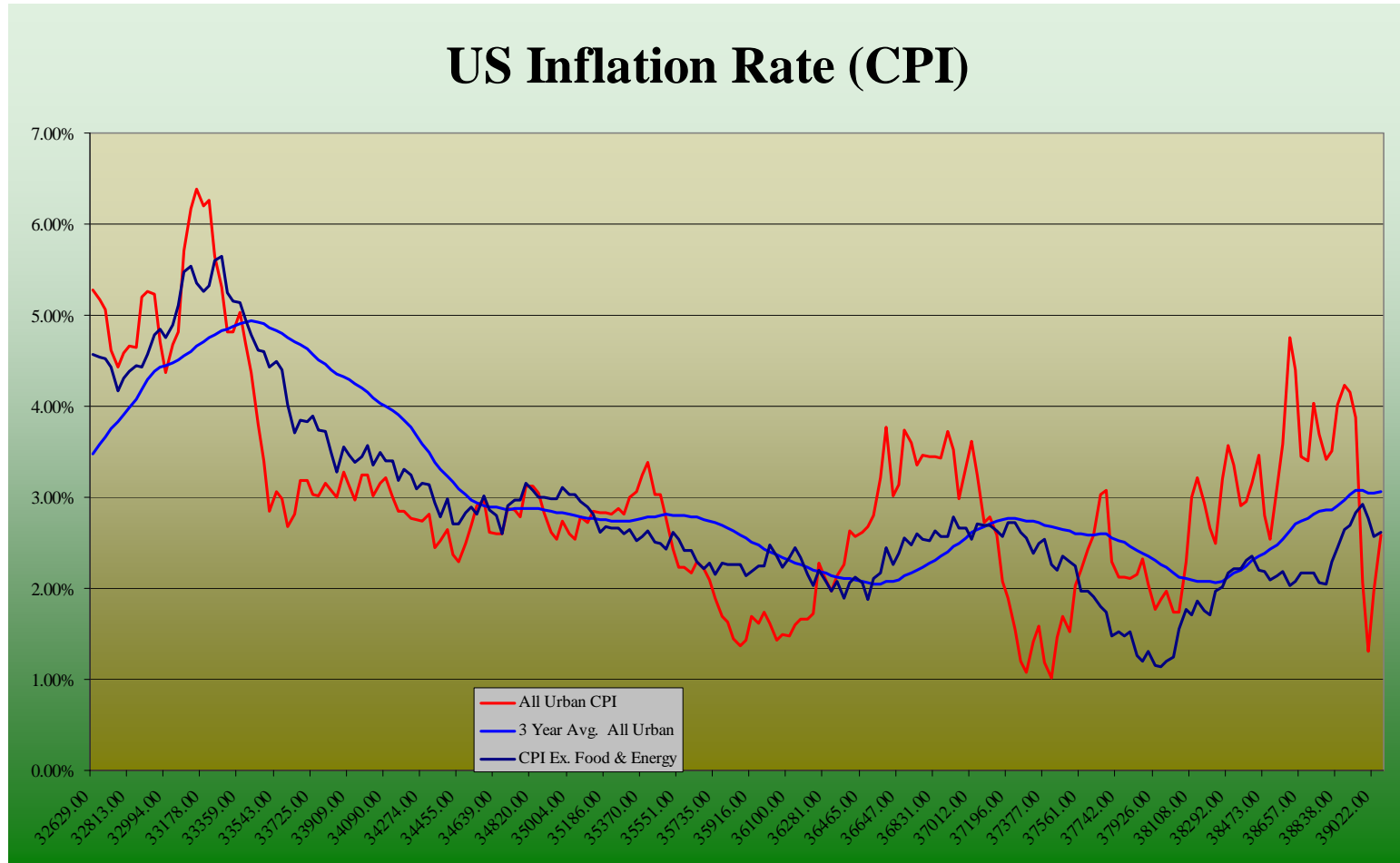
We are watching the labor markets closely....The anticodal evidence of a tight labor market for skilled is out there...

Inflation expectations



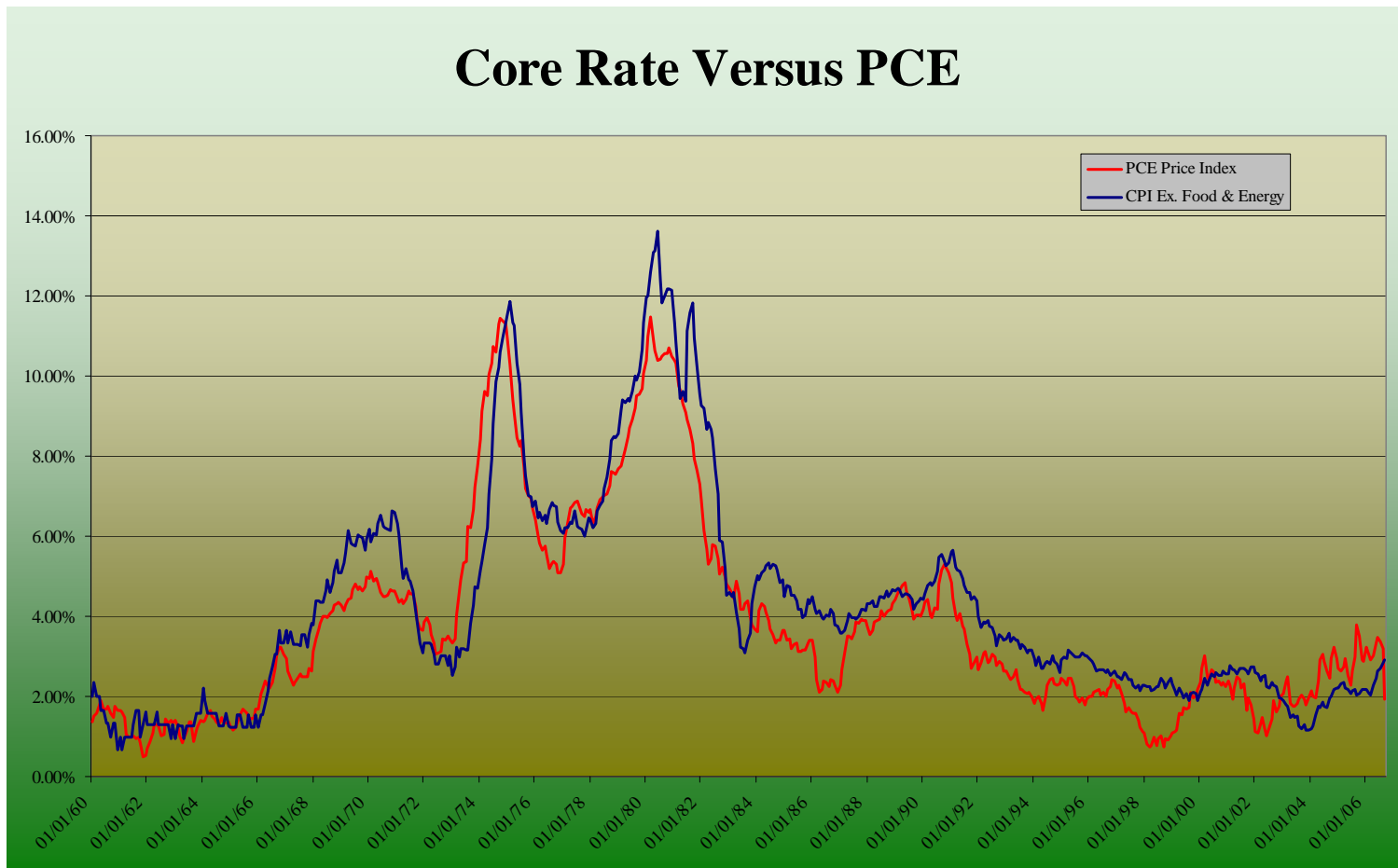
The saving grace has been the modest inflation expectations of the bond market. Should that change, perhaps the stock market might not like the result.

Inflation expectations



Bouncing around due to changes in energy prices...

Inflation expectations



I often feel like Alice in wonderland when reviewing these numbers... “drink this one and inflation will be little”. (cameo appearance of this chart)

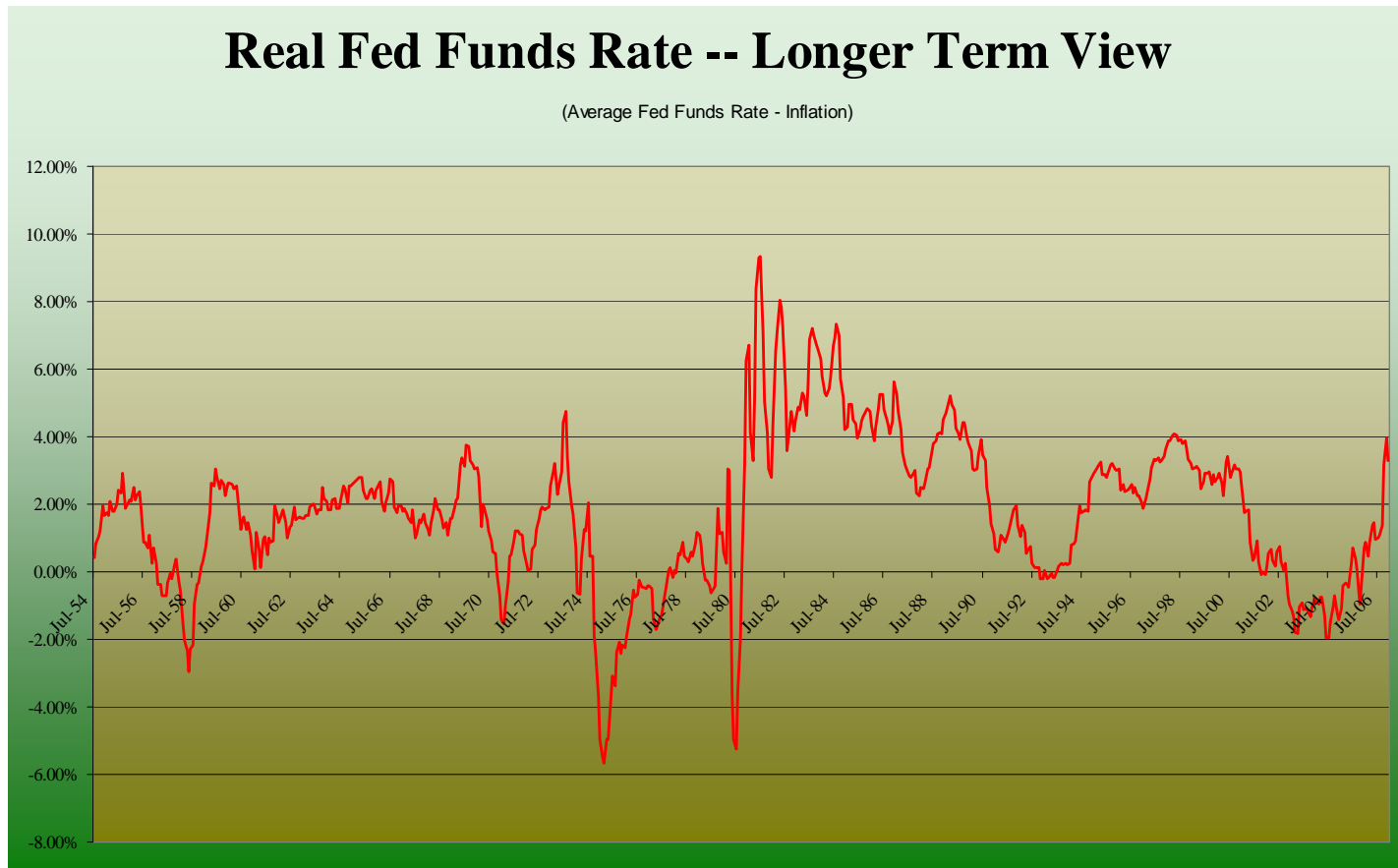
Federal Reserve Watch

We view the Fed as “on hold” until signs of broad weakness are detected in the economy.

We are not willing to bet on a rate cut.

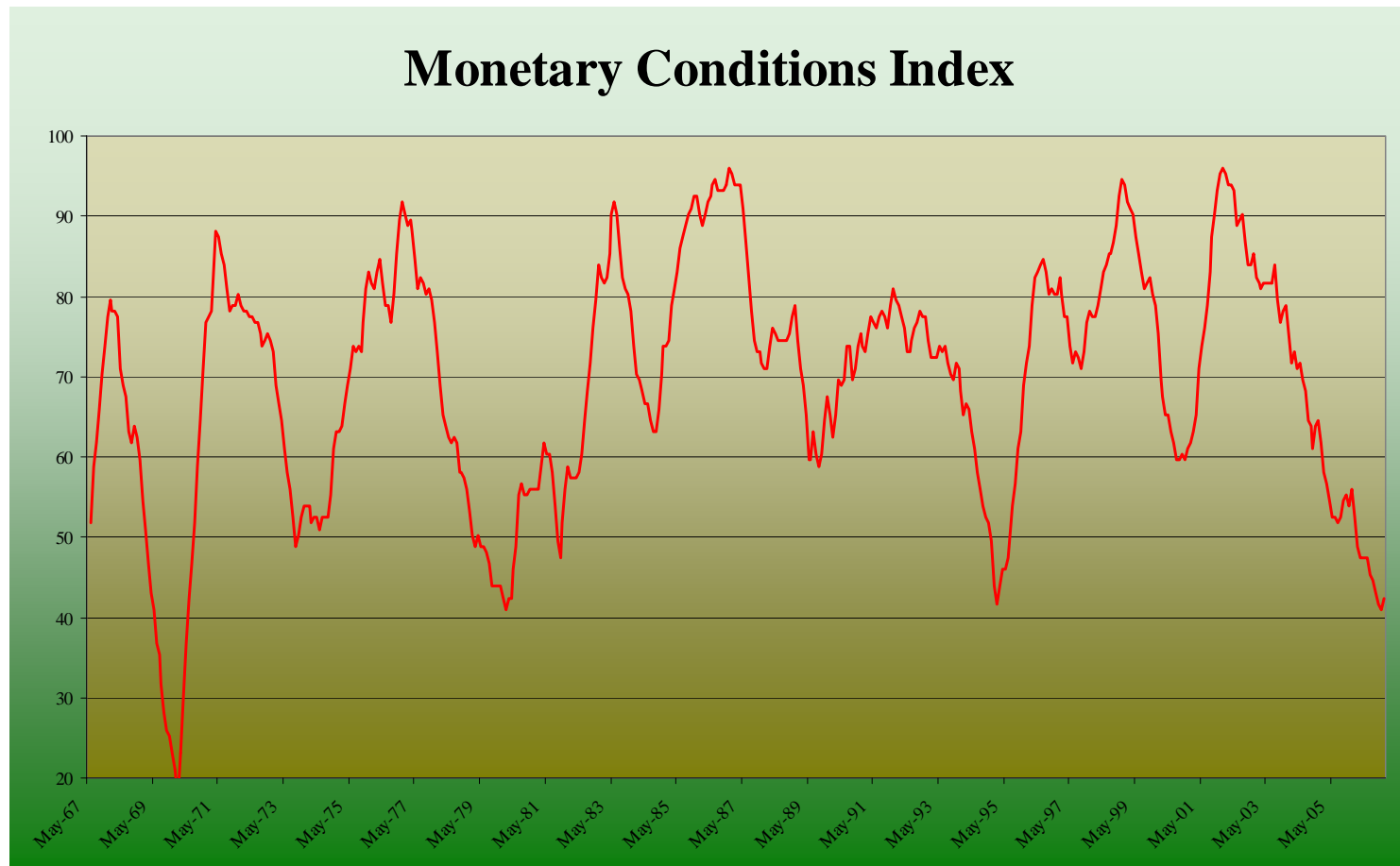
The weakness in the US\$ has the Fed painted into a corner.

Federal Reserve Watch



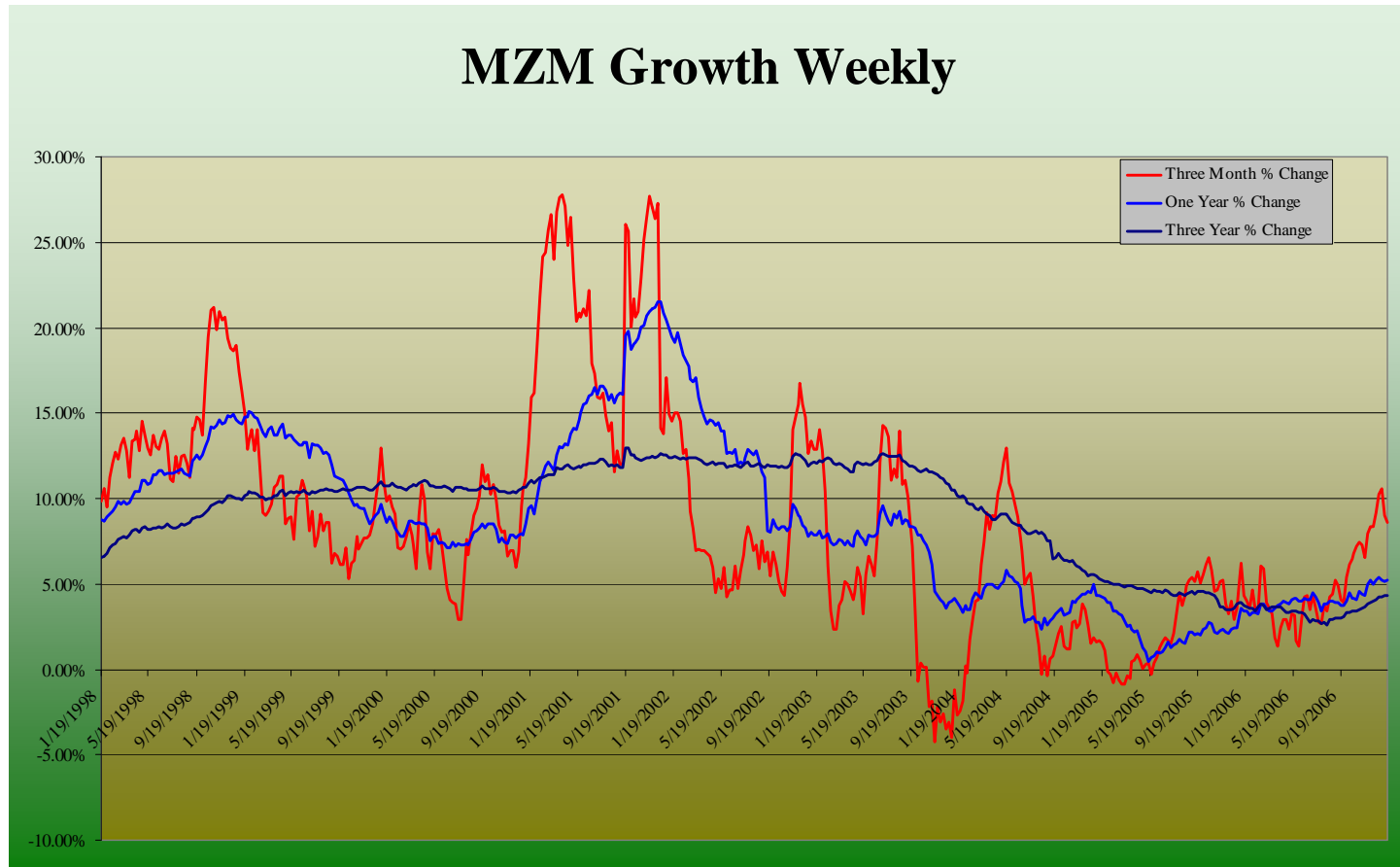
Real Fed funds are only now at the levels of the 95 tightening cycle. Hardly super tight and needing to be cut right away.

Federal Reserve Watch



A bottom? It is about time...

Federal Reserve Watch



Signs of life...

Outlook

No predictions from us for 2007, stocks could be up, flat or down. Right now, only the Lord and the PPT know.