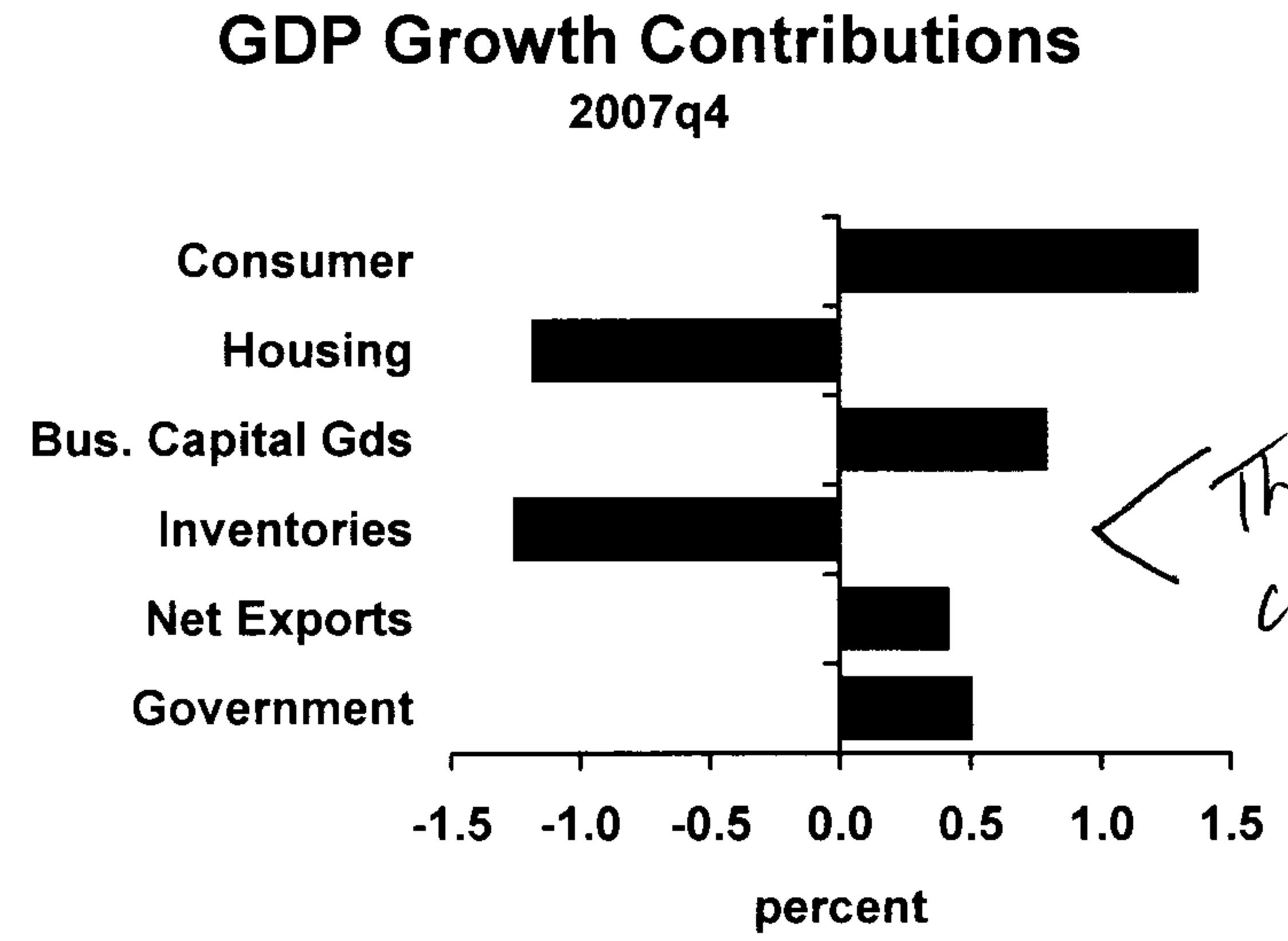
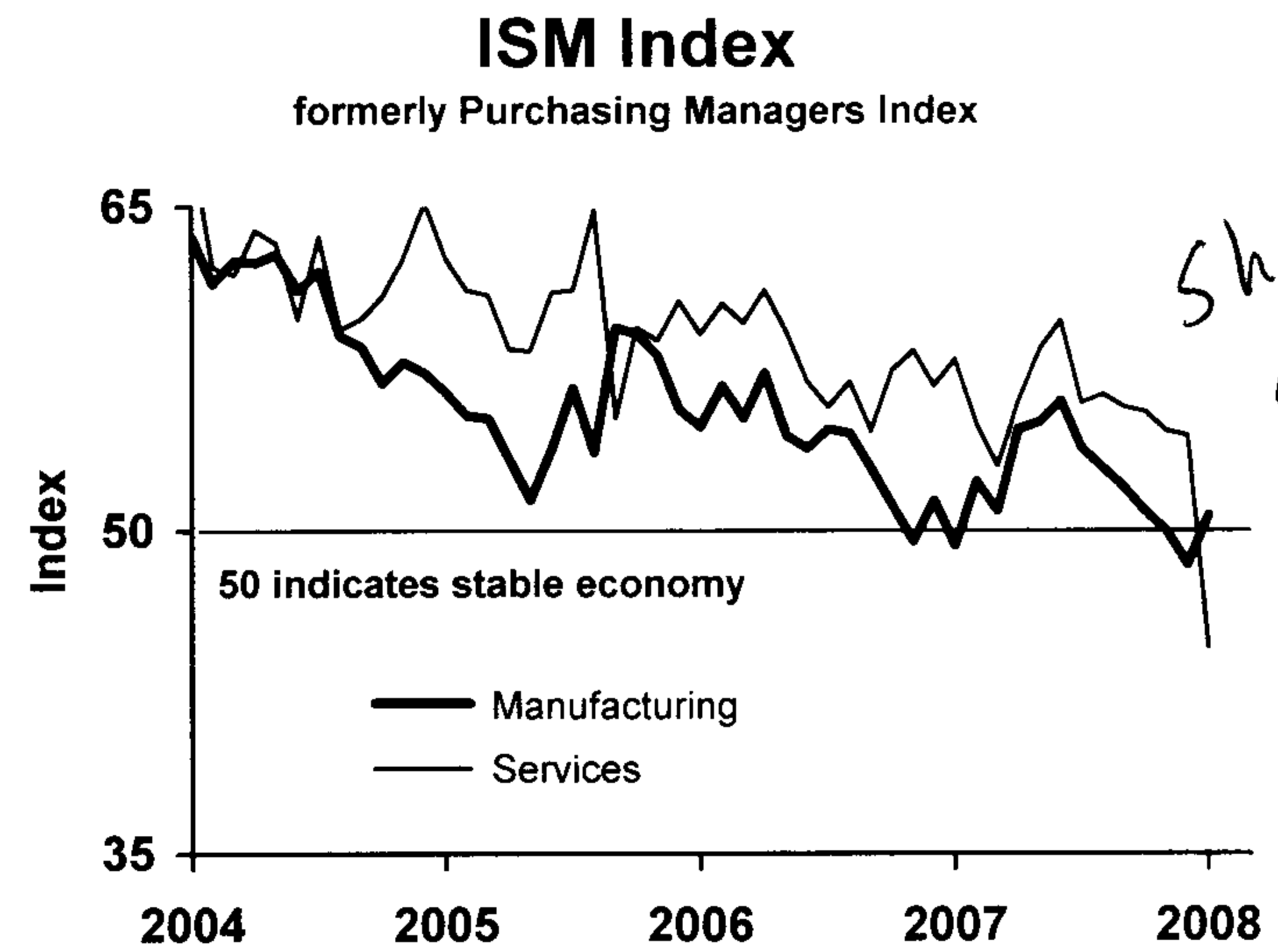


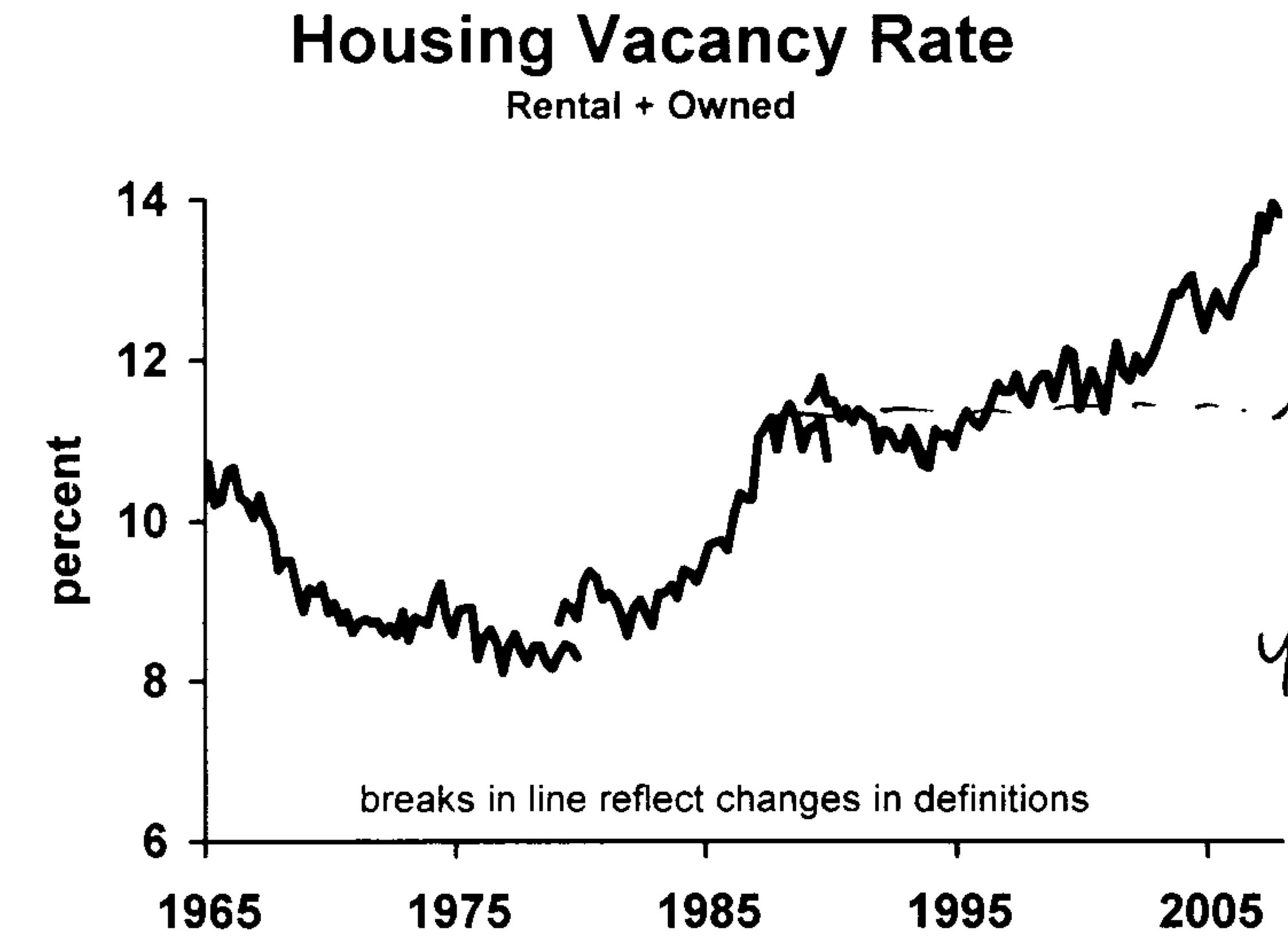
My latest forecast: only a borderline recession.



The inventory cycle is new.

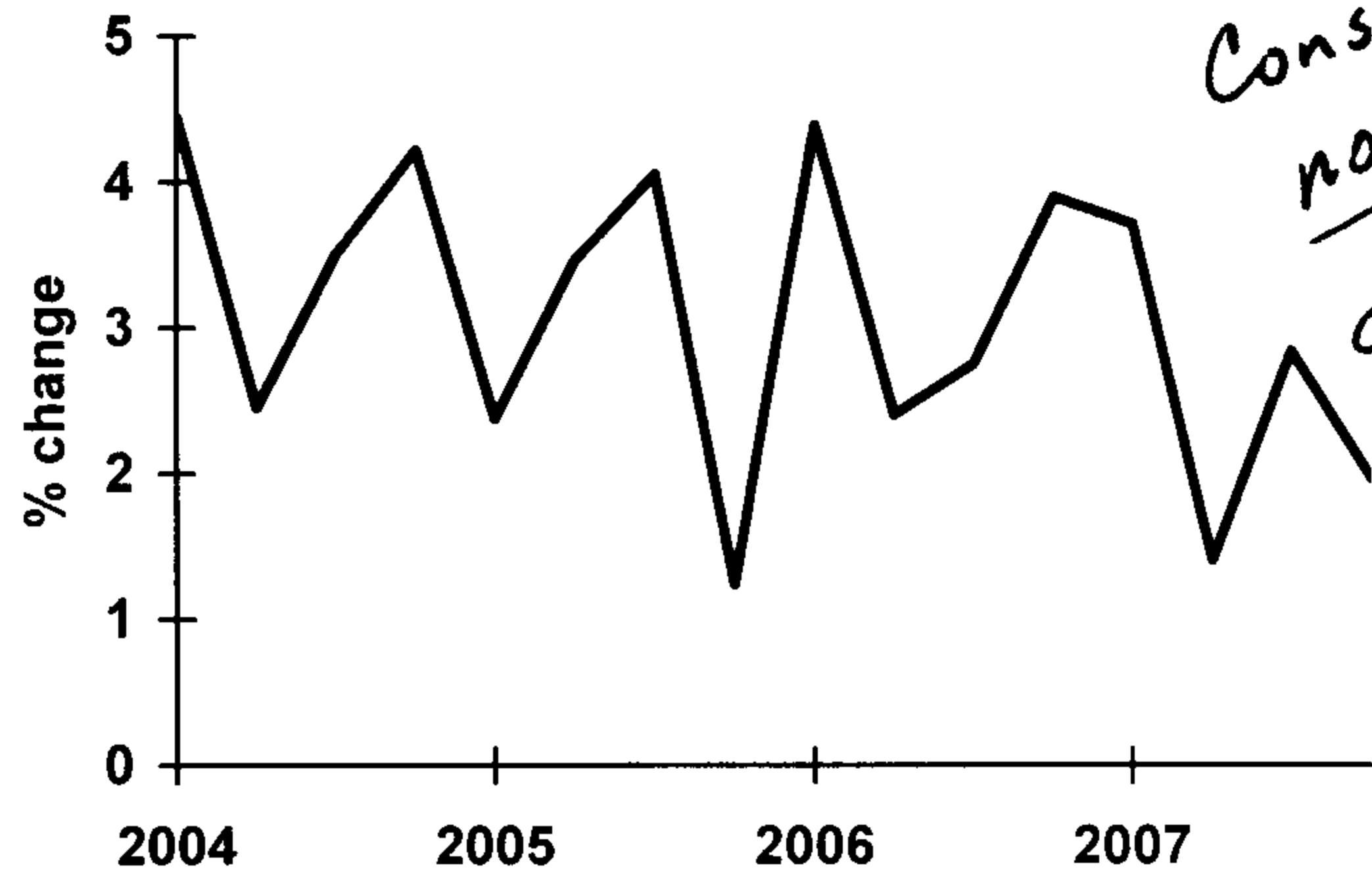


Sharpest drop ever in service sector survey.



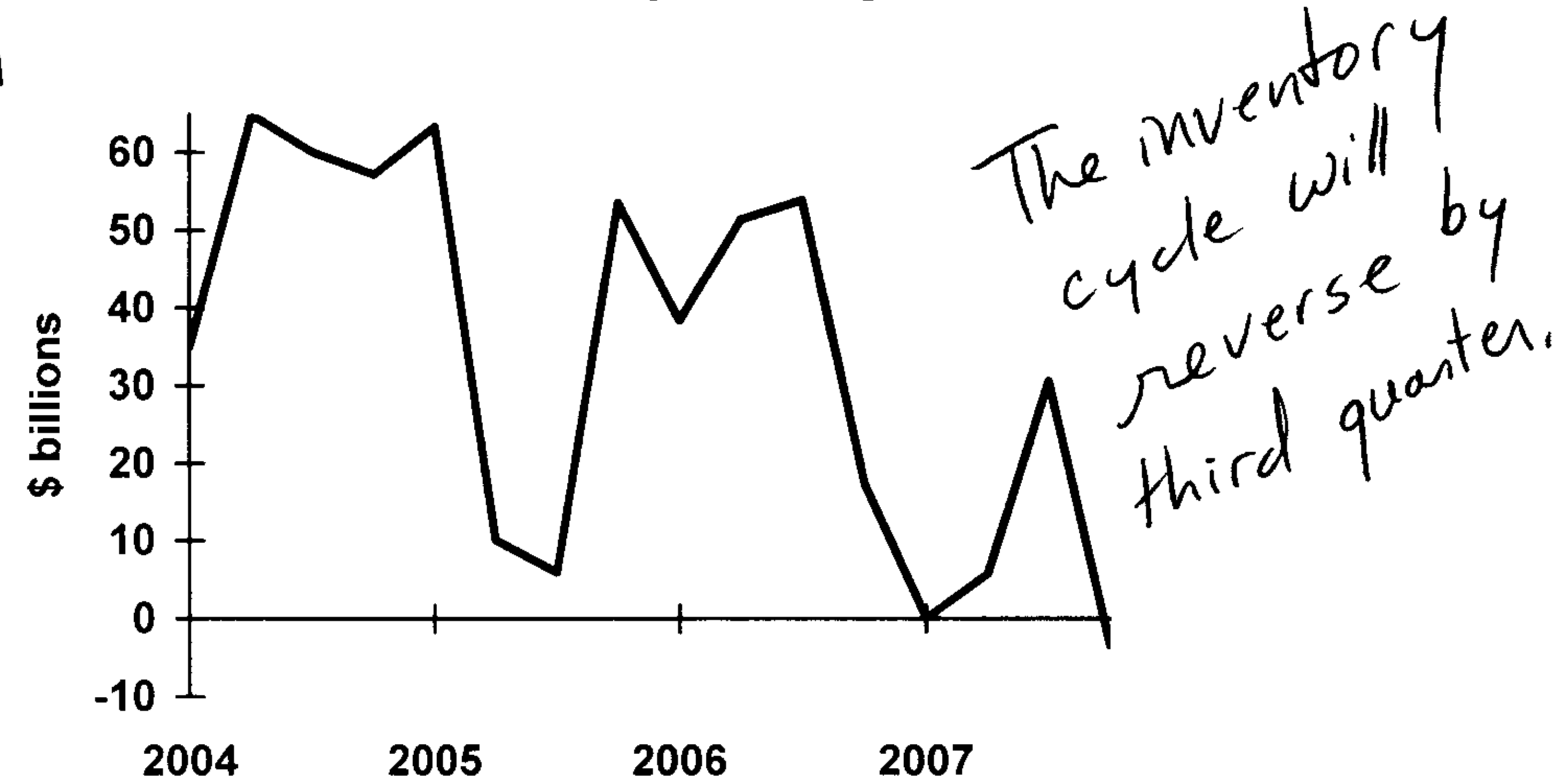
excess supply is nearly one year's production (at average levels)

Consumer Spending Growth
Inflation Adjusted



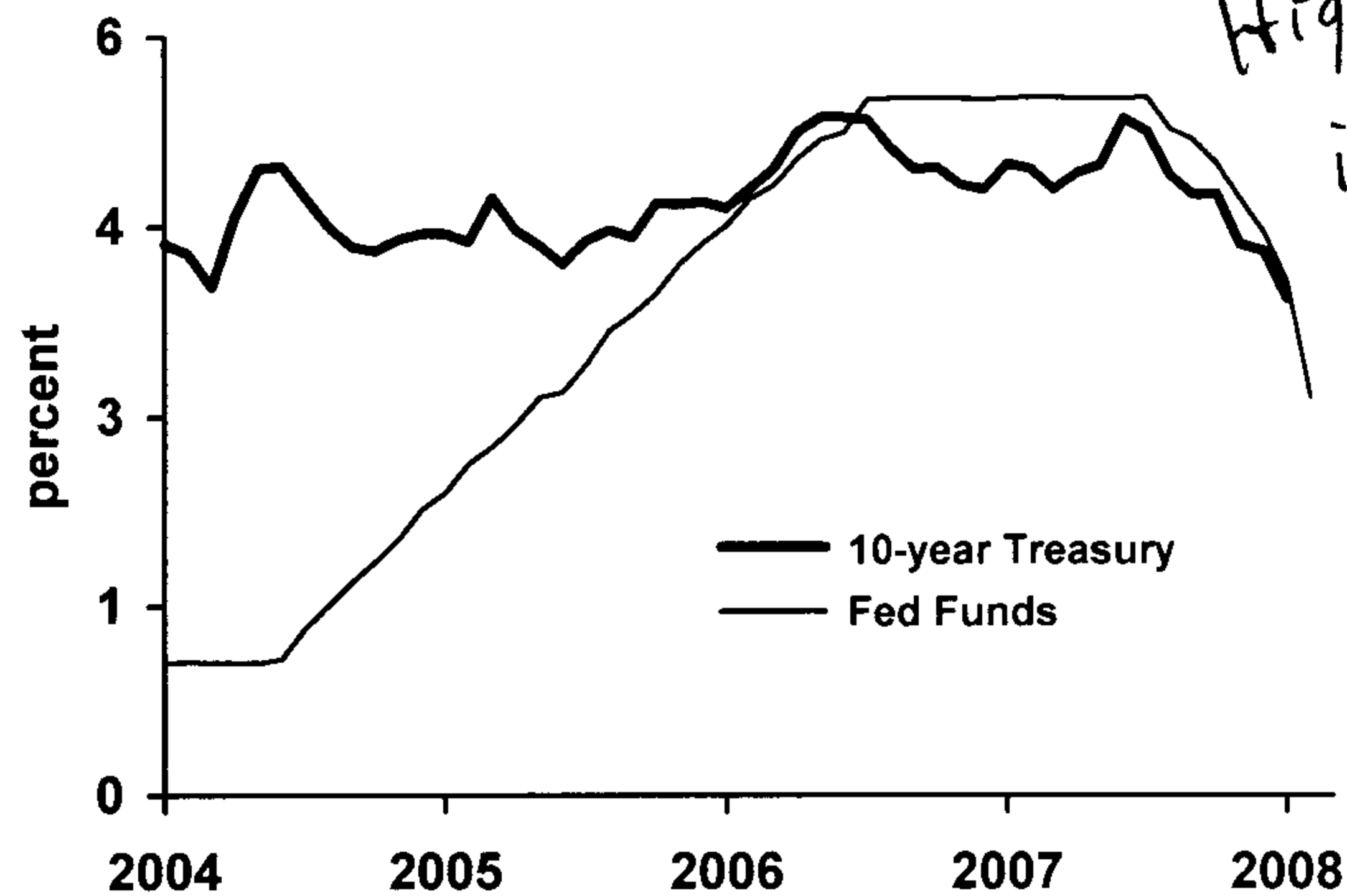
Consumers have not given up completely, though they are slowing down.

Real Inventory Change



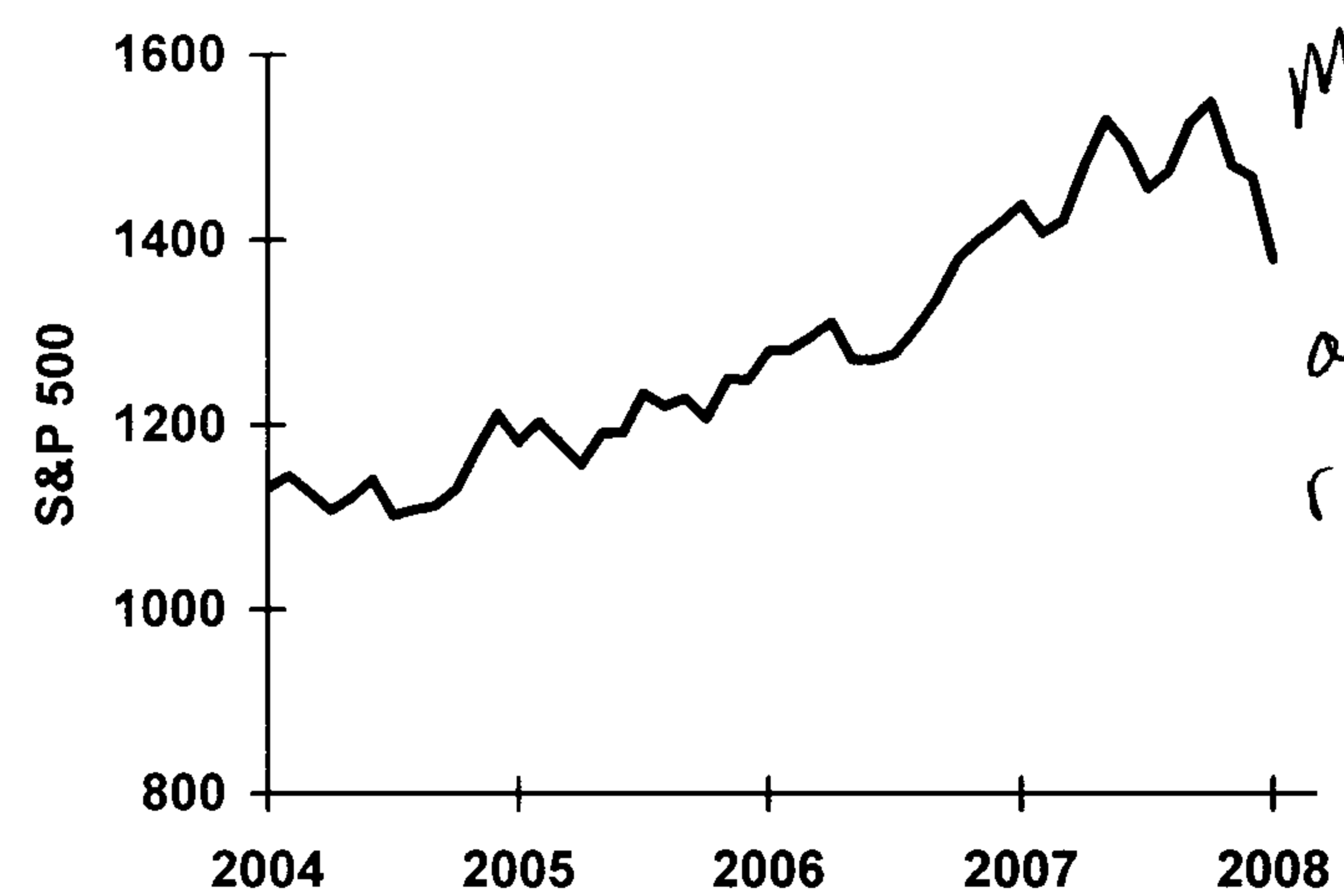
The inventory cycle will reverse by third quarter.

Interest Rates



High grade interest rates are low, but junk rates very high.

Stock Market



Market nervous about recession.