Courier Capital Corporation

Market Review & Update

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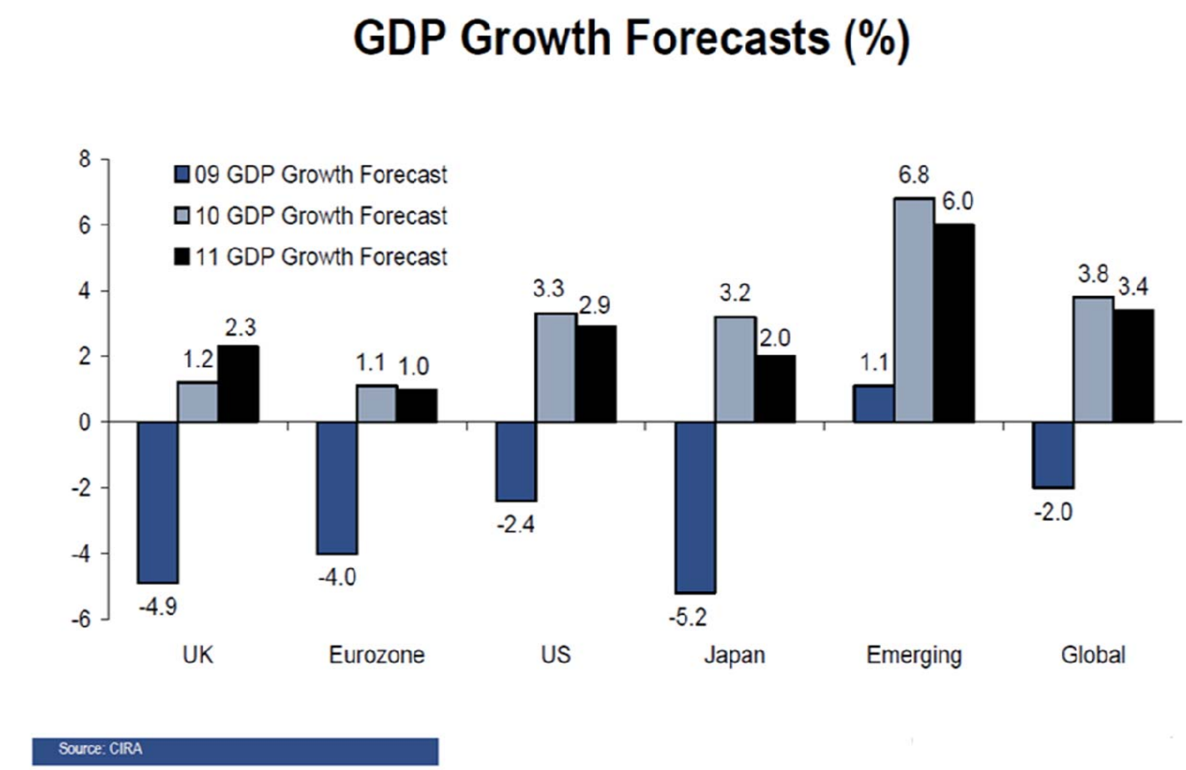
Summer bids you welcome with the dualistic metaphors of a G20 summit sent slightly north of the border and the gift of a gentle quake in return. On both fronts, this "trade relationship" will likely have caused little damage. Mostly because China decided to unpeg the Yuan a bit more last week, taking the only agenda item off the G20 "public spankings to do" list…so they're all heading to Muskoka. No lie, Muskoka!...I've been told it's a beauty way to go…(for those of you lacking a misspent youth, a veiled tip of the hat to our neighbors in "The Great White North"…)

We have consistently displayed a confidence that we were indeed on the path of global recovery. There have been sizeable efforts to test our faith (best regards to Europe for again reasserting their insignificance…), and we committed to continually monitoring the metrics to make certain that the recovery remained on course. Mid–year is normally an interesting time, and this year may well be one for the record books. After global business suffered a near cardiac arrest at the hands of a credit induced freeze, the aforementioned G20 players embarked on a mission of stimuli, the mass of which has never been equaled. As we frustratingly witness almost every day, governments just don't do very many things competently. But, all heads will nod in enthusiastic unanimity if we ask whether they excel at taxing and spending.. at this they are world class! And you know, when business freezes up, that word stimuli simply boils down to the government reaching toward that pile of cash we handed to them and spending it like drunken sailors of the more benevolent kind, as it is just the medicine the world needs at that moment. Like a big, dumb shopper at the mall, pockets swollen with lottery winnings.

Figure 1. Continued growth in global economies is predicted



The record stimuli worked. Government funded projects required workers and materials. Businesses were thrilled to have a customer. Depressed earnings skyrocketed. GDP surged from the negative. Tax incentives dispatched clunkers and afforded abodes. Historically low interest rates (truly a hidden tax on those who save) and tighter credit spreads make thinkable what 18 months ago was not. Awash with an historic peak in cash levels, corporations are divining capital spending initiatives. Yes, I said capital spending. Been a bit since you've heard that, eh?! So, therein, lies the key to the fascination with this mid-year moment. Record spending by the big, dumb shopper is ultimately, and somewhat re-assuredly, finite. Once the lottery winnings are spent, sure there are the credit cards, but debt levels will ultimately suffer the cumulative disdain of all that bear witness, and we have already sensed some squirming from the public. So, when the big, dumb spender starts to tap out, what happens? Well, the purpose of all that stimuli was to push a snowball down a hill in hopes that it will be large enough and fast enough to finish the journey on its own. We sense the US and "significant" (sorry Europe) global players have achieved this objective. Organic business growth appears strong enough to carry the recovery forward as the big, dumb spender slowly begins to stumble ineptly toward the parking ramp…

Companies are now spending money, and have plans to spend more. Trade between partners has been at reassuring levels, especially toward the largest developing nations. Fits and starts notwithstanding, even the individual consumers have been buying homes (this month's stall on the eve of the cessation of the tax incentives notwithstanding) and all the stuff necessary to fill one up. The snowball seems to be rolling. We mentioned the efforts to snuff out our faith. Those at the pulse, most notably Fed Chairman Bernanke, projected confidence at the notion that foreseeable interrupters lacked the ferocity (sorry Europe) to derail the trajectory of this economic cycle. The current absence of perceptible inflation may well allow short term interest rates to remain low well past previous estimates (ok, for this we may actually be able to give Europe a tad of credit-"tad of credit" that's almost a joke, "almost a joke", there's another pun!!!)… (sorry Europe…). Hey! "Sorry Europe" there's another!…we could go on all summer! Now there's a notion. Make a Mai Tai for yourself and see how many Europe jokes you can muster by Labor Day. And, if you think we have been too lighthearted with regard to Europe, I think we deserve huge marks for the self-restraint in not going all Macedonian on you…(Pulp Fiction pun…).

Once again, so far so good. The continuation of the handoff from one big, dumb shopper to the billions waiting for its parking space at the mall will remain the focal point through the next couple quarterly earnings releases. And remember, it is an election year. So it would not be unanticipated if the big, dumb shopper pulls its mini van (yes, that's what it drives…) up to the mall door to tap out the last credit card…enjoy a pleasant summer…

We'll talk to you soon…

P.S. We made an effort to be lighthearted for the Summer. But, we may regret if we don't cite a few key items:

- The 2 year US Treasury has never been more expensive
- The 10 year US Treasury just dropped below a 3% yield
- On forward earnings, the market was last this cheap in 1995.

Figure 2. A change in direction is Inevitable

Dressing Like A Masterpiece

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THE WALL STREET JOURNAL.

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What's News—

Business & Finance

World-Wide

Inflation at 44-Year Low

U.S. Rate Hovers Under 1%, Even as Price Pressures Rise in Developing World

U.S. inflation slid last month to its lowest level in 44 years, highlighting a potentially troublesome unevenness in the global recovery.

By Mark Whitehouse, Alex Frangos And Sara Murray

Inflation has surged in booming economies such as China and Brazil, while in many developed nations like the U.S., prices re-

food and energy, rose a meager 0.9% in April from a year earlier. It is the latest sign that high unemployment and excess production capacity are holding down wages and prices in much of the developed world.

At the same time, emerging economies are taking steps to contain high inflation in their booming markets—moves that some economists worry could dampen demand for exports, which many developed countries

the type of demand growth they've had recently," said Stephen Stanley, chief economist at Pierpont Securities in Stamford, Conn. "That has implications for the U.S., Germany, Japan and any country that has exports into those countries."

Wednesday's U.S. inflation report offered evidence that retailers are holding off on price increases, even though prices of raw materials ranging from lumber to cotton are rising amid

Hot and Cold