

May 22, 2009 - "I noticed today that the PIMCO guys and the Roubini guys are saying the same thing: too much debt out there. That's kind of scary when these two camps are in agreement. Dick, after I sent you the Gloom message, I received my weekly dose of Lakshman Achutan. He and Bob Brinker are both on the bullish end of the spectrum. That's what makes an awful market!"

ANSWER: Don't believe Brinker. His model is probably still not adjusted. I don't know the other writer. You should believe the analysis by PIMCO's El-Erian. We are walking a very tight rope on this issue of government debt. There is a likelihood that the U.S. debt to GDP ratio will exceed 1.0 by 2012. Today it is at 0.7. This is the reason we saw the market drop yesterday after the U.K. debt was put on 'watch' by Moody's rating service. The issue today is to determine, and to avoid, the tipping point between the GDP and debt service expenditures, as a function of tax receipts.

It is possible that the U.S. will be able to negotiate this path successfully. However, there are so many pot holes along the way that the task is almost impossible to do successfully.