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"It ain't over until it's over"

"**The main downside risks for equity markets are an unexpected slippage of the US economy into prolonged growth recession during 2005-6, a cold wind through over-heated residential real estate markets, a pick-up of US inflation bringing with it a sharp tightening of US monetary policy, and a currency crisis bringing with it a big rise in US long-term interest rates. And then there is the normal array of energy and geo-political risks.**" (Brendan Brown, Mitsubishi Securities International).

So, there you have it, folks. An impressive wall of worry. To which we can add:

1)some evidence of "cooling" in the U.S. residential market---not overwhelming, but if you are "looking" for signs of gloom, decline in mortgage apps, a decline in Sales and a decline in Starts can begin to fill in some clouds on your horizon;

2)some slight evidence of a slowing in consumer sentiment although actual sales don't look bad;

3)some evidence, although hardly decisive that the productivity upshot is waning, slightly and has gotten 'official' recognition from Bernanke, et. al. at a well-known monetary institution;

4)some evidence that the fires of inflation might not yet be entirely quenched, although no big change in measured inflationary expectations;

5)a return of 'Old Man Winter' with implications for those analysts who bet on a $30-something oil price this year;

6)fairly clear confirmation that the growing budget imbalance, while slowing temporarily, is overwhelmed by the increasing demands of foreign policy objectives and the expressed mood of investors that Iraq elections notwithstanding, "it ain't over til it's over." This can be seen as either a positive (weaker dollar, strong multinational profits) or a longer term negative (interest rates are going to rise, says Chairman Al)

6)the combative and assertive Inaugural followed by today's white-flag wave (today) by the last Kennedy in D.C., clearly forgetting his brother's first inaugural. This is probably not going to be classified as a market –surprise and it is not strictly geopolitics but is better classified as a potentially, self-fulfilling prophecy by a noted, domestic doomsayer.

Since the Shorts did not get well paid at all last year, investors should probably review that cynical old saw that says the market is designed to inflict the maximum loss on the majority of investors. This suggests, however that hungry yield-seekers, "can run, but can't hide," so buying "vol" is still "on!"

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