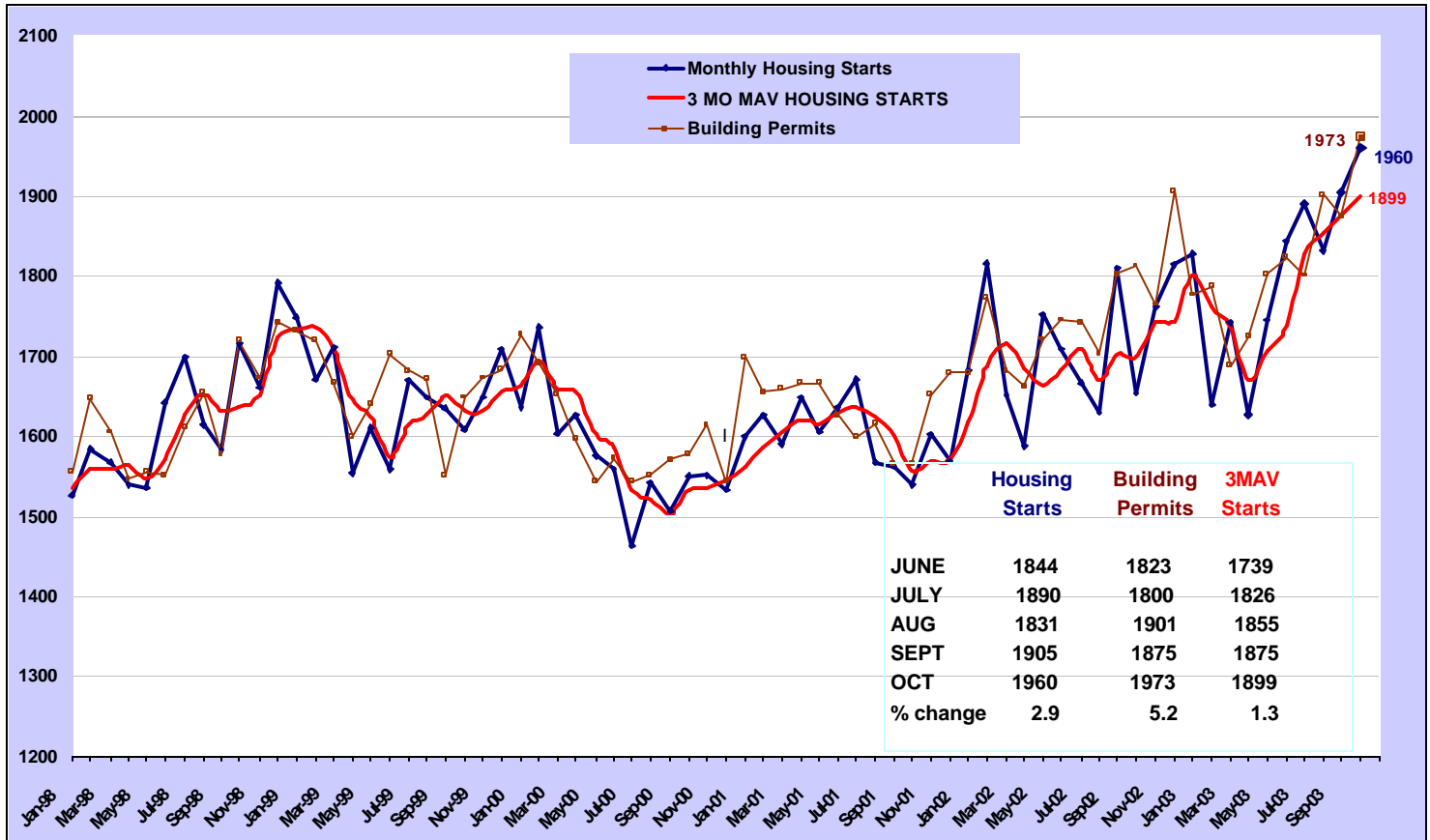




**Show Me The Money: yup--housing blows out**



The 'doubting Thomases' on housing will continue to be dumbfounded with today's blowout numbers: a 2.9% increase in Starts on top of a huge surge in September; a no rest for the weary on Permits, up 5.2% and a continuing upward move in the three month average of Starts by 1.3%. The exuberant ones are the 'irrational builders,' right? But, they must be seeing demand because this is the age of lean inventories.

This kind of continuation of the Housing Bubble must indicate that consumers on the whole are not pessimistic. On the contrary, it really speaks to consumer confidence in a real, not just anticipated way. And, behind the consumer's willingness to take on a larger house or a first time house is the confidence that jobs are there or will be there to create the income necessary to service the mortgage.

In our view, sustainable recovery is built upon consumer demand, because investment demand by the



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business sector is a derived demand. Business orders capital equipment in order to produce intermediate and final goods---ultimately dependent upon Joe Sixpack who buys those final goods and services. Keep the faith in this recovery but watch for the Fed.

We are mindful of Treasury Secretary's comments a month ago that he expected interest rates to rise during a recovery. So do we.