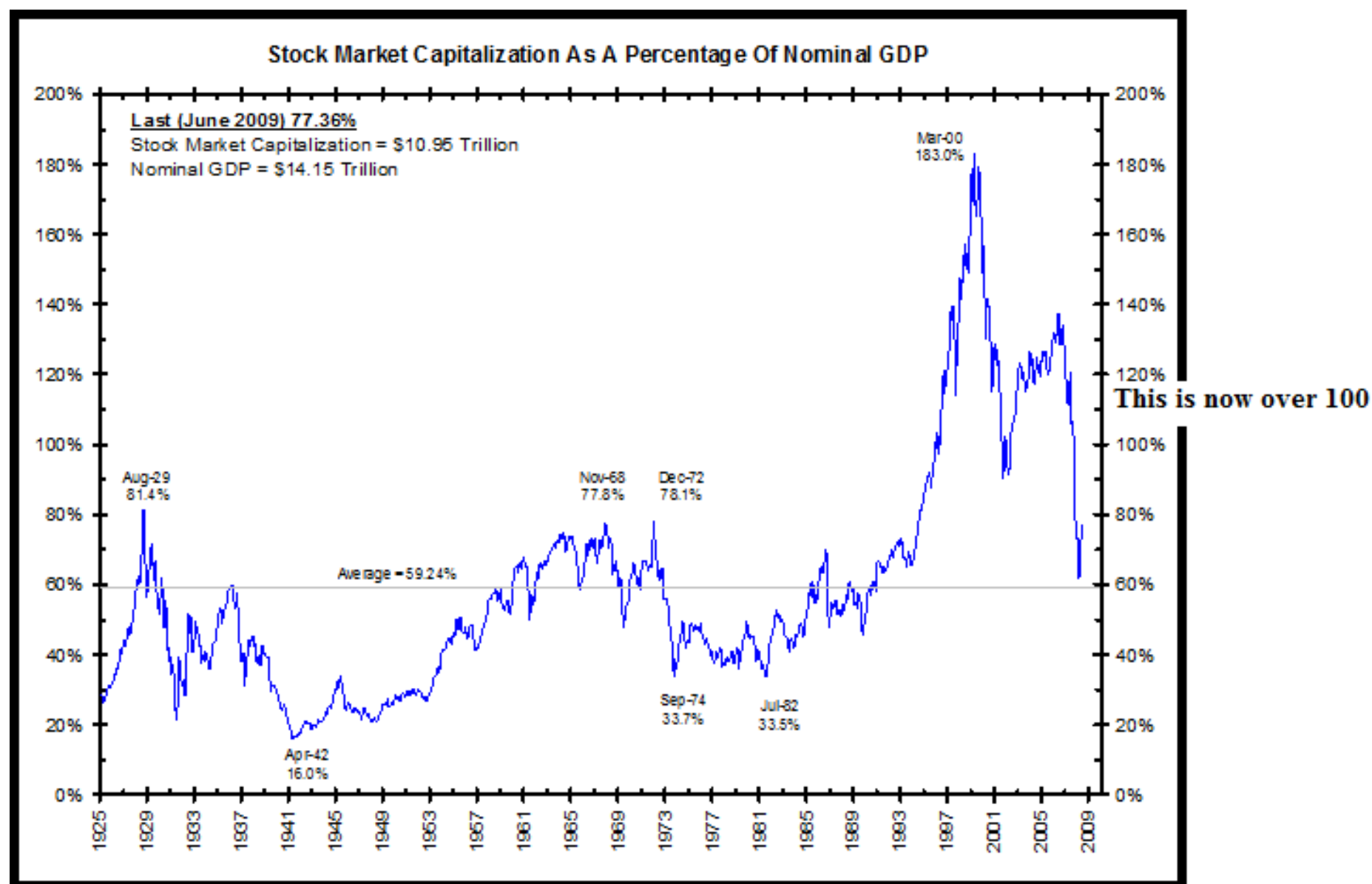


The Serial Bubble Epoch, Is It Over?

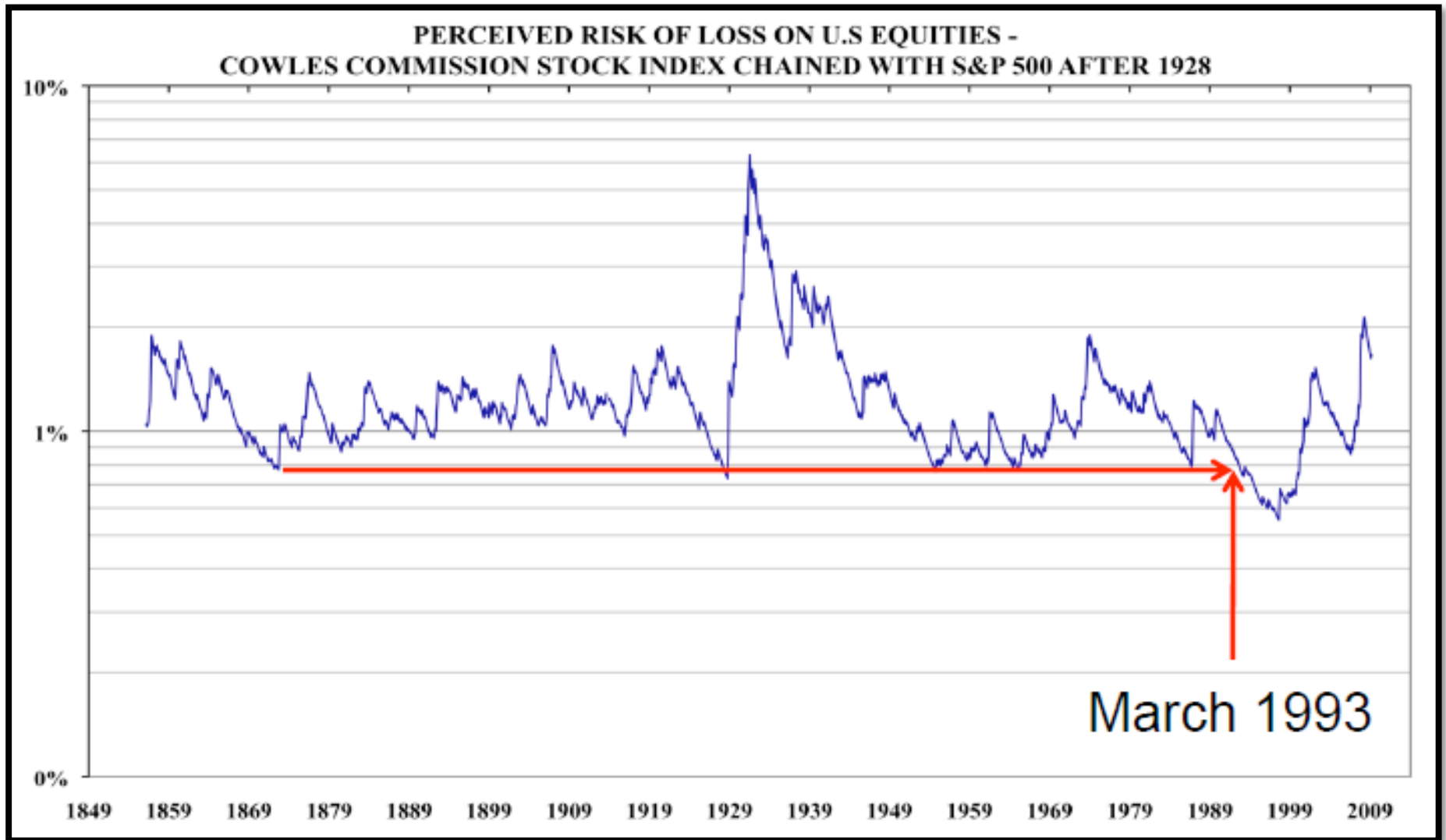
Frank Veneroso

19th Annual Hyman P. Minsky
Conference
April 14-16



James Bianco, Bianco Research

Perceived Risk Of Equities



Positive Feedback Investment Strategies and Destabilizing Rational Speculation

J. Bradford De Long, Andrei Shleifer, Lawrence H. Summers,
and Robert J Waldmann

Andreassen and Kraus's results are striking. When over some period of observations the level of the stock price does not change very much relative to the period-to-period variability, subjects track this average price level: they sell when prices rise and buy when prices fall. If, however, over a period prices exhibit a trend relative to the period-to-period variability, subjects begin to chase the trend, buying more when prices rise and selling when prices fall.³ Instead of extrapolating price *levels* to arrive at a forecast of future prices, subjects switch to extrapolating price *changes*. This switch to chasing the trend appears to be a virtually universal phenomenon among the subjects that Andreassen and Kraus study. Interestingly, the switch to trend chasing seems to occur only in response to significant changes in the price level over a substantial number of observations, not in response to the most recent price changes alone.

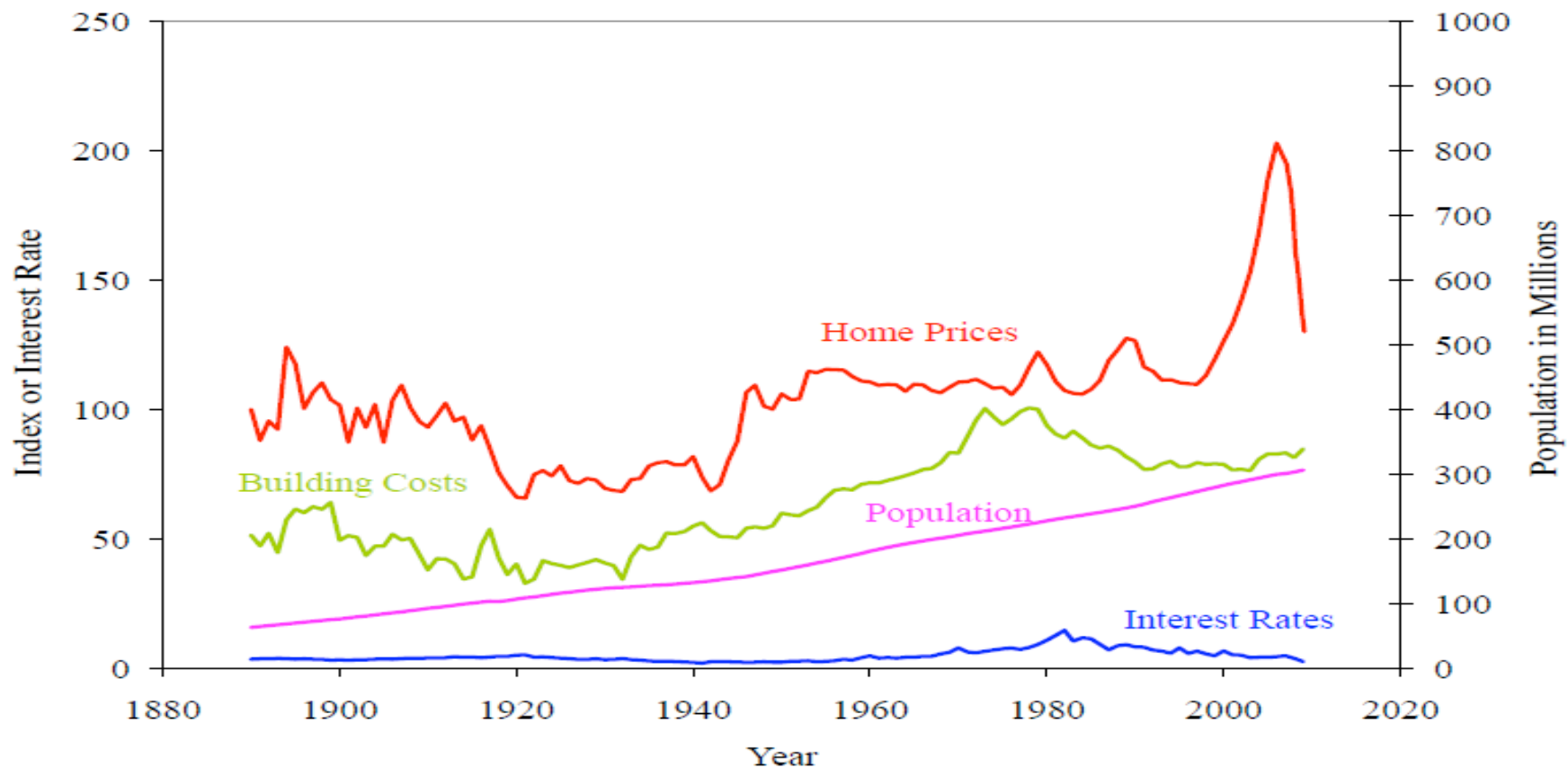
-The Journal Of Finance, Vol. XLV, No. 2, June 1990, page 382.

FREEFALL: America, Free Markets, And The Sinking Of The World Economy

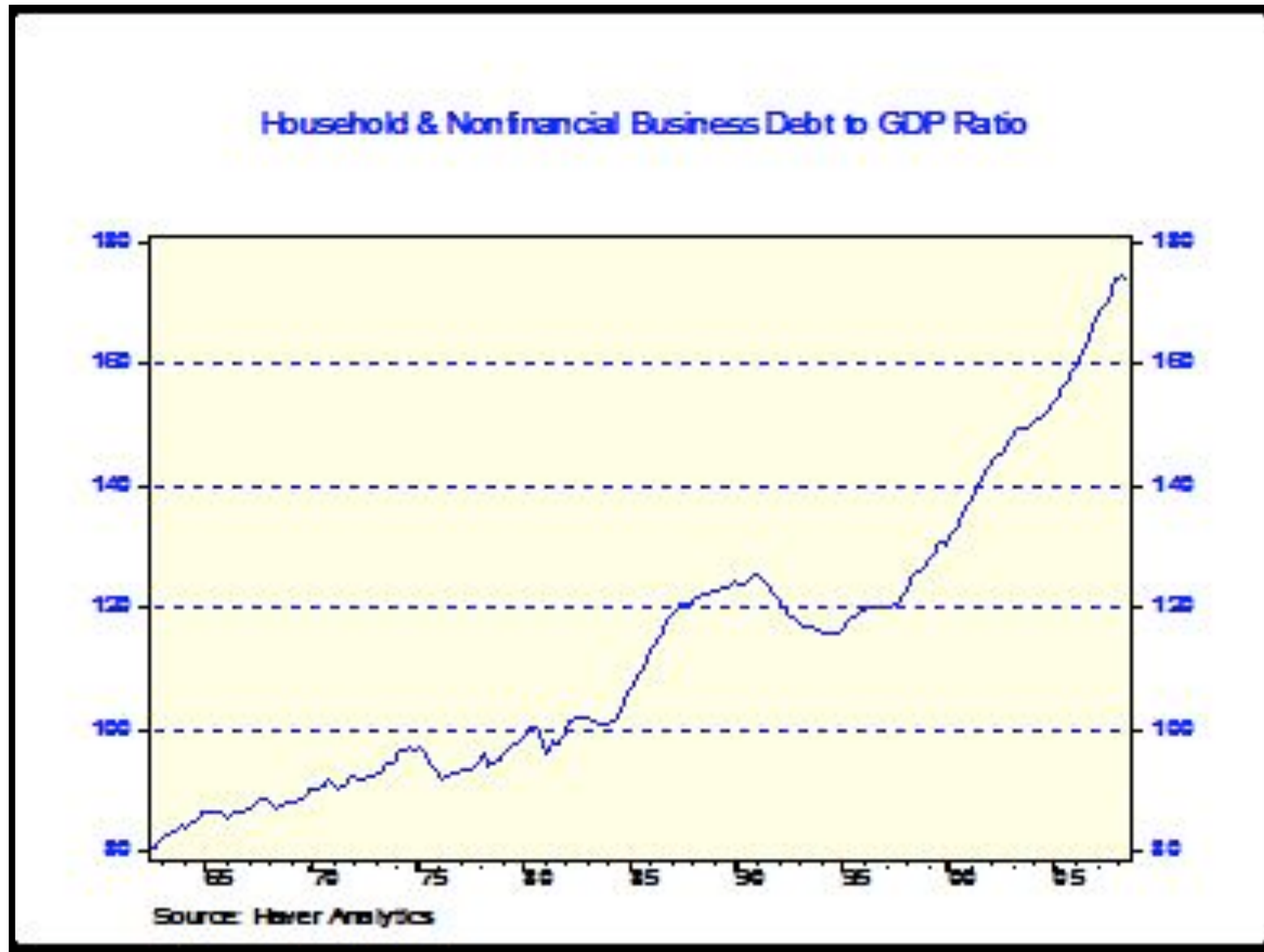
Joseph E. Stiglitz

“In short, America’s financial markets had failed to perform their essential societal functions of managing risk, allocating capital, and mobilizing savings while keeping transaction costs low. Instead, they had created risk, misallocated capital, and encouraged excessive indebtedness while imposing high transaction costs. At their peak in 2007, the bloated financial markets absorbed 41 percent of profits in the corporate sector.”

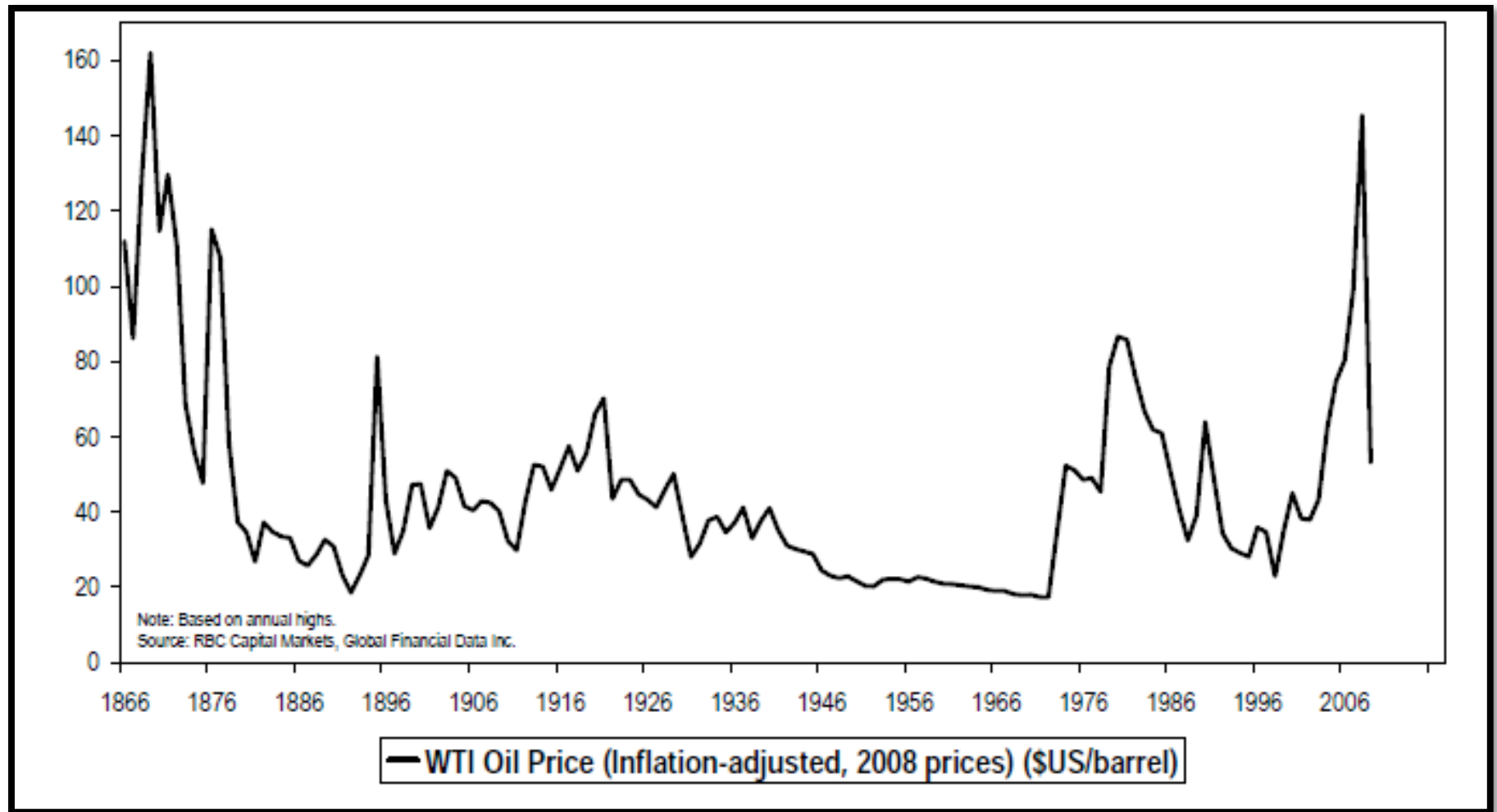
Case Shiller Home Price Index



Private Non Financial Debt To GDP Ratio

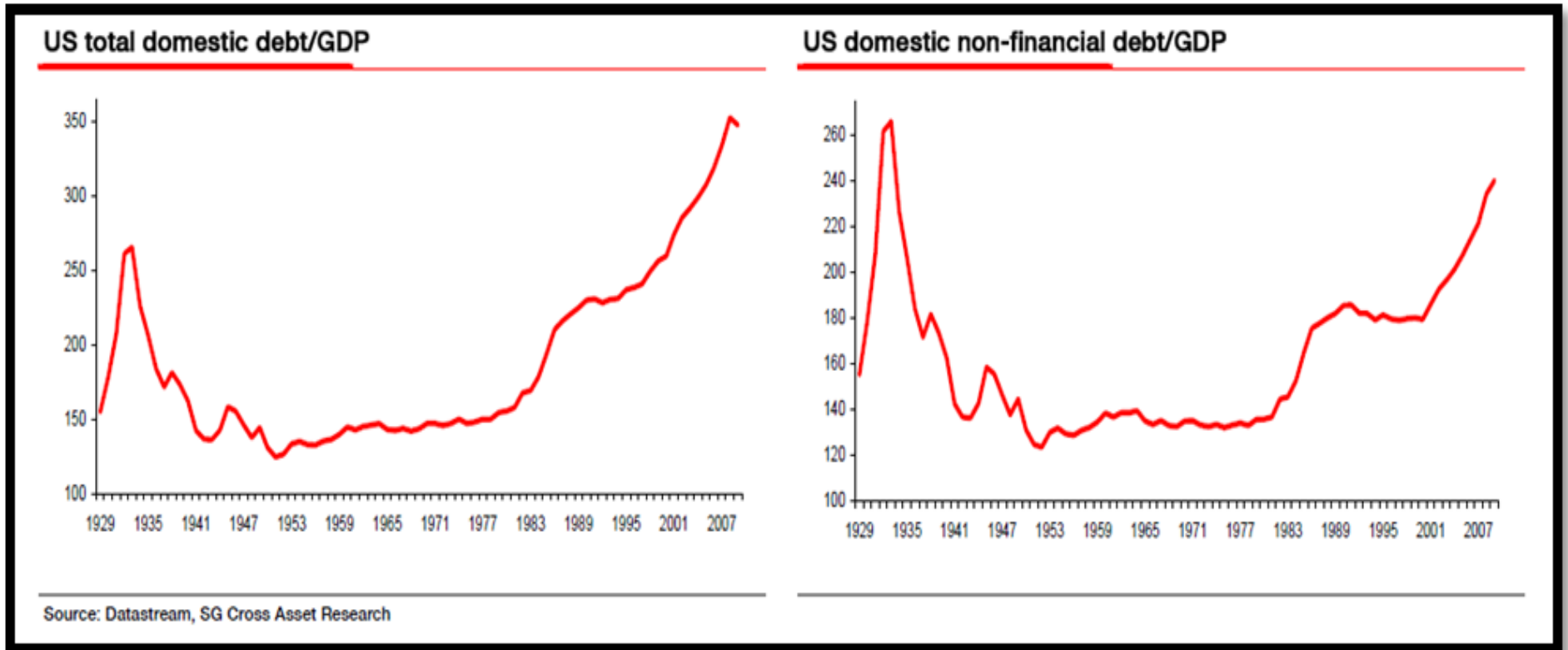


Price of Oil In Real Terms



Myles Zyblon, RBC, April 2008

Total Debt to GDP



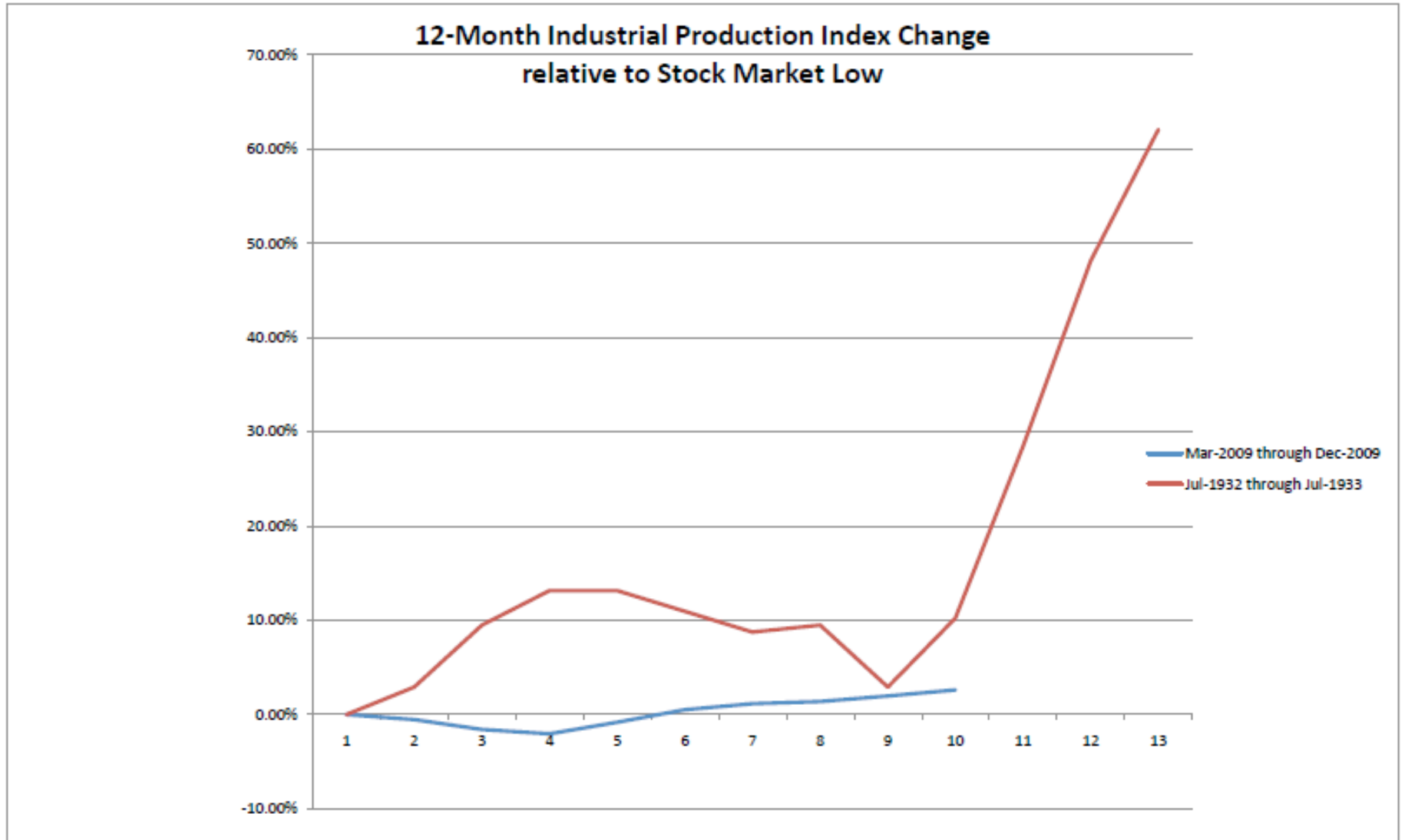
Albert Edwards, "Global Strategy Weekly: Incroyable! French drinking habits seep into UK CPI" *Societe Generale Cross Asset Research*, March 16, 2010

US Bear Markets: S&P 500 Composite			
Mkt Top	Mkt Bottom	Peak to Trough Decline, %	12-mo After Bottom
Oct-2007	Mar-2009	-56.8	68.2%*
Mar-2000	Oct-2002	-49.1	33.7%
Jul-1998	Oct-1998	-19.2	39.2%
Jul-1990	Oct-1990	-19.9	29.1%
Aug-1987	Dec-1987	-33.5	22.8%
Nov-1980	Aug-1982	-27.1	58.3%
Sep-1976	Mar-1978	-19.4	12.6%
Jan-1973	Oct-1974	-48.2	38.0%
Nov-1968	May-1970	-36.1	43.7%
Feb-1966	Oct-1966	-22.2	33.2%
Dec-1961	Jun-1962	-28.0	32.7%
Aug-1956	Oct-1957	-21.6	31.0%
May-1946	Jun-1949	-29.6	42.1%
Nov-1938	Apr-1942	-45.8	53.7%
Mar-1937	Mar-1938	-54.5	29.2%
Jul-1933	Mar-1935	-33.9	81.4%
Sep-1932	Feb-1933	-40.6	95.5%
Sep-1929	Jul-1932	-86.2	171.7%
Average		-37.3	50.9%
Median		-33.7	38.6%

* Latest market rally is to January 6, 2010.

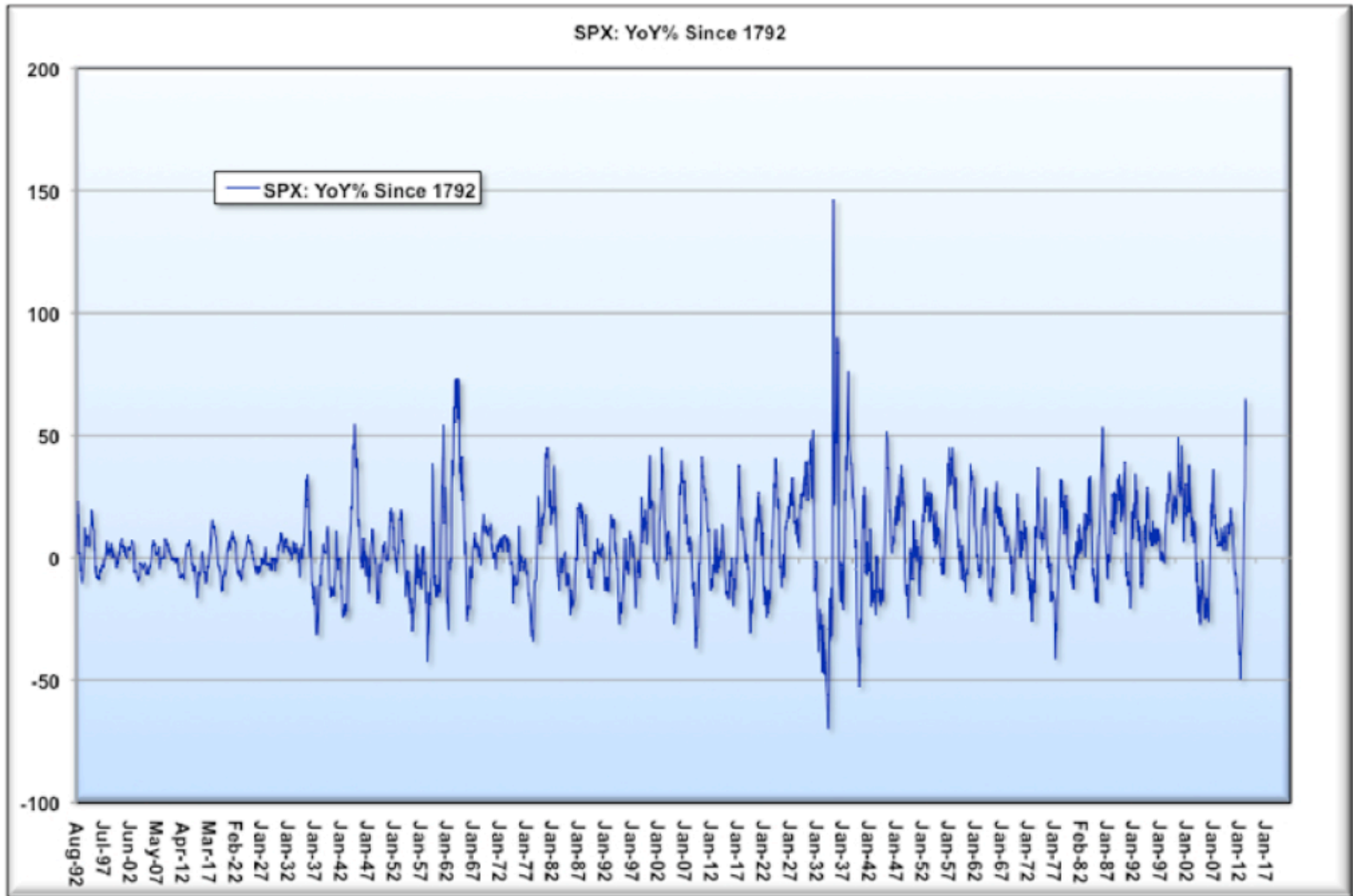
Source: Global Financial Data Inc.

Industrial Production 1933 & Now

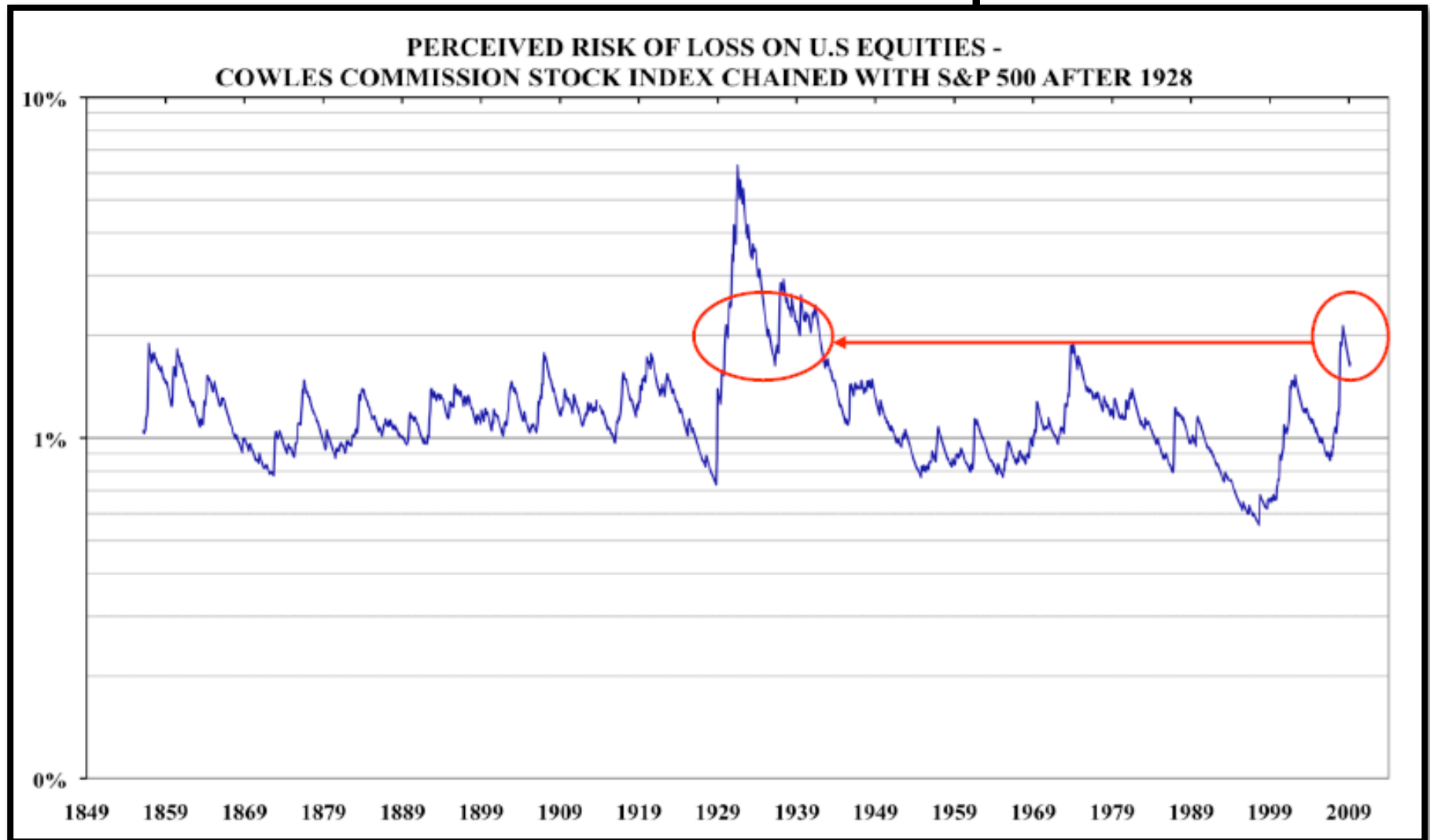


Federal Reserve

Year Over Year % Since 1972



Perceived Risk Of Equities



Eric Barthalon

Simulation over a 6-month horizon

	Perceived equity return	Cyclically- adjusted PE	Equilibrium cyclically-adjusted PE
March 31st, 2010	3.39%	25.14	14.99
-20%	1.59%	19.68	12.39
-25%	1.19%	18.45	11.81
-30%	0.79%	17.22	11.23

Core Logic

