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At one time around 100 years ago, Henry Ford raised the wages of his workers in order to start a movement toward each family being able to own a new-fangled vehicle called an automobile. Just the other day, Ford announced a multi-billion dollar restructuring plan which will eliminate much of its line of cars. Gone for sure will be the Taurus, Fusion, and Fiesta. So what Henry started, the financial industry has concluded, as subprime auto loans are defaulting in large numbers. It appears 75 months was just too long a time to finance a car with a credit score of people under 500. Fiat-Chrysler did this same thing several years ago, and GM having done some is sure to follow. Here is the company announcement from Ford CEO Jim Hackett:

> "We're going to feed the healthy part of our business and deal decisively with areas that destroy value," Hackett said on an earnings call Wednesday. "We aren't just exploring partnerships; we've now done them. We aren't just talking about ideas; we've made decisions."

I am not sure if you have noticed, but auto sales were very weak in April. Could it be possible that my often predicted but never achieved recession is in the works?

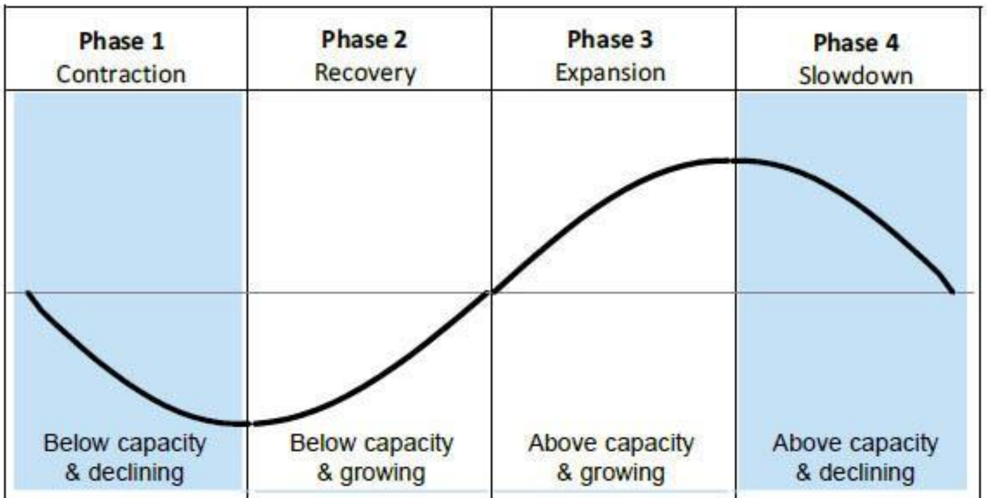
On another matter, I thought chart #1 below would be of particular interest. The author is Goldman Sachs. It reflects the actions of various markets during the four phases of the business cycle. So—using this—where are we now? Other things being equal (which they never are of course), we are somewhere in the expansion phase. My guess is the latest increase in commodities indicates we are at the top of their cycle. It might be the best short out there. So, what would follow if the above is true? Bonds: +14.3%, Cash +5.6%, Commodities +3.4%, and Equities -12.4%, all annualized returns. Also note chart #2 which gives the historical equities versus commodities comparison.

A final chart #3 reflects how close we are to breaking the 200-day moving average for the S&P 500. As you may recall, I called a top several months ago. So far so good.

Chart #1

Exhibit 3: Commodity returns are weakest in contraction & Recovery phases due to lack luster demand growth against excess production capacity...

Average asset returns by phase of global business cycle, from 1984 to present



Relative Ranking of Assets (average return by phase, annualized)

Bonds	12.2%	**Equities**	20.3%	**Commodities**	29.7%	**Bonds**	14.3%
Equities	10.6%	**Commodities**	5.6%	**Equities**	15.5%	**Cash**	5.6%
Cash	2.9%	**Bonds**	4.3%	**Bonds**	5.8%	**Commodities**	3.4%
Commodities	0.0%	**Cash**	3.1%	**Cash**	5.1%	**Equities**	-12.4%

Source: Goldman Sachs Global Investment Research

Chart #2

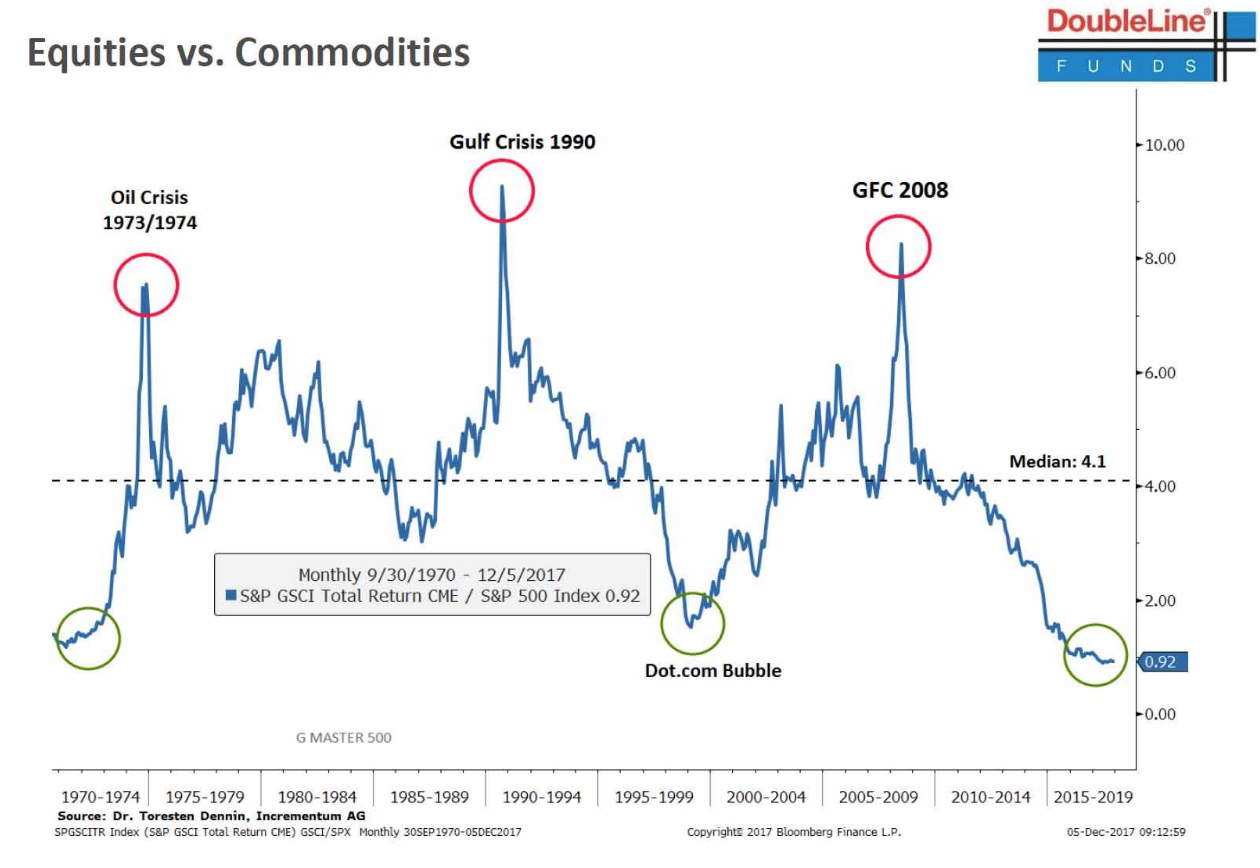


Chart #3