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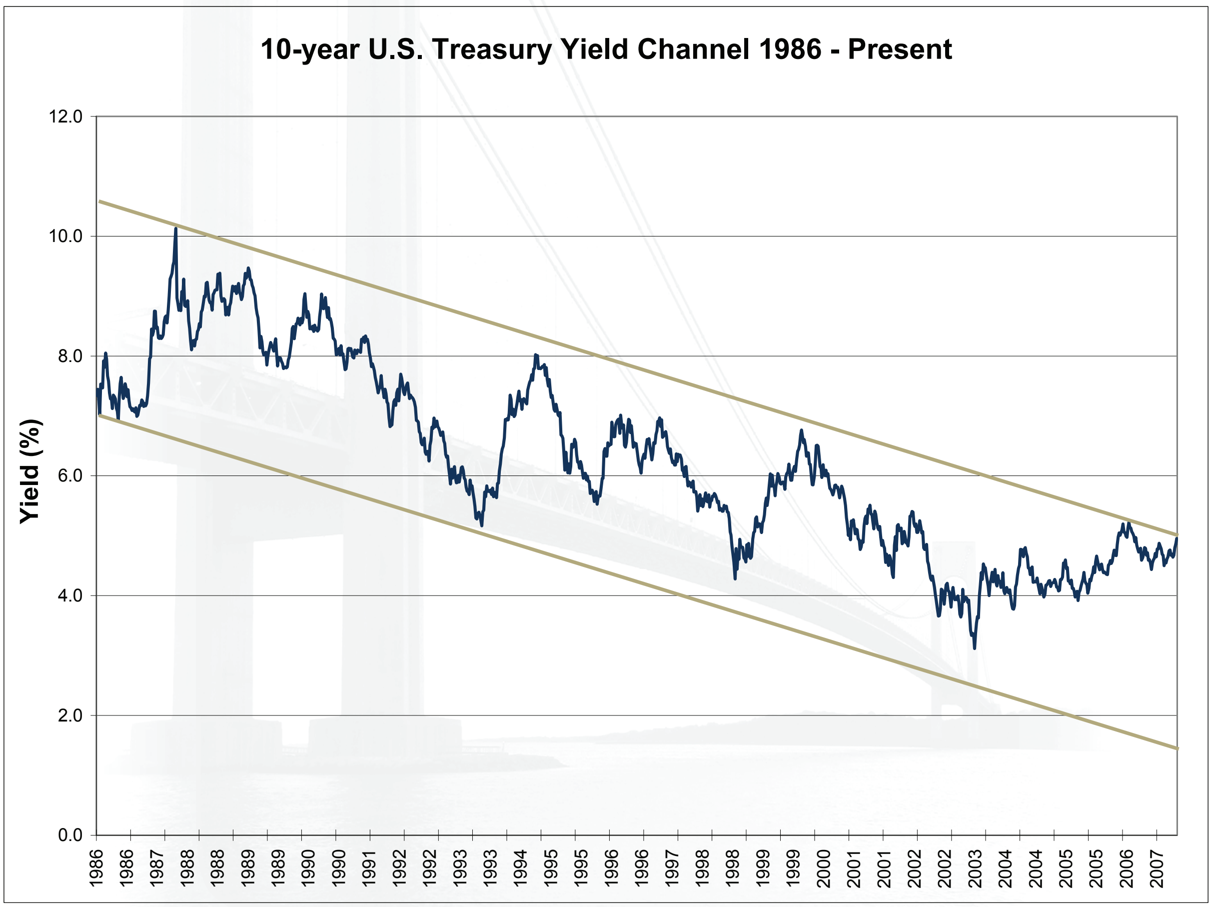
Is It Different This Time?

As we discussed in our 2007 Fixed Income Market Outlook we held open the possibility that 10-year Treasury yields would "trade in a relatively tight range with the high end being a 4.90% to 5%." Now that we are here, and up against a 20-year trend line (please see chart below) the marketplace is experiencing maximum fear. For example, the Wall Street Journal reported today about the possibility of world global growth igniting higher rates of inflation (story page A1). While we are not dismissive of these fears, we remain in the camp that stories such as this have already contributed to rates moving to the high end of the range.

Bottom line: Is the fear already built into today's current level of interest rates? We believe so!



Sincerely,
Robert S. Waas
Managing Member