

Bumper Car Economics
You Know Where You Are
Going But Things keep
Bumping Into You...

Ted C. Jones, PhD
Senior Vice President-Chief Economist
Stewart Title

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Bump...Bump...Bump...Bump

Fires

Greenspan

Energy Costs

Jobs

Hurricanes

Tornados Earthquakes

Terrorists

Interest Rates

Greenspan

“If I turn out to be particularly clear, you’ve probably misunderstood what I’ve said.”

Bernanke

**“We’re all
the same
rank. I’m
just the one
sitting in
the chair.”**

Bernanke

Will have an inflation target on inflation and price stability

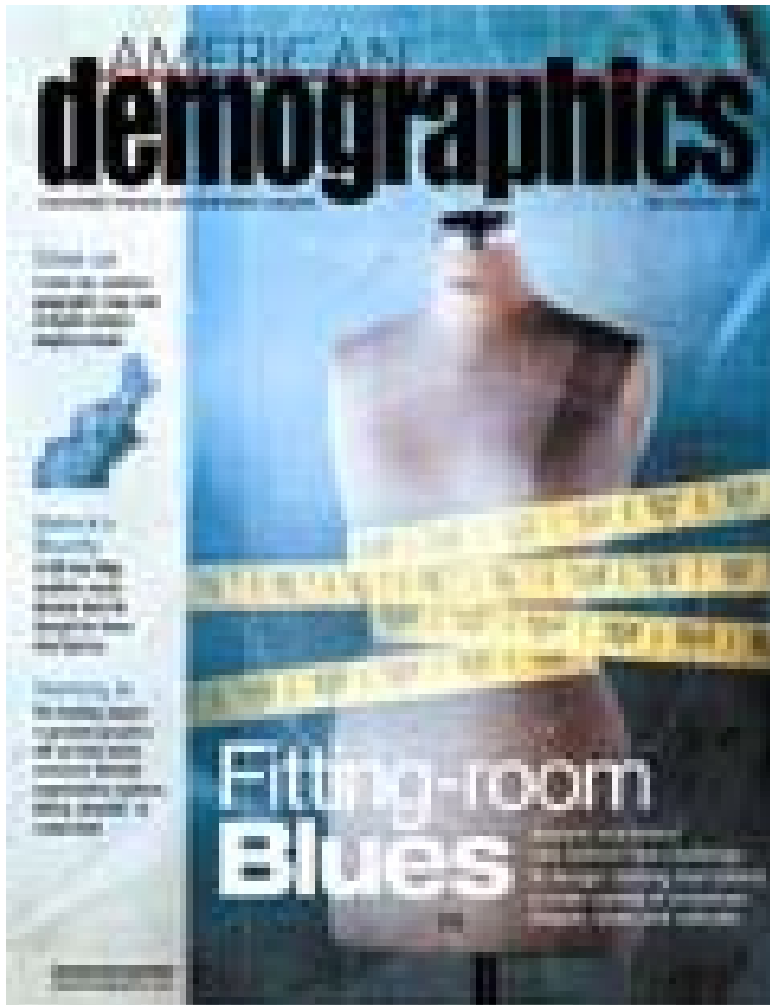
Will NOT get involved with tax cuts, spending and political battles

Bernanke

Ted's Forecast

To show he is **not** an
inflation wimp,

Bernanke will raise the
Fed Funds rate one more
time when he becomes
Fed Chairman



**“Boomers will
Inherit \$41
Trillion
From Their
Parents”**

pre-tax



**BOSTON
COLLEGE**

Center on Wealth and Philanthropy

“... the biggest wealth transfer in the nation’s history: somewhere between \$41 and \$136 trillion over the next four decades..”

FORTUNE

October 17, 2005

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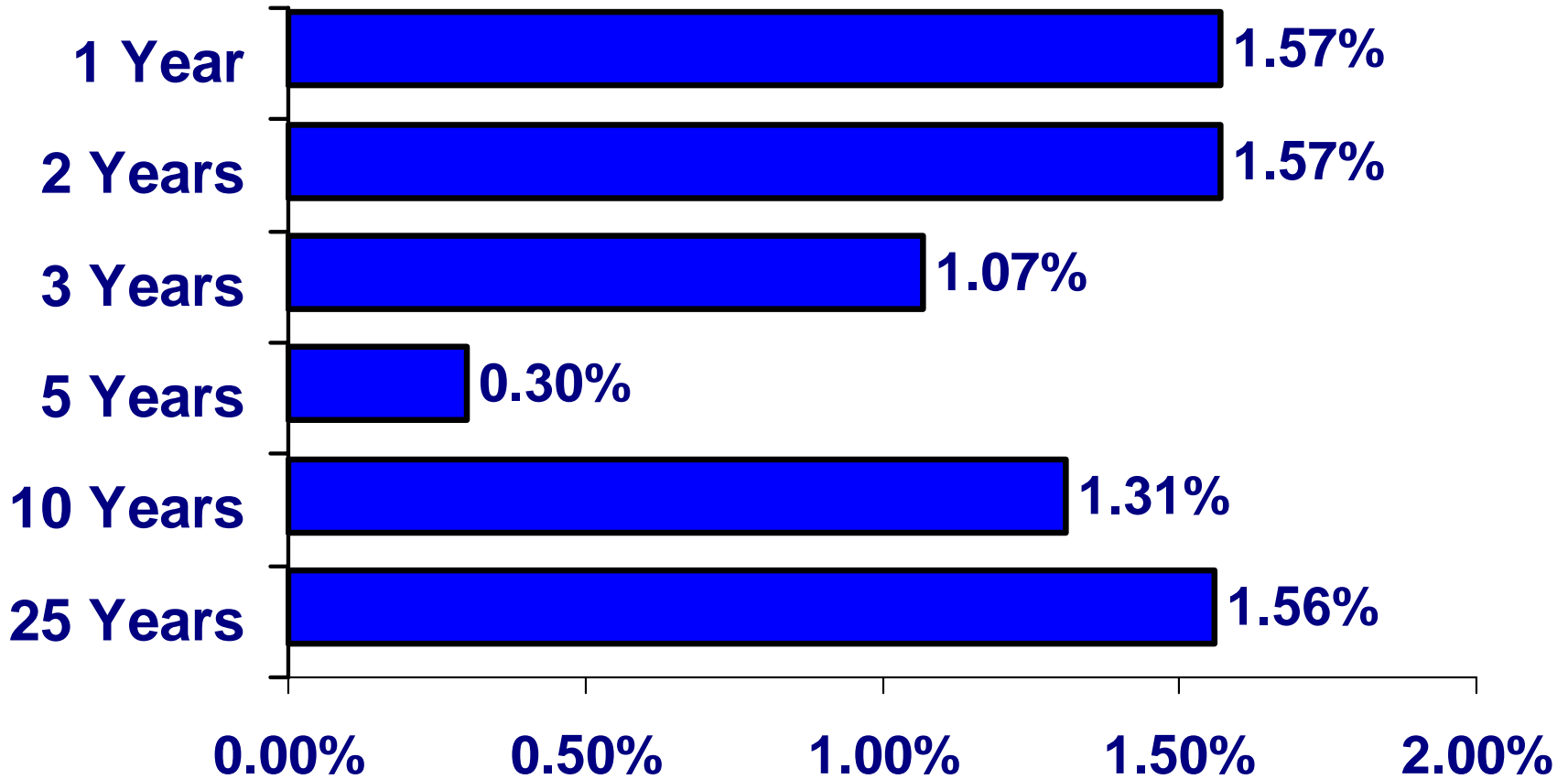
Hurricane Impacts on Employment

Employment 1,000s December 31

	2004	2003	% Change
California	14,755.9	14,538.5	1.5%
Florida	7,695.0	7,414.3	3.8%
Illinois	5,862.8	5,851.7	0.2%
Massachusetts	3,222.0	3,201.3	0.6%
Michigan	4,423.1	4,456.3	-0.7%
Mississippi	1,133.5	1,123.2	0.9%
New Mexico	803.7	787.4	2.1%
New York	8,548.2	8,604.6	-0.7%
Ohio	5,472.0	5,450.7	0.4%
Texas	9,585.9	9,465.3	1.3%
US	133,187.0	131,026.0	1.6%

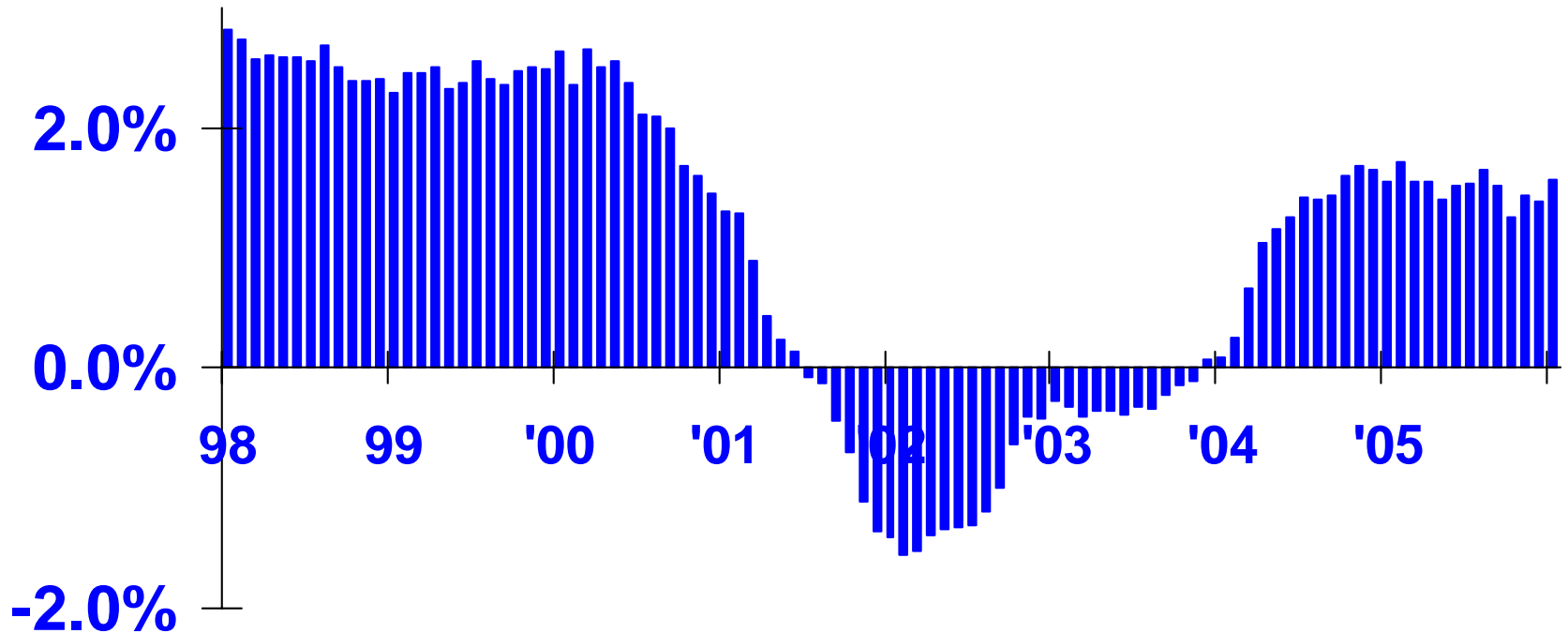
US Job Growth Rates

January Comparison *CAGR*



US Job Growth

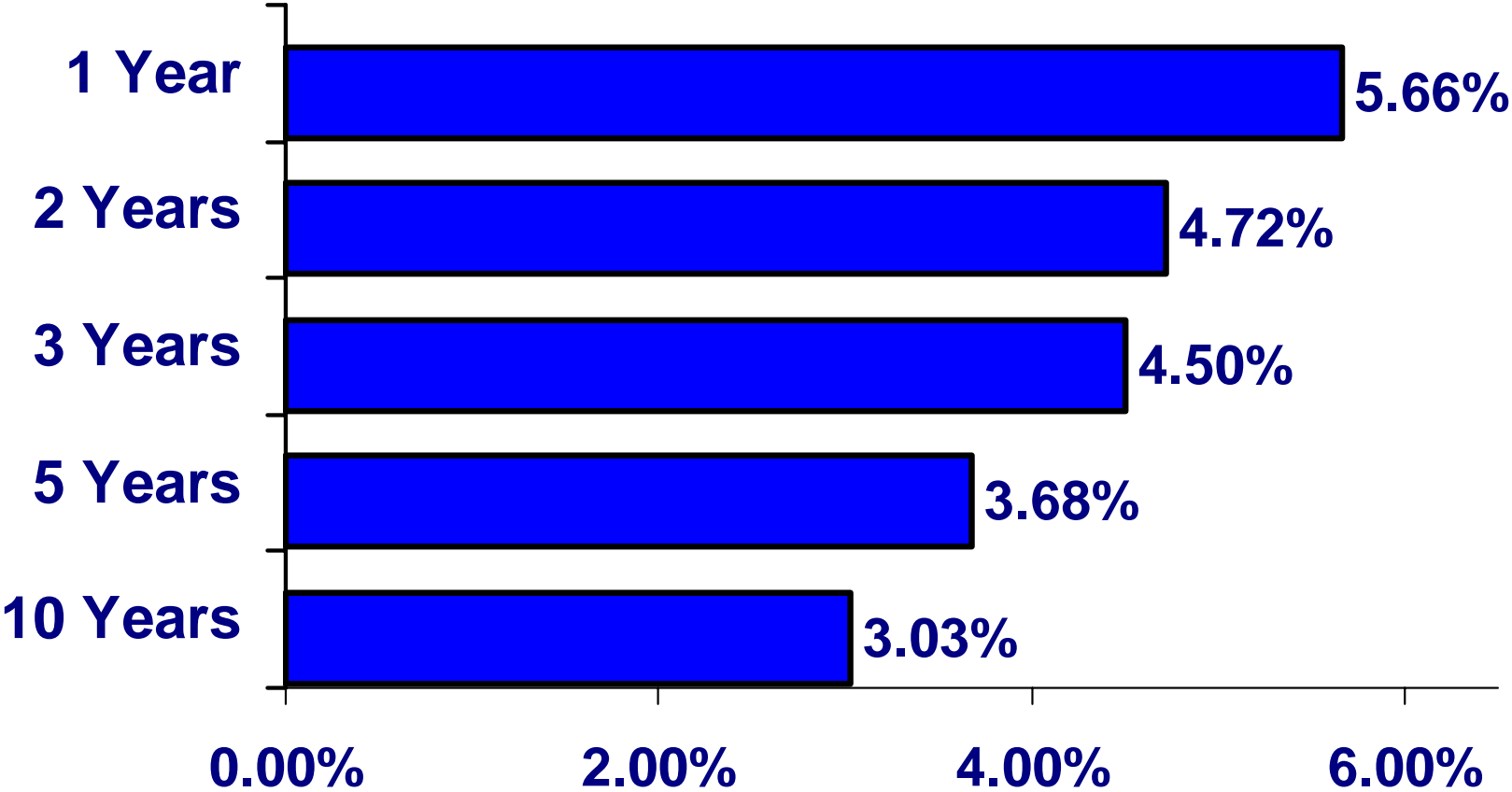
Percent Change from Same Month Prior Year



2.051 Million Net New Jobs in Past 12 Months

Bellingham Job Growth

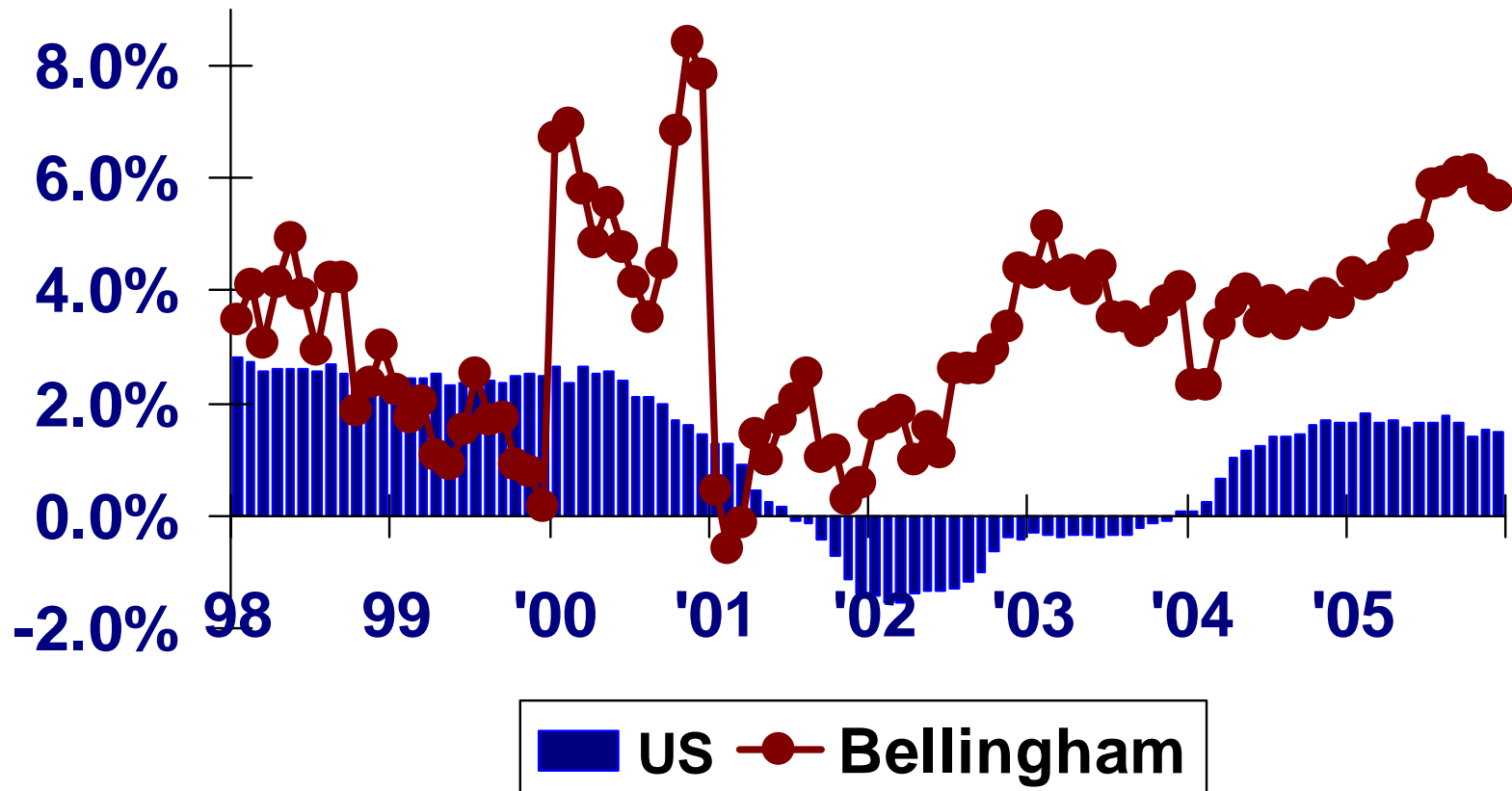
December Comparison *CAGR*



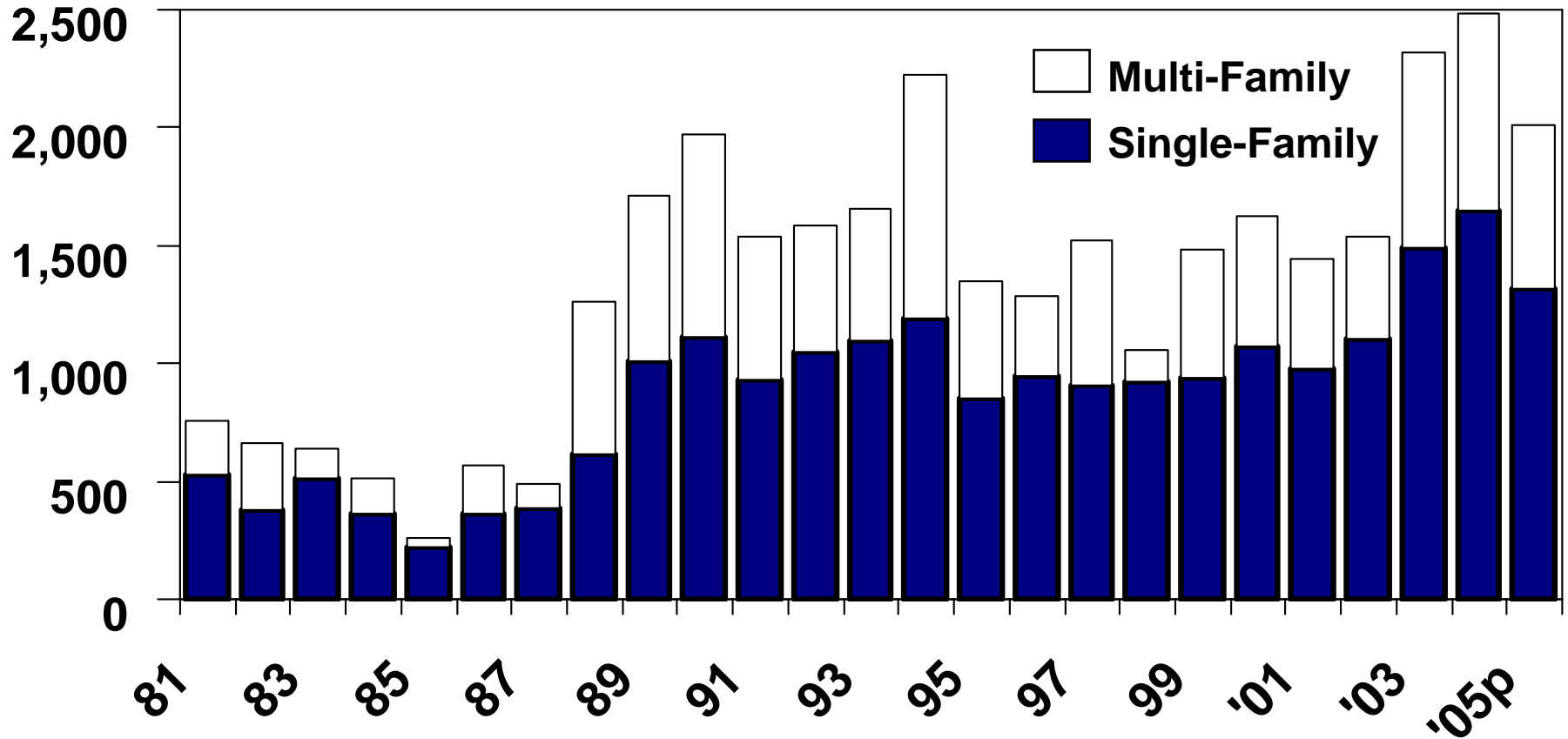
4,500 Net New Jobs in Past 12-Months

Bellingham Job Growth

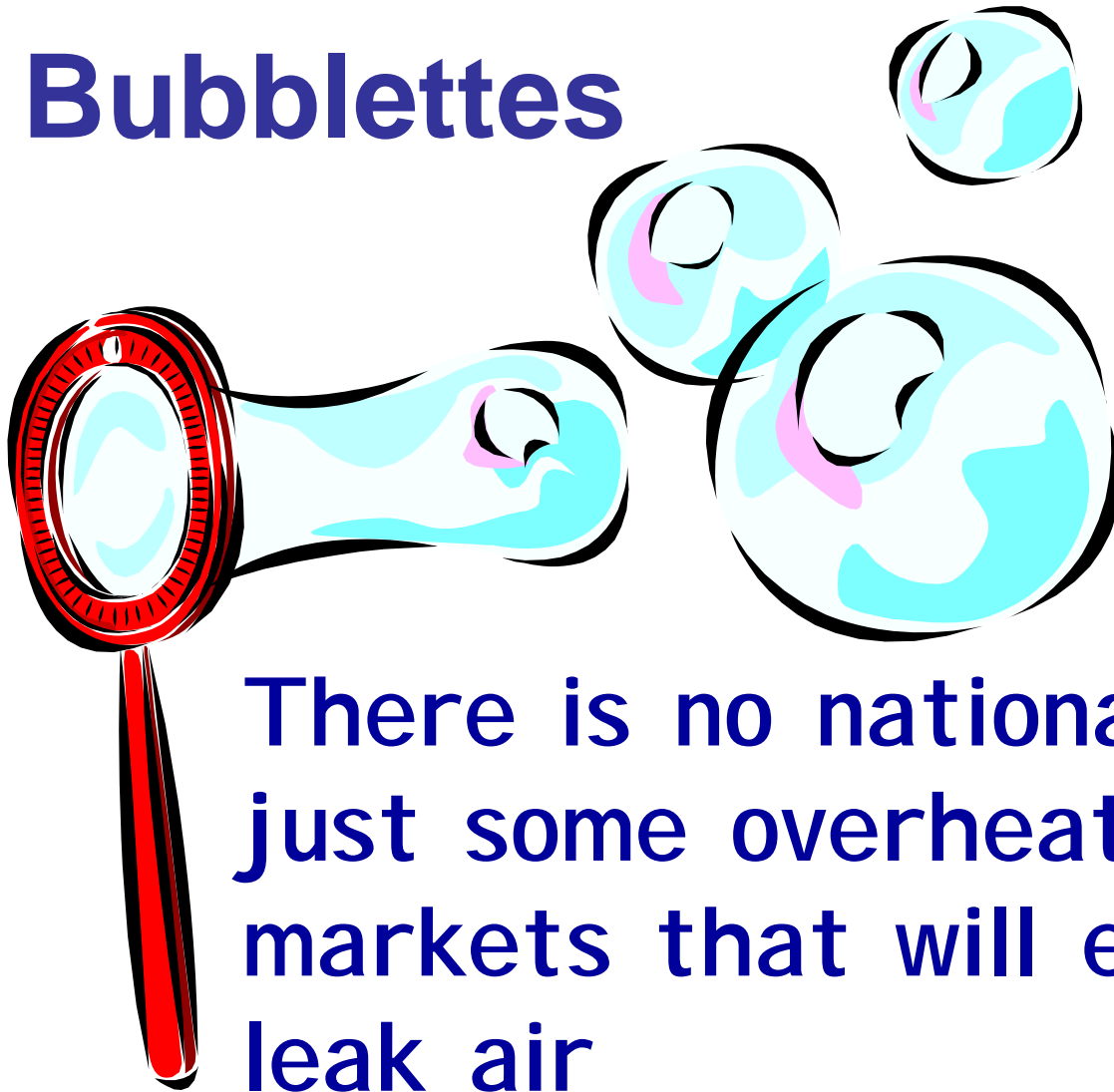
Percent Change from Same Month Prior Year



Bellingham Residential Building Permits



Real Estate Bubbles

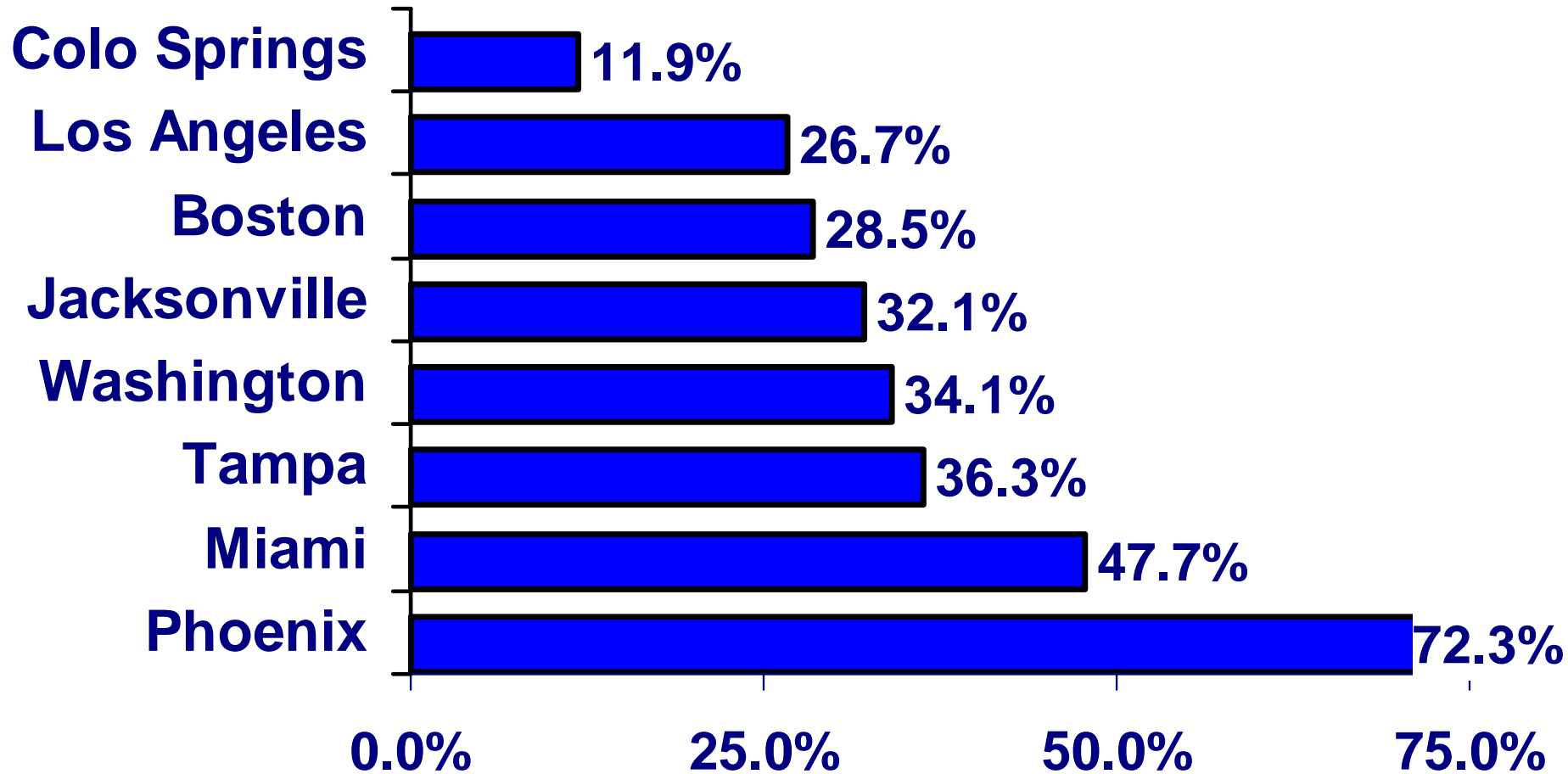


There is no national bubble—
just some overheated real estate
markets that will either pop or
leak air

3 Types of Homebuyers

- **They Work There, They Live There, They Own or Rent**
- **Second Homes**
- **Investors**

Increase in Homes For Sale in the Past 3 Months



Real Estate Bubble

- **Overbuilding**
- **Pyramid Scheme**
(Run Out of
Investors)
- **Interest Rate Increase**
- **Job Losses**

2005 First-Time Homebuyers

**43 Percent Put Zero Down
Median Down Payment Was
2 Percent**

**1/3 Interest Only or Minimum
Payment Loans**



January 18 2006

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Internet and Homebuyers

**1995 2 Percent of Homebuyers Use
Internet to Search for a Home**

**2005 77 Percent of Homebuyers Use
Internet to Search for a Home**

**2005 24 Percent of Homebuyers Found
their Home on the Internet**



NAR is *The Voice for Real Estate*®

Bernanke



Ted's Forecast

Bernanke will be blamed
for the burst of real
estate bubblets even
though he had nothing
to do with them.

Ed. 101

2005

VS.

1990

MEDIAN FAMILY INCOME

up 5.8%

**TOTAL COST AT PRIVATE
FOUR-YEAR COLLEGE**

up 47%

**TOTAL COST AT PUBLIC
FOUR YEAR COLLEGES**

up 63%

Inflation adjusted

BusinessWeek

November 14 2005

stewart[®]



8%

Jan 1

INFLATION 2006



8%

Feb 1

INFLATION 2006



5%

April 2

INFLATION 2006



8%

Feb 1

INFLATION 2006

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Great prices-Fast Delivery!
toiletpaperworld.com[®]

Login-5% Off!

Shopping List for Today



6.5%

Feb 5

INFLATION 2006

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Average ATM Surcharge

2001 \$1.36

2002 \$1.38

2003 \$1.40

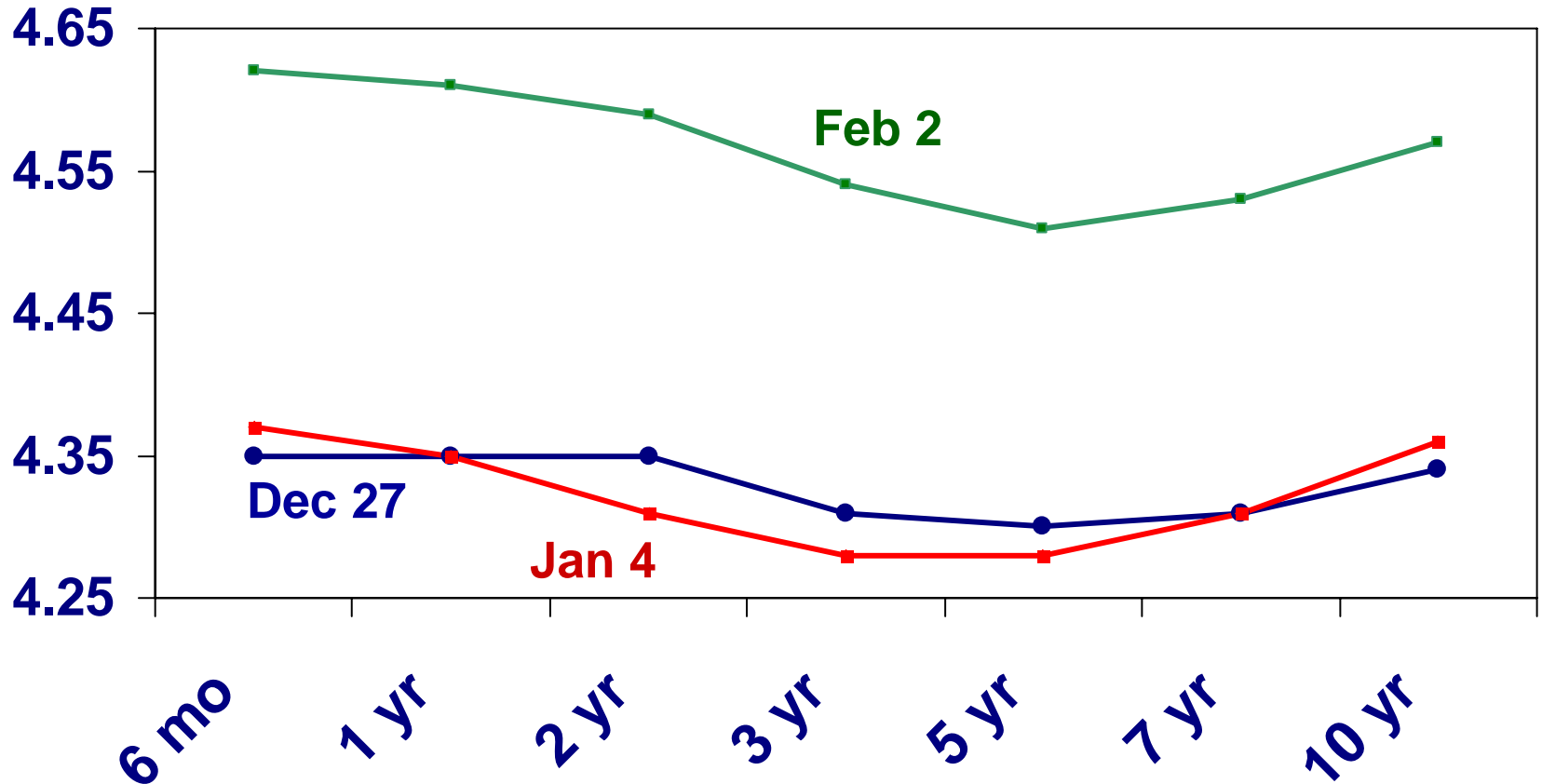
2004 \$1.37

2005 \$1.54 *11.7 Percent Increase*

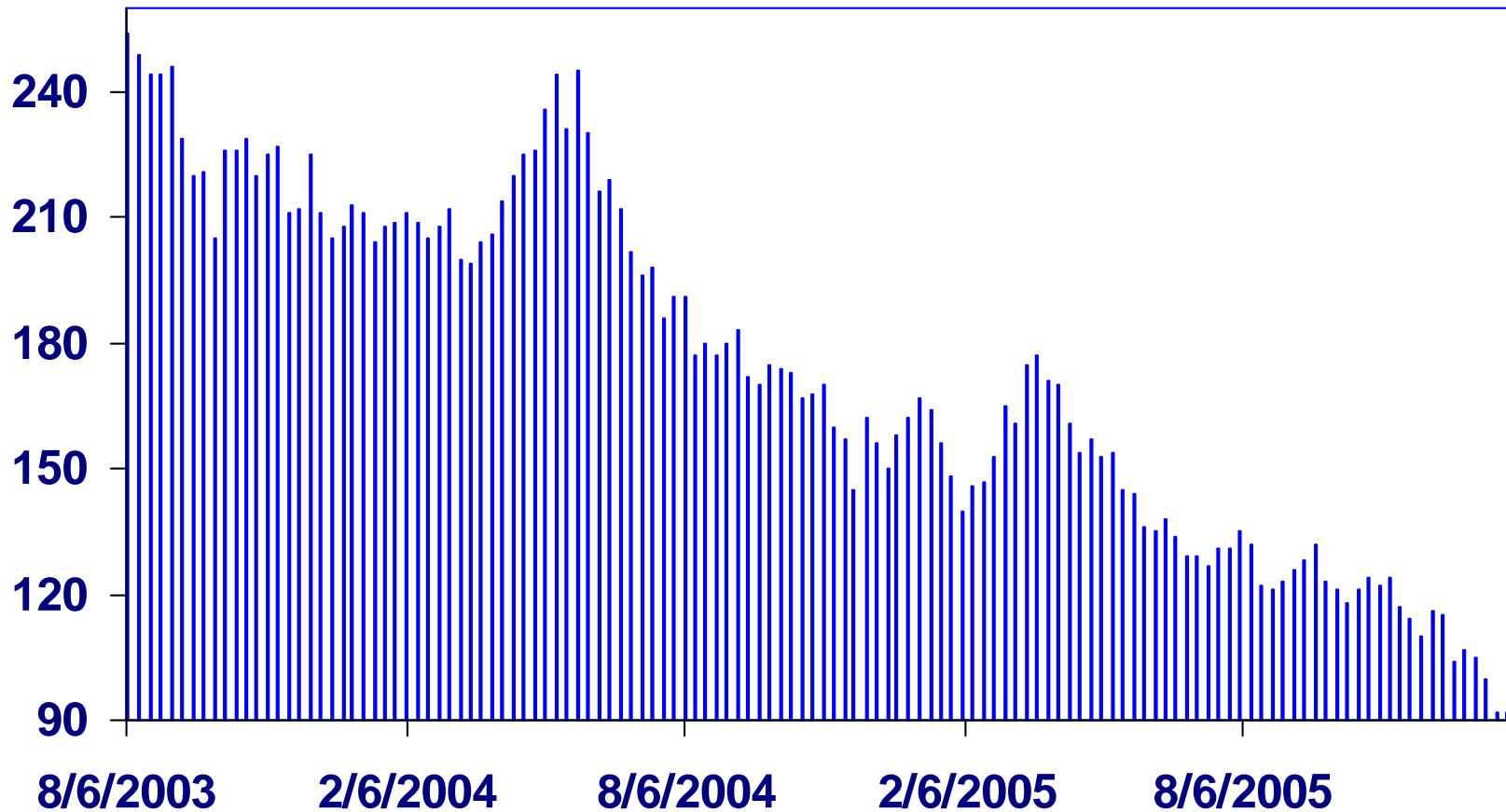
INFLATION 2006

US Treasury Yield Curve

Percent

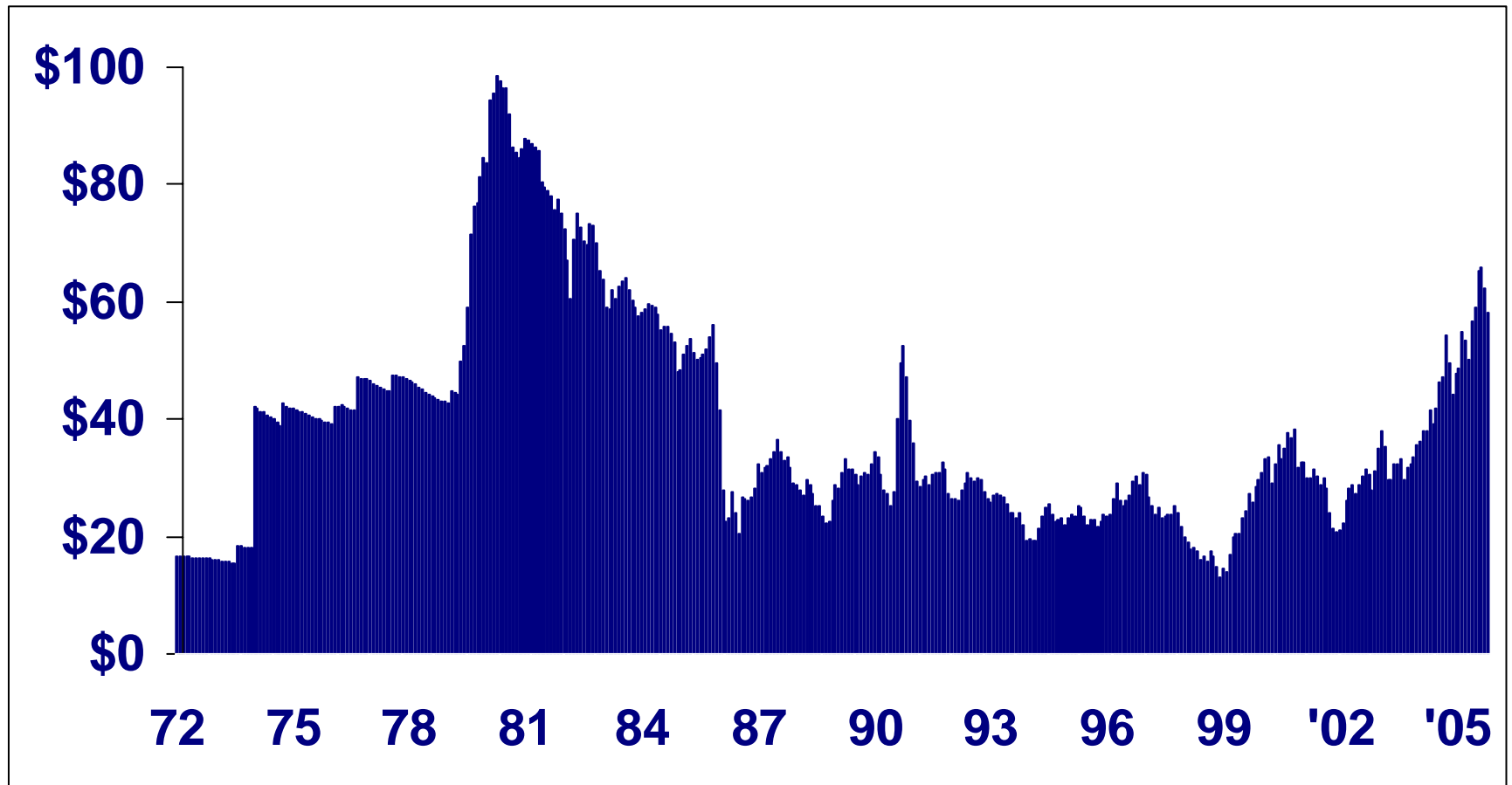


Interest Rate Difference Between 30-Year and 1-Year ARM Loans Basis Points



Oil Prices *November 2005 Dollars*

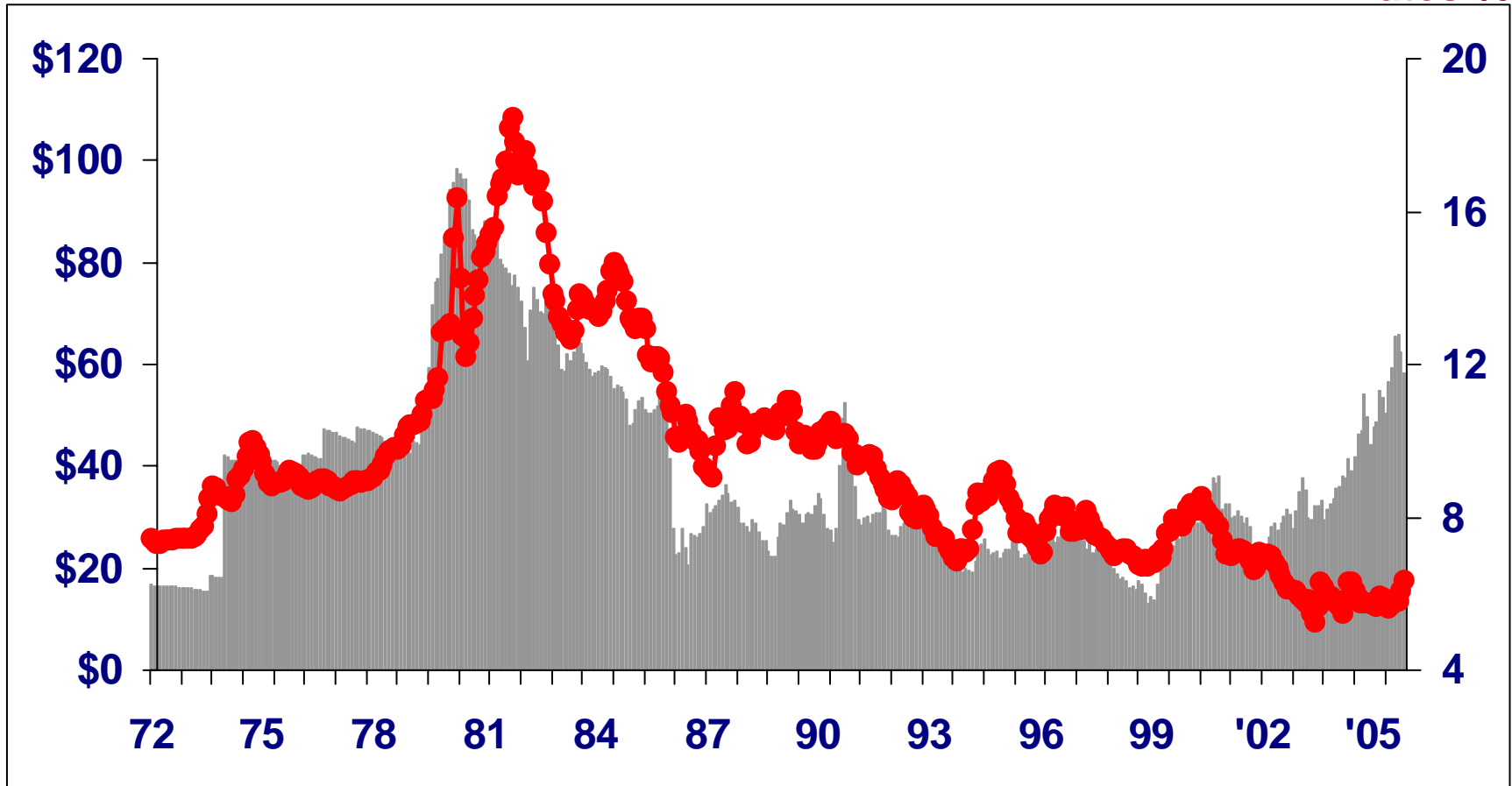
Per Barrel



Oil Prices & 30-Year Residential Mortgage Interest Rates *August 2005 Dollars*

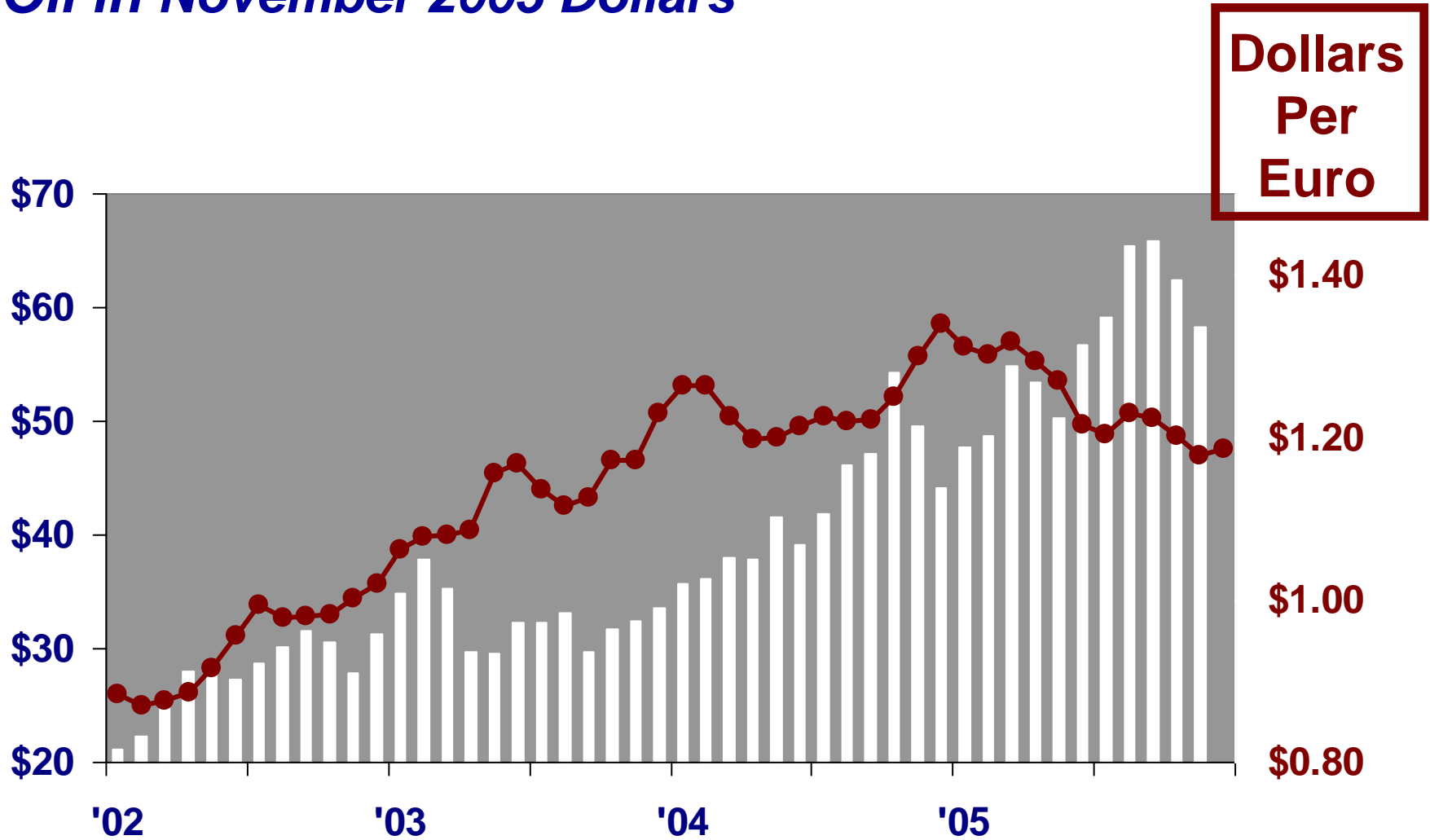
Oil Prices

Interest Rates %

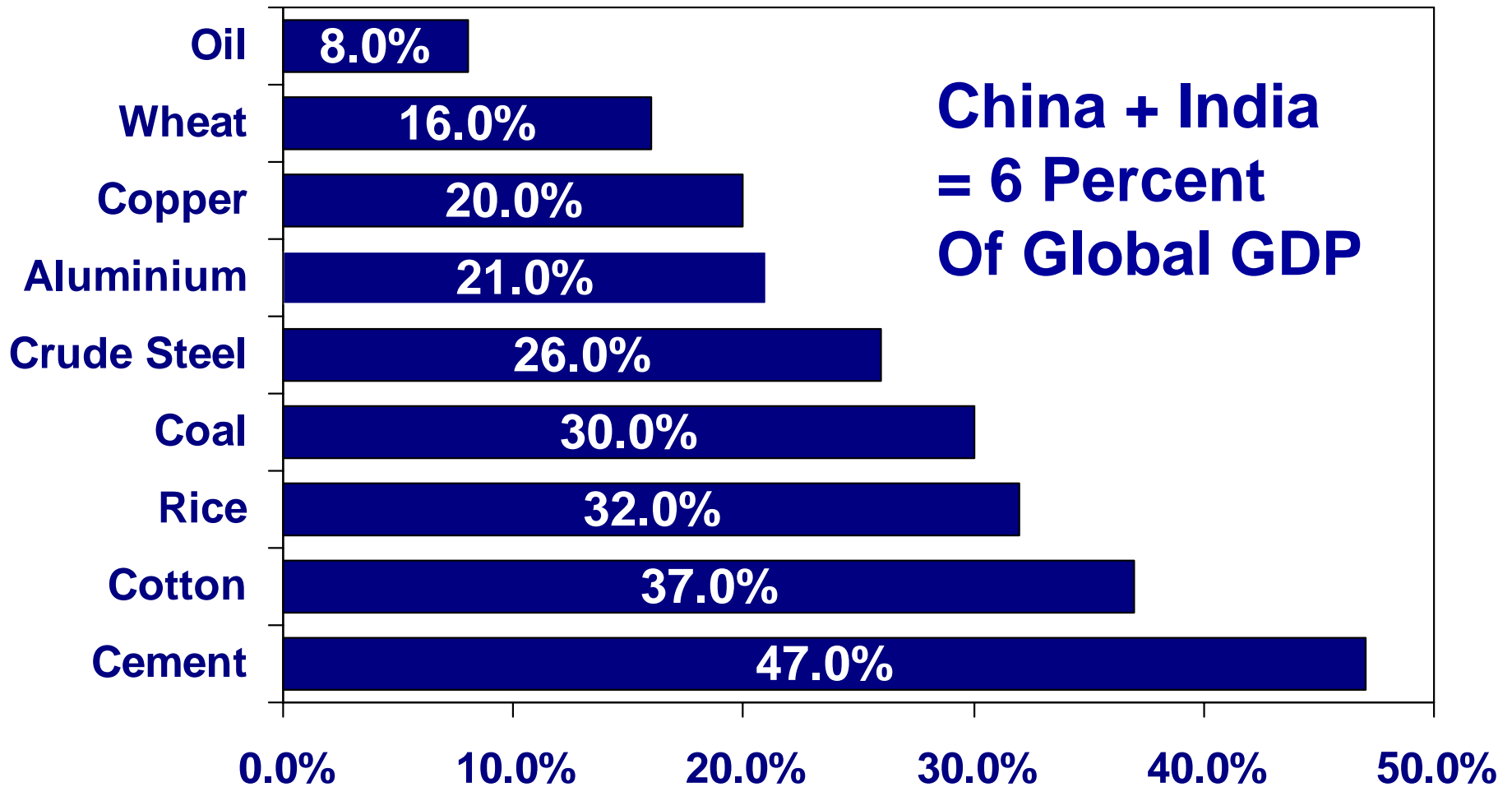


Oil Prices & Exchange Rates \$US Per Euro

Oil in November 2005 Dollars



China: 2005 Global Consumption



I Bonds

**Inflation
Adjusted U.S.
Savings Bonds**

6.73 Percent Yield

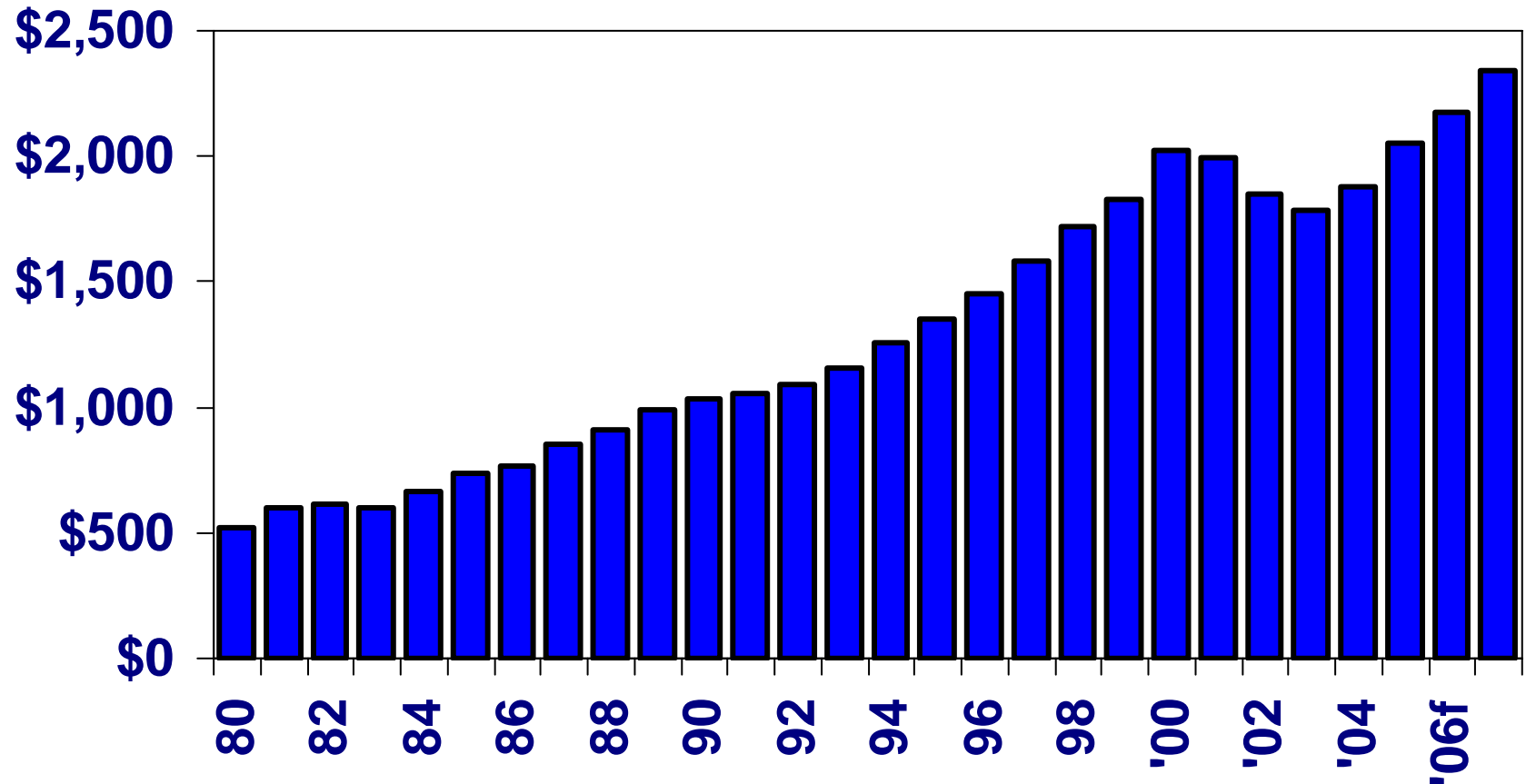
<http://www.publicdebt.treas.gov/sav/sbiinvst.htm>

✓ at a glance

Current Rate:	6.73% through April 2006
Minimum purchase:	\$50 for a \$50 I Bond when purchasing paper bond certificates \$25 for a \$25 I bond when purchased electronically via TreasuryDirect
Maximum purchase:	\$30,000 in TreasuryDirect and \$30,000 in paper bonds
Denominations:	Paper bonds: \$50, \$75, \$100, \$200, \$500, \$1,000, \$5,000, \$10,000 Electronic bonds via TreasuryDirect: purchase to the penny for \$25 or more
Issue Method:	Paper bond certificates or electronic transfer to TreasuryDirect accounts

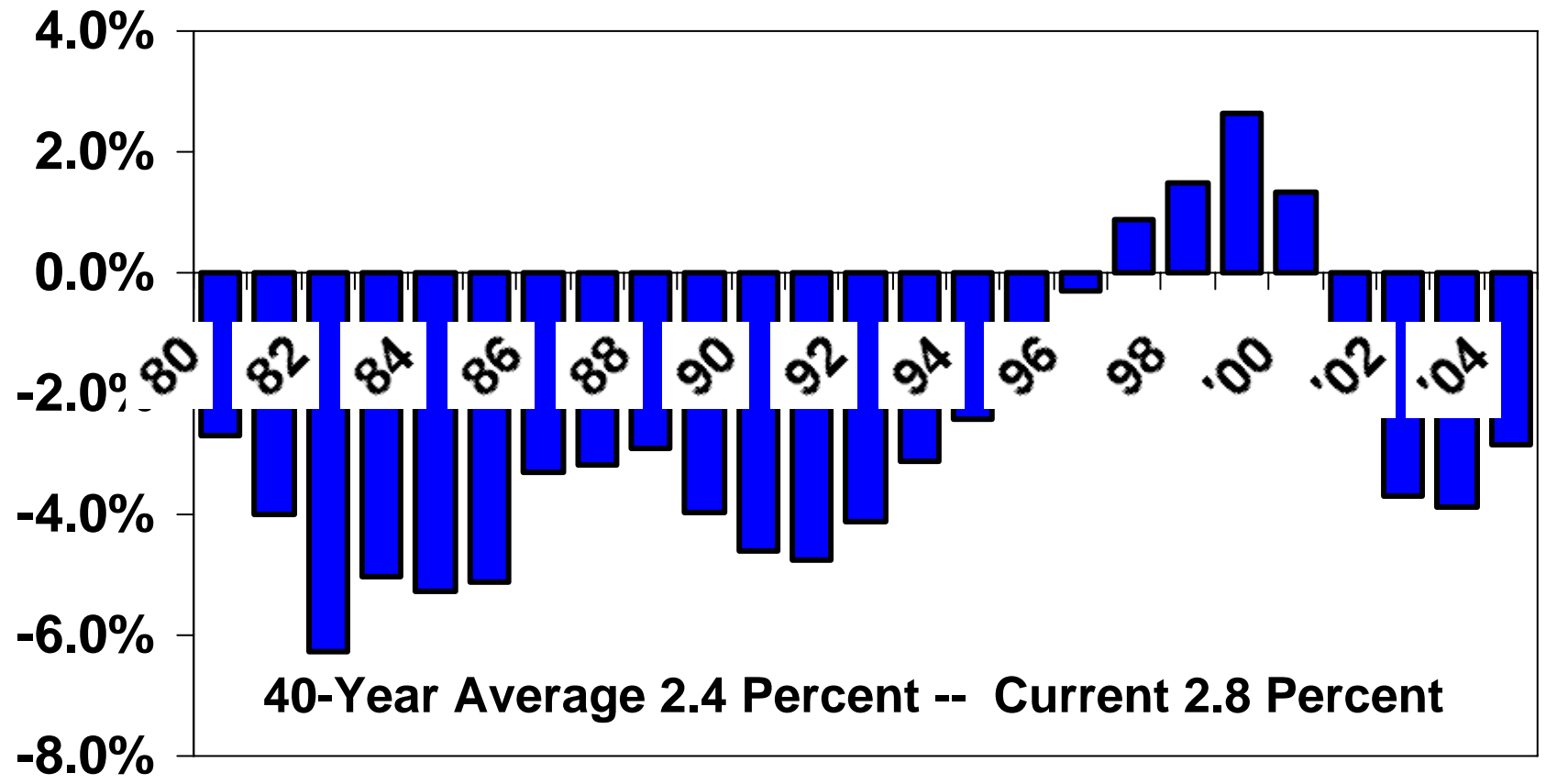
Total US Tax Receipts

\$ Billions



US Deficit as a Percent of GDP

Percent



Hedge Funds

**Feb 1
Register
With
SEC
\$30+
Million
And 15
Investors**



Hedge Funds

**Wood Capital Management
Put 65 Percent of It's Total
Portfolio in One Stock Last
Summer—and Lost BIG**



Hedge Funds

**Bayou Group Hedge Fund
Lost Most of the \$450
Million Investors Had
Placed, Management Had
Been Fabricating Returns
for Years**



Hedge Funds

**KL Group Raised More Than
\$200 Million Over Six Years
By Making False Claims of
Returns—The Money is All
Gone**



Hedge Funds

**8,000 Hedge Funds Manage
\$1 Trillion in Assets**

**Fees Are Typically 1 Percent
of Assets Under
Management and 20 Percent
of All Gains**

Pandemic—Every 30 Years

2003 SARS Outbreak

**Spread to 5 Countries in 24
Hours, Killed 800, and Cost
Those economies More than
\$40 Billion.**

Super Bowl Sunday

**7 Percent of People
Watch JUST to See
the Commercials**



Super Bowl Sunday

**Other Names Considered
for the Game Included**

The Big One

The Final Game



Super Bowl Sunday

**Tickets to the First
Super Bowl Cost \$6
to \$12. Scalpers Get
Up to \$7,500 Today**



Super Bowl Sunday

**Every Super Bowl
Except the First Have
Been Sell-Outs**



Super Bowl Sunday

Americans Will Eat
43.5 Million Pounds
of Guacamole On
Super Bowl Sunday



Super Bowl Sunday

**That's Enough
Guacamole to Fill
The Average NFL
Stadium 7+ Feet
Deep**



Super Bowl Sunday

**More Food is
Consumed On Super
Bowl Sunday Except
for Thanksgiving**



Super Bowl Sunday

**35 Percent of
Attendees Will Write
Their Attendance Off
as a Corporate
Expense**



Super Bowl Sunday

**There Are More
Traffic Accidents on
Super Bowl Sunday
Except for St Pat's
Day**



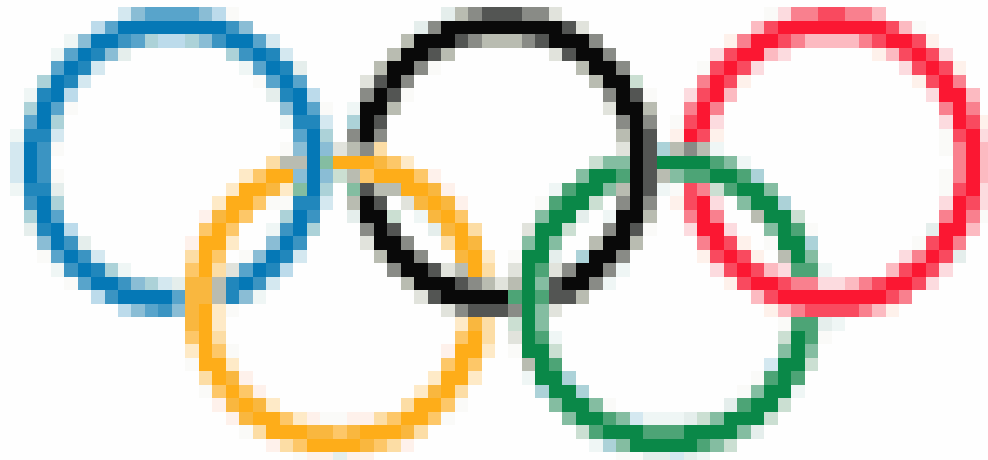
Super Bowl Sunday

**More Pizza is Sold on
Super Bowl Sunday Than
Any Other Day of the Year**



What are the six scariest words in 2006 for the U.S. male population?

**“Coming up next,
more ice dancing.”**



Data Link

Real Estate Center at Texas A&M University

Residential Building Permits Nationwide

Population Nationwide

Employment Nationwide

Texas Housing Markets

<http://recenter.tamu.edu/>

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