

Special Edition – Editorial

Economic Update

The stock market has continued an upward trend that began in February. Due to that upward trend, many analysts believe;

- The recession is over.
- We've seen the bottom, and;
- There is going to be a rebound, particularly for trucking.

Additionally, we've noted that;

- Truck capacity has tightened.
- Many of the larger carriers are now starting to redefine their rates and distribution, and;
- Many freight brokers and non-asset based 3PL's are starting to see the affect of tighter capacity.

That coupled with the fact that the Greek financial crisis has been temporarily stabilized, the economy must be on the rebound; right? Maybe!

It's important to understand the factors that keep a market strong. It's also important to understand that those factors won't last forever. Why does the economy seem to be turning the corner when we have the highest debt in national history?

All you have to do is look at the statistics;

1. Massive government spending.
2. Rock bottom interest rates.
3. High money creation.
4. Temporary cost cutting measures.

For now, we can enjoy the rise in earnings while it lasts, but it's not going to last forever and, if anything, as truckers; we should have learned our lesson:

- Don't go out and create a lot of new debt and buy a lot of new equipment.
- Remember that the government is going to eventually quit massive spending; quit offering rock bottom interest rates, and they're going to eventually stop the creation of money.

Once that happens;

1. Then reality will set in---we are broke!
2. In order for us to recover, it's going to be a long and painful process.

Long term, we must recognize that the world has fundamentally changed. Even if the stock market was to reach the top of its trading range, the United States will not quickly recover the 7MM – 10MM jobs that have been lost. Nor will the US regain the economic edge it enjoyed for the last 10 years. The reality---those days are over!

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Economic Update



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Every developed nation in the world has flooded its economy with cash so that the economy will not collapse. Too much cash in the world means that some things will soon cost more. Either we will see bubbles in assets, such as stock, or we will see the cost of living rise. Over the last 12 years, we have seen that (regardless whether we have consumer inflation or asset bubbles) inflation usually raises its ugly head.

I don't believe that any analysts can predict what the outcome will be or when it will take place, but there is one sure bet;

- Higher inflation will reduce the nation's debt;
- Due to the fact that loans can be paid back with dollars that are worthless.

This is one of those scenarios where higher inflation could actually stabilize the stock market and reduce the chance of a big crash. When I was younger, I never paid much attention to the world economy, or for that matter, the US economy. I always believed that;

- If you worked hard;
- You put your "nose to the grindstone";
- You could survive any challenge.

However, today, it's much different; particularly for trucking;

- Trucking is a very fragile industry.
- It's a pennies business.
- You need to always plan your expenses to your profits, and;
- **Our industry is driven by many things that we cannot control – one of which is the economy.**

This is a time where trucking and logistics companies can make money if they;

- Don't create excessive debt.
- They capitalize on a market niche, and;
- They keep their expenses relatively low.

It's very difficult to stimulate the economy if you're broke, and it's very difficult to add employees to take advantage of government stimulus, if you can't cash flow your business. Analysts are like doctors; they all have opinions, but that doesn't necessarily mean that their opinions are accurate.

History does repeat itself. If you look at the past, you can pretty much predict the future and the reality of our situation is; we have the highest deficit we've ever had and, at some point in time, we're going to have to pay off that debt, if we want to be a dominant power in the world. In order to do that, at some point in time, we (as Americans) are going to have to suffer. The only advice I can provide:

- Only purchase what's absolutely necessary.
- **Don't get caught up in the moment and purchase a lot of new equipment that may be worthless in 2-3 years, if, the economy tanks.**
- Learn from your previous mistakes.

You're in business for one basic reason----TO ENSURE THE FINANCIAL SECURITY OF YOUR FAMILY!

QUOTE OF THE WEEK: "People need responsibility. They resist assuming it, but they cannot get along without it." (John Steinbeck)