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Something Turned in the 1st Quarter

Lot's of good news for the economy in today's news

Any lingering doubts about the economy's strength should end today. Here's a chart of the Institute of Supply Management survey showing the index at 60.4---it bottomed a year ago at 32. Anything over 50 tells us that manufacturing is expanding.



Details inside the survey were strong as well: New Orders 65.7, Production 66.9, and even employment at 58.5. All these numbers were big improvements over March.

Then there's retail sales:

Consumer Spending in US Rose by Most in Five Months - BusinessWeek

Over the weekend Warren Buffett was interviewed at the Berkshire Hathaway meeting:

"What a difference a year makes, yes. And we have seen in all our businesses a big upswing starting in March. It was creeping up a little until then, but in March, around the world, we saw a real change. Mostly in the United States and Asia Pacific -- Europe not as much -- but in our Iscar business, for example, every day we're getting orders for small tools that are getting used - - I mean, nobody is buying those for speculation..."

Buffett has warned of a weak recovery until now.

Of course nothing's perfect---we think the so-called Greek bailout will do nothing to solve the problems in Europe and this recovery will be weaker than it would be without huge debt burdens for individuals and governments. That said, the economy is much stronger at this juncture than most expected. If this is the "new normal", we'll take it.

The Berkshire meeting yielded this gem from 86 year old Charlie Munger, Vice Chairman:

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When asked whether one should be worried about the long-term future after hearing Buffett's forecast of higher inflation, "If I can be optimistic when I'm almost dead, surely the rest of you can handle a little inflation."

Best regards,



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