WHAT'S THAT, YOU SAY ? THE SUN ?
ARE YOU SURE IT IS NOT THE MOON'S GLOW ON THE HORIZON ?

On a level plane, no matter how thick the snow may lie, be it one foot or 3 feet, it is unlikely that most motor cars would not be able to negotiate the road.

However, going up a 20-degree slope, encrusted with just a few inches of snow, without snow tyres or without a vehicle, equipped with 4-wheel drive, it is likely that one would have a great deal of difficulty as the wheels slip and the motor car skids in its vain attempts maintain any kind of a forward momentum.

The ordinary rear-wheel, driven motor car is unlikely to be able to gain sufficient traction on such a slippery surface and, in such a situation, unless one's motor car is equipped with snow tyres, at the very least, one will start to slide backwards.

The US economy can be compared with the above situation: The *'motor car'* has yet to achieve sufficient traction to allow policy makers to state, categorically, that the economy is on the mend.

As far as TARGET is concerned, the first-quarter results, with regard to the US economy, mean very little.

The so-called, economic expansion, during those first 3 months, was, to a great extent, artificial in that it was boosted by defence spending, which was, of course, linked to the Afghanistan Campaign and the resolve of US President George W. Bush to seek and destroy the enemies of the United States of America.

Iraq is next on the shopping list for the President, no doubt, with the US Government's determination to wipe out every member of his *'axis of evil'*.

What was lacking in the first quarter of the year was any appreciable investment in businesses, generally.

TARGET is of the opinion that the much-vaunted recovery of the US economy is being overplayed, at least at this juncture.

In short, to continue with TARGET's metaphor, the US economy has no snow tyres; it is still a rear-driven vehicle; and, there is, still, a lot of snow on the road.

In addition to defence spending, of course, there was a great deal of inventory replenishment in the first quarter of the year due to the fact that businesses allowed assembly lines to slow while they sold off stocks of inventories, sometimes at cost, or even below cost.

Another sector of the US economy that is showing no signs of improvement is in **I**nformation **T**echnology (IT).

While it is true to state that IT investment is no longer declining, it is equally true to state that such investments are moribund.

It would appear that unless big business is willing to spend on IT, the recovery in the US economy would be tentative, at best.

As such, the US Federal Reserve Board is unlikely to consider tightening the screws on the money supply – as was evident last Wednesday when The Fed left good-enough alone.

With the inflation rate in the US still very low, there is no fear of inflation.

Which is, yet, another indication that the US economy is still crawling on a very slippery slope.

Higher energy prices could well help to undermine any repairs to the US economy, relative to the time that the economy was on its knees.

With the prospects of the US Government, entering Iraq in order to unseat President Saddam Hussein, the possibility exists for more upside in the international price of crude oil.

One has to hope that the Arab neighbours of Iraq do not get their knickers in a twist and turn off their oil taps.

As for the US stock markets, little need be said about this situation because wealth is, definitely, not being created in this venue.

Much has been said about last Wednesday's Wall Street drive, which pushed up the Dow Jones Industrial Average by more than 3 percent and with the NASDAQ's Composite Index, gaining nearly 8 percent.

The boomlet was the euphoria, generated on account of the 300-percent increase in the profits of Cisco Systems for its third quarter, Cisco Systems, being a manufacturer of Internet equipment.

Investors, in TARGET's opinion, were clutching at leaves on Cisco Systems's *'tree'*.

They, for the most part, forgot to look for strong and well-formed boughs.

Cisco Systems and its ilk come and go, but Wall Street goes on, and on, and on.

One must remember, also, that the most-recent results of this bellwether company were after accountants had written down everything in sight, following the past few years of lean pickings.

Many such companies have had to cope with sluggish demand and high levels of corporate debt.

Such situations have sapped the strength of many an investor, many of whom have lost a great deal of confidence in the hi-tech sector of the market.

They will regain that confidence in the fullness of time, of course, but until such a time, one must beware of false dawns on the economic horizon.

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