



>: KILL BEN Volume I

Friday, March 24, 2006 / Dylan Jovine

Kill Ben Bernanke VOLUME I - SYNOPSIS:

Step 1: ~~Of course, it's a movie about the Fed's role in the economy, but it's also a thriller about consumer brand names.~~

"The acclaimed movie from groundbreaking financial writer and investor Dylan Jovine stars Ben Bernanke and Alan Greenspan in an astonishing, action-packed thriller about the money supply, inflation and interest rates."

Three months after assuming control of the Federal Reserve Board, the new Chairman (Bernanke) emerges from a big shadow and decides to become his own man ? with a vengeance!

Having been scared to death by his former boss' (Greenspan) belief in cheap money, and his deadly squad of financial statisticians, it's a kill-or-be-killed fight against inflation that he didn't start -- but is determined to win.

Loaded with huge ramifications for all Americans, it's a must see event that will affect us for many years to come!"

WHAT DO YOU THINK?

Should I begin work on the screenplay?

Ok, I'll put the screenplay idea in the can for today and talk about a subject that has been on everyone's mind this week - producer prices.

This week's data confirmed that producer prices were indeed rising.

Why is this so important?

Because when producers have to pay more to make the stuff they sell us, they pass that price increase onto consumers - and that could lead to inflation.

Ask any investor who lived through the 1970's, and they will tell you that inflation is one of the biggest destroyers of wealth.

Let me explain why, using Hershey Foods (SYM: HSY) as an example.

Let's say that last year you bought a Hershey Bar for \$1.

But now - in 2006 - the price of the same bar has risen to \$1.05.

That's an increase of 5 percent.

Now that wouldn't be so bad if your salary increased by 5 percent as well. But wages generally increase at a mere 2.5 percent per year.

So what does that mean to you?

It means that you are actually LOSING 2.5 cents per year for every \$1 you have.

That's a net loss of 2.5 percent.

That means that you lose \$2,500.00 in purchasing power each year for every \$100,000 you earn.

That's a lot of chocolate.

What does that have to do with this week's Producer Price Index (PPI)?

Plenty.

The PPI measures the amount it costs COMPANIES to make the products they sell to YOU.

And, as evidenced by the data this week (and for months), the PPI is rising.

As a matter of fact, the PPI rose a healthy .3 percent last month alone.

.3 percent's a big number.

A .3 percent rise in producer prices can have a devastating effect on companies and their stocks.

Let me explain why, using Hershey again as an example:

Let's say Hershey sells \$100 worth of chocolate each day, and that it costs them \$80 to do it.

What they have left over is a profit of 20 bucks.

Income Statement #1

Now let's say that Hershey sells the SAME \$100 worth of chocolate, but now they have to pay their suppliers 5% more.

Here's what their income statement looks like now:

Income Statement #2

Hershey's profit just dropped from \$20 to \$16 automatically.

That's not the half of it.