FROM THE **BSI** TRADING DESK

We are often asked our opinion regarding interest rate direction. Often, we respond with a "we really don't know". Sometimes, however, like the doctor who is asked to make a "guess" as to one's ailment without proper examination of the patient, we too, answer with a "guess" based upon what we see and feel.

We read and discuss many of the "economic and/or interest rate" reports which appear at our doorstep every business day. Television investment programs, market reports, money magazines, guru's from all over the land predict the future for us. One can find opposing points of view by turning a page or flicking the TV dial. Sometimes one can find an opposing view merely by waiting a few days for the same expert to change his/her mind.

We would like to dismiss all of this as singularly irrelevant but we cannot. For, in fact, investors listen and act upon this natter-natter. We must be aware of what is being said by Guru "X", "Y" and "Z". Secondly, the mouthing of these opinions cause certain investors to take action and sometimes the action is taken by a "market influencer", whose lead is followed by a plethora of others ... thereby affecting short term market fluctuations. So, we must be prepared to answer your questions regarding these various opinions and predictions.

Since we cannot sit in on Mr. Greenspan's meetings, nor can we predict what our great leaders in Washington will be mouthing on a particular day, we do use some of our own "down home tools" to help us predict short term municipal bond interest rate direction. For example, our entire industry subscribes to a daily publication called the "Blue List" in which broker-dealers advertise bonds their sales forces cannot sell for one reason or another. Now if one were to count the number of pages in the Blue List, or weigh the darn thing, you'd get a pretty good idea of just how many bonds are out there waiting for a home. If the Blue List is "thin", there isn't much
merchandise and you can make a pretty good bet that short term rates are coming down; on the other hand, a thick or "heavy" Blue List means there are millions of unsold bonds in dealers' inventories and you can be quite sure dealers will be bidding higher rates of interest for new bonds. We also monitor the new issue calendar very closely. A "heavy calendar" leads us to be more wary and circumspect in our bidding efforts, even if an important guru is predicting lower rates.

There are many more of these rather simplistic approaches which we use to answer questions regarding short term interest rate trends. However, we are very hesitant to pass our "guess" on to you. We know any answer we give could influence *your* investment decision. Frankly, we would rather see you continue your laddered investment approach, seek the best value when funds are available for investment and look at the prediction game as a form of entertainment.

Lou Lamberti,
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