THE U.S. ECONOMY: A LOOK BACK AND A LOOK AHEAD

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I would like to do three things this morning. First, I would like to see how our forecasts have been holding up since my colleague, Dr. Nariman Behravesh presented the outlook for the U.S. economy two years ago. At that time he promised this group that there would be no recession for at least 2 years. It's now two years later and we've made it thus far. Then we will move to how we think things look for 1988 and for 1989. I will confess that we are not as confident about making the same promise this morning. Lastly, we want to draw one or two tentative implications for the airline industry generally implied by the baseline forecast.

How Our 1985 Forecasts Are Holding Up

These are some of the things that we talked about in October 1985.

WEFA FORECAST OUTLOOK: 1985

*No Recession For At Least 2 Years

*Strong U.S. Domestic Demand Growth

*An "Orderly" Dollar Decline

*Insignificant Tax Reform

*Low Inflation

*The Risk Of An Oil Price Collapse To $18

As you can see, I think our batting average wasn't too bad. I give us about a 75 percent on this.

No Recession For At Least Two Years. At that time the economy was shifting from a period of very rapid growth to a period of somewhat slower growth, and we said that the outlook was for no recession but we expected economic activity on the order of about 2.5 to 3 percent of GNP. That really wasn't such a bad call. In 1985, GNP growth was 3 percent; last year, the actual calendar year average GNP growth was 2.9 percent. This year it looks like we are headed for something like about 2.6 percent on the calendar year, certainly no recession.

Strong U.S. Domestic Demand Growth. We also said that growth was going to be characterized by fairly strong domestic demand.

Figure 1 shows a decomposition of some of the key components of the gross national product in 1982 constant dollars. We are looking at the year-over-year changes in level form. The GNP total is composed of several parts, two of which we have shown here. The third bar is what we call private final domestic demand. It does not include changes in inventories or of Federal Government purchases. It does include all consumer spending, all investment spending, all state and local government spending, and, as you can see, that has actually run well ahead of the GNP over the last few years. The principal drag on performance has been the trade balance. You can also see that we are moving from a regime where the trade balance has hurt us in GNP terms over the last 3 years to where we think it is going to help us this year and next year.

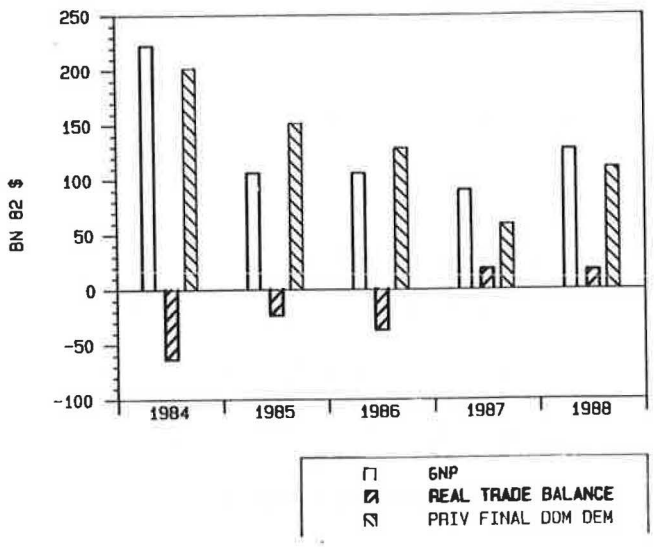

FIGURE 1 Composition of GNP Growth

An Orderly Dollar Decline. The third point that we talked about 2 years ago was the exchange rate. We promised a dollar decline, and we said that that decline would be orderly.

Figure 2 is a plot of the Federal Reserve Board's trade-weighted dollar index. It is a market basket of currencies dominated by the industrial currencies -- principally in Europe, Canada and Japan.

As you know, since February or March of 1985, our total decline against the Deutsche mark or the Japanese yen has been on the order of about 40 percent, -- 40 percent in 2 years, about 20 percent per year. I suppose it is really a matter of perspective as to whether this decline has been orderly or not. I know that in 1985, if you had threatened a 40 percent decline in the exchange rate, that might have been described as a dollar collapse.

My feeling is that, in the United States, this is regarded as an orderly decline, but in Frankfurt or in Tokyo there is a certain degree of skepticism. Fortunately, I don't have to adjudicate this dispute because the central banks have, and they have told us in no uncertain terms that this has been a very

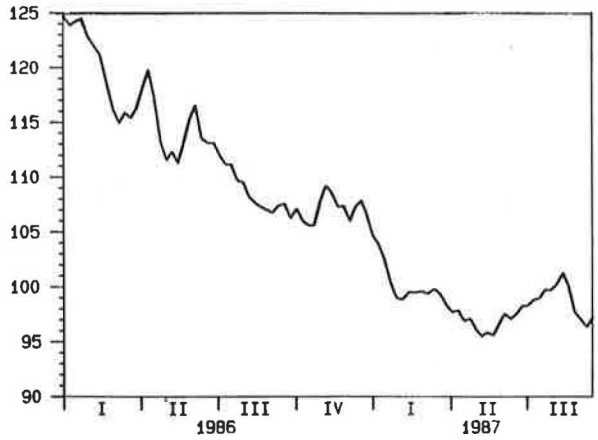

FIGURE 2 Federal Reserve Dollar Index.
March 1973 = 100

orderly movement and that everything is fine. Since that is the official word, I think that once again we called it right.

Insignificant Tax Reform. However, on the issue of tax reform forecasting, we did not do so well. In 1985, we really didn't think that Congress and the White House were going to be able to pull everything together, and, of course, that was wrong. We had some deathbed conversions last summer, and we have had the most significant tax reform since the Second World War. As an individual taxpayer, I am very grateful. With regard to the perspective of our company customers and the rather dramatic shift in incidence from households and individuals to companies, my enthusiasm is somewhat more moderate; but it has been quite significant, and you all know the details.

Low Inflation. Lastly, we described what was a very optimistic inflation outlook. Once again, I think we did very well there. We were, if anything, conservative, saying that there was no inflation acceleration in sight.

The Risk Of An Oil Price Collapse To $18. We thought there was some small risk, 20 or 30 percent, of an oil price decline to about $18 per barrel. As you know, oil prices collapsed. We managed about $9 a barrel at one point and there was a tremendous windfall gain in terms of purchasing power for American consumers and not without note for the aviation industry as well. It was, of course, not an unmixed blessing; and bank economists at, say, Texas super regional banks have a somewhat different perspective on the relative attraction of that development.

Conclusion. So, the last 2 years has not been all that bad. We have had fairly strong activity growth. GNP has averaged only a trifle under 3 percent for the past 3 years, if I include 1987, which is nearly ended. Inflation has actually declined as a trend. Oil prices have declined substantially, and interest rates, at least until late last year, generally tended to decline.

Unfortunately, I am going to be in the position of starting with all of the good news and then shifting gears a bit.

The Next Two Years

We have some problems now, and we see the next 2 years as a little bit rockier. You all know that the outlook is not completely rosy, at least if any of you were bond market investors or bondholders this year. You know that the financial community is very concerned about the outlook. Interest rates have increased quite substantially over the last 12 months. In January or February of this year you could still get a lot of very highly paid Wall Street economists to talk about the possibility of another discount rate decline, and to talk about the very attractive prospects for interest rates. About the end of March that story dried up (See Figure 3). Interest rates have, in fact, increased by fully 2 percentage points at the long end of the market. Interest rates have increased by 150 basis points or 1.5 percentage points at the short end of the market. The prime is now 8.75 percent, and is, in our eyes, likely to move higher before it moves lower.

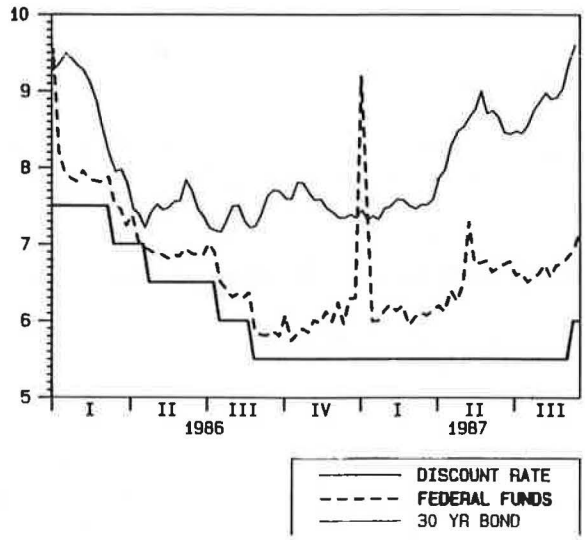

FIGURE 3 Recent Interest Rate Trends

Now, something must be upsetting financial markets. I think that what has upset the financial markets is the degree of orderliness that has overtaken the currency markets. The Federal Reserve Board since February of this year has collaborated quite actively with the German and Japanese central banks in trying to stabilize the dollar against the Deutsche mark and the yen. This is an ambitious undertaking because this year we are going to have to borrow something on the order of 150 or 160 billion dollars from the rest of the world. That is because as a country, as an economy, the United States is continuing to live somewhat beyond its means, to spend more than we actually earn.

In GNP terms, our current account deficit which is our broadest deficit, including both our trade in goods, our trade in services and our transfer payments, is forecast to come in at a little over 3 percent per year, or $150 billion this year.

According to the Department of Commerce, the United States is already the world's largest debtor, with foreign liabilities exceeding assets by about $260 billion. So, we can confidently forecast that by the end of this year, net U.S. foreign debt will be a number more like $400 billion, and about $550 billion at the end of 1988. The U.S. will owe the rest of the world one-half trillion dollars, and paying the interest on that is a little bit difficult. It is, by comparison, equal to the total outstanding debt of all of Latin America.

Fortunately, we pay in dollars so our situation is not quite a Latin American situation. Nonetheless, the foreign investment community has become concerned.

They are concerned on the one hand that our central banks may fail to support the exchange rate, thereby taking foreign currency losses on their holdings. On the other hand, they are concerned that the Federal Reserve might, in fact, support the exchange rate but via the mechanism of higher interest rates. So, it really didn't matter what you thought the Fed would do this year; if you were a foreign investor, you were probably somewhat bearish, and in fact, in the first 6 months of this year, the rest of the world was a net seller of U.S. Treasury securities. They sold more than they bought. Their inventories of our government bonds declined. Also, in the first 9 months of this year investing in "junk bonds" was better play than investing in U.S. Treasury debt. You lost less money.

This deficit problem is not unrelated to another deficit that the Washington community is perhaps even more familiar with (See Figure 4). What we would like to point out is not the widely known correlation -- the fact that the U.S. savings position has deteriorated with the rise in the budget deficit on trend -- but that we have actually had quite a good improvement in our federal budget situation over the last 12 months. If we compare Fiscal Year 1987 with Fiscal Year 1986, we have cut a budget deficit of $220 billion and to $150 billion. That is a $70 billion improvement -- 1.5 percentage points of GNP. But, I would like to point out that it has really not helped our balance of payments very much. I can only speculate on what it might have looked like if we had not had that improvement.

One final point on trade. We have already argued that trade is going to be supporting the economy this year and next, and at the same time, I am suggesting that external accounts are not going to improve very much. That sounds like a contradiction. It isn't really. The problem is that trade forecasting is complicated, and the implications of deficits can be complex.

With respect to our foreign trade, we are experiencing an improvement in trade volumes which is quite substantial. (See Figure 5). On this bar chart the open bar represents our current account balance forecast. The other bar shows the forecast for the level of the national income accounts trade deficit

measured in constant dollars. The improvement in trade volumes is quite substantial and some of this really is no longer a forecast. It is a fact. The United States is currently enjoying an export boom. Export volumes are up by better than 10 percent over the past 12 months. Given the state of order books, the general level of sentiment out there, and our weak dollar forecast, we see no reason why we cannot have another year of double digit export growth as we look toward 1988.

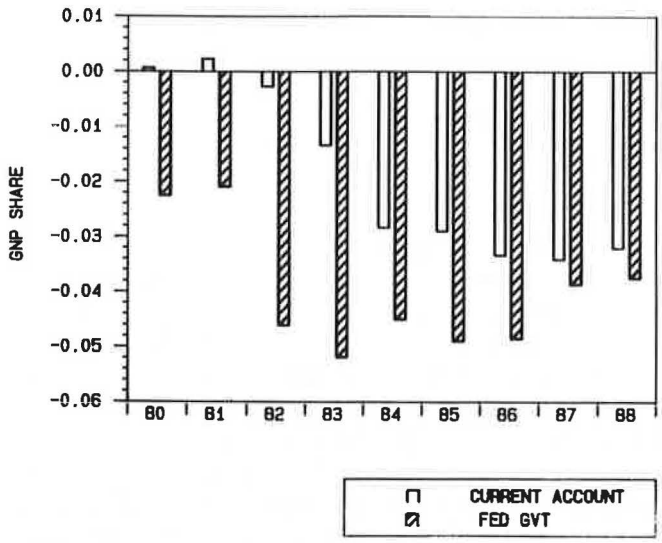

FIGURE 4 The "Twin" Deficits

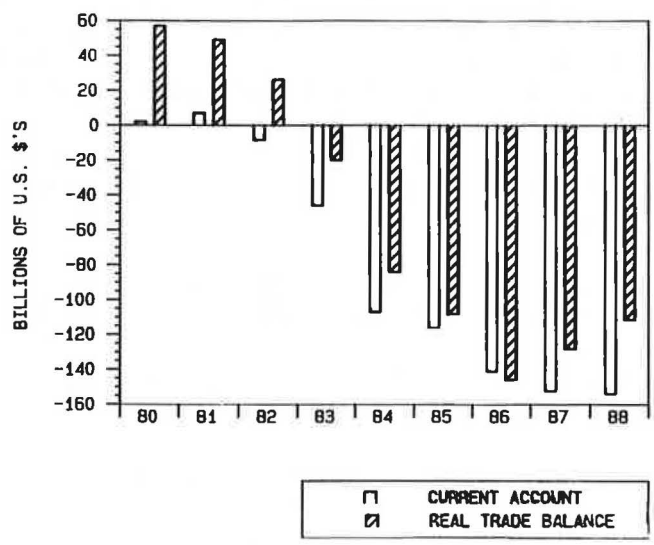

FIGURE 5 U.S. External Trade

The advantage of this for the GNP outlook is obvious. Trade movements are going to be a significant support for real GNP. Unfortunately, this is going to have a very limited impact on the recorded current account deficit and on our total financing requirements.

WHY IS THE TRADE DEFICIT STILL SO HIGH?

-- Initial Imbalances In Non-Oil, Non-AG Merchandise Trade

-- Structural Increases in Petroleum Imports

-- Structural Weakness In Agricultural Exports

-- Interest On The External Debt

Our trade pessimism has three elements:

First, when we look at merchandise trade, and at the non-agricultural and non-petroleum balance specifically, at the beginning of this year our imports of non-oil merchandise were approximately 1.7 times our non-agricultural exports. These imports are virtually twice exports at present, so it doesn't take a very sophisticated econometrician to conclude that if export volumes grow at only twice the rate of import volumes, you don't make very much improvement in your nominal trade deficit. That is just one of our problems -- our initial trade position is very adverse. Having exports grow at twice the rate of imports is not good enough. What we are going to have to do is get them to grow at three times the rate of imports to make some progress.

Secondly, our structural surplus in agriculture has not done us very much good recently. There is a global surplus of basic cereal grains. That looks likely to be with us for some time. We see only a limited contribution from the agricultural sector toward improving our trade picture.

A third commodity problem is that we are not a structural exporter of oil; we are a structural importer; and after 5 or 6 years of predicting that domestic production would peak and then decline it now looks like that is actually happening.

We are importing more oil. We will continue to import more oil, and that looks likely to be the case, even if actual petroleum consumption grows very slowly. It is also unlikely that we will have the kind of windfall gain that we got last year with petroleum prices falling by half. Our forecast for petroleum prices is basically flat over the next 12 months, so on a dollar basis, it looks as though the oil bill is going to be a difficulty, and one that the exchange rate is not going to be able to do very much about.

Lastly, if we move from the trade accounts to the current account (which includes what economists call factor payments or the return on assets), we are going to have another problem, namely, the cost of all that previous borrowing. We have to pay interest on all of those securities sold to the rest of the world over the last six years. We have been somewhat more successful as exporters of stocks and bonds than we have been as exporters of consumer

products. That is fine; but you do have to pay interest on those securities, and the interest burden is rising at the rate of 10 to 12 billion additional dollars per year.

Thus, the gap is widening between our trade performance and our actual current account balance performance. Putting all of these elements together, even with an export boom (and we do have one), the model will still throw out a rather unpleasant current account forecast. At this point it looks like we are in a period of virtually self-perpetuating current account deficits.

All of this has some implications for the outlook over the next two years. At present, what we have is an economy that is not doing too badly. GNP is growing at nearly 3 percent per year. This is healthy growth in the sense that it is export driven. We are having an export boom. We are hoping for a bit of an echo boomlet in business equipment forecasting as operating rates in important parts of U.S. industry increase, but the consumer outlook is not so good.

When we look at the implications of a weak exchange rate - export-oriented policy, one of the consequences of this is that import prices are probably going to rise faster than export prices, and that will soak up purchasing power. This, of course, is part of the solution. It is not really a problem.

Those big deficits indicate that as an economy, as a country, we have been living, or at least consuming, beyond our means for the last 5 years. As we look out over the next 5 years, it is quite clear to us that that process is going to have to be reversed. We are going to have to produce more than we can consume. That suggests an economy characterized by strength in selling abroad, strength in exports, strength in industrial production and manufacturing generally, weakness in consumer spending, rather sluggish growth rates for consumer durables and for high ticket consumer products. But none of that would necessarily suggest that a recession was imminent; in fact, we think there is a little more room to maneuver before we encounter serious difficulties.

As we see operating rates continue to move higher, we expect to see additional employment gains, particularly in industry. As you all know, the unemployment rate has fallen to about 6 percent or a bit below. This is a very good performance but it is a somewhat more worrying situation if you are looking at the economy from the perspective of employee costs.

Until recently, there has not been a wage problem in the United States. Over the last 12 months wage increases have run at approximately 2.6 percent year on year. This is not a problem. Industrial productivity has been nearly as high. Unit labor costs increases have been nearly zero. But, as we look forward to a year in which operating rate will remain high, to another year of very substantial export growth, and to a year in which companies will try to meet their capacity needs by accelerating their investment spending, we expect to see some pressure on wages. We think that the first signs of that can be gleaned in current data. We think it is very conservative to forecast an acceleration in wage costs from 2.5 percent to more like 4 percent over the next 12 months. Those of course, are economy-wide numbers and industry-by-industry performances will vary quite considerably, but it looks

like the inflation outlook for next year has to be taken somewhat more pessimistically than the inflation outlook presented 2 years ago. (See Figure 6)

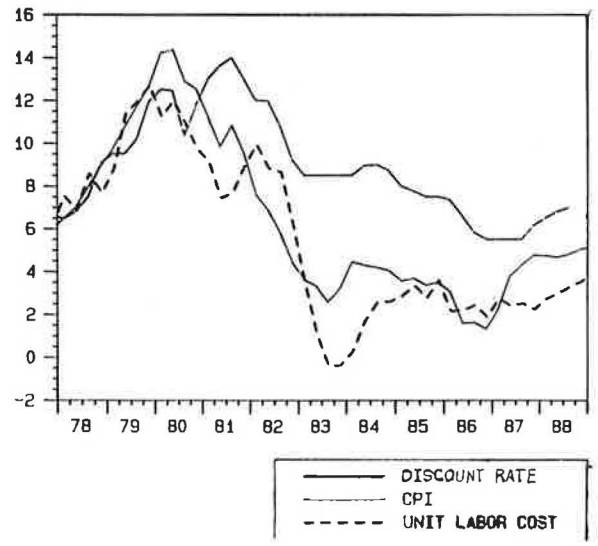

FIGURE 6 Unit Labor Costs, Inflation and the Discount Rate

At best, inflation will maintain its current plateau of between 4 and 5 percent. It is entirely possible that if oil prices move slightly higher or other commodity prices don't cooperate, we could move to a 5 to 6 percent inflation path.

This has some implications then, in turn, for the state of interest rates and for what happens in 1989. Our feeling is that in 1988 activity levels will be sufficiently strong and inflationary pressures sufficiently disturbing that the tendency of the Federal Reserve will continue to be to tighten interest rates. So, we are looking for a fairly aggressive Federal Reserve policy over the next 6 to 12 months, another discount rate increase by early 1988, perhaps a second discount rate increase by the middle of 1988. For the prime rate, this means we are probably looking at interest rate levels that on average next year will be more like 9.5 percent (or a trifle higher) than the under 9 percent numbers that we have been living with. For long-term bonds, we will probably go quite substantially over the 10 percent level.

This, in turn, has some implications about the longer-term outlook for the economy. As we move through the Presidential election and into 1989, it is our belief that with the external deficit still quite large and with interest rates quite high, the linkage between the two will be very well understood. We think the new Administration will be very likely to pursue a contractionary policy, and that will probably mean tax increases on the order of 20 to 25 billion in

the first year of the new Administration. I don't think they will be personal income taxes. I think that the largest component of them will be excise taxes. One obvious target would be the gasoline tax, and other sources of excise taxes are probably, also, very likely candidates.

But, as policy makers identify the link between high interest rates (required to continue to attract capital and those big external deficits that we are trying to finance) and the public sector deficit, interest rates are probably going to be taken more seriously. Ultimately, quite strong efforts may be made to tighten up fiscal policy. The risk is that by 1989 we could have a simultaneous tight fiscal and tight monetary policy environment. This suggests that we could tip the economy into a growth recession so that after something like 3.2 percent real growth in calendar year 1988, our growth rate will slow in 1989, to something like 2 percent and fall to more like 1.2 or 1.5 percent in 1990. So, we do think there is a growth recession out there. We think it is virtually inevitable. It is a necessary consequence of our current debtor position, and the only way that we can see of getting those external deficits back in place, given the policy choices about our exchange rates and tighter fiscal policies. We see every likelihood that that will probably produce at least a growth recession.

Our forecast for the next two years maybe summarized as follows:

WEFA FORECAST: 1987

* Real GNP Will Expand By Over 3% In 1988
* The Export Boom Will Be Sustained For Another Year
* Export Strength Will Trigger An Echo Boomlet In Business Equipment Spending
* Rising Employment Will Tighten Labor Markets Further
* Tighter Labor Markets Will Trigger A Significant Rise In Wage Costs
* External Deficits Will Remain Large, Requiring A Trend Rise In Real Interest Rates
* High Interest Rate Plus Tighter Fiscal Policy Will Foster A Growth Recession In 1989-Early 1990

Implications For Aviation

Now, one or two comments about the implications of the outlook for aviation generally. On the cost side, I don't think the outlook is all that bad. On fuel prices, we are really very optimistic. No unpleasant upside surprises are anticipated for basic energy costs worldwide over the next 2 years. We just don't see the demand growth in the rest of the world or the OPEC discipline that would give us $22 or $24 per barrel oil prices at this point.

In terms of labor, I suppose we are guardedly optimistic, in that we are looking for a wage acceleration from about 2.5 percent to about 4 percent.

Finally, in terms of financing costs, we are very bearish. We have had a significant rise in interest rates. We think that is a cyclical rise, and we do not think it is over, and we are looking for at least another 100 basis points, and possibly more before the cycle turns.

On the activities side, I don't think that the kind of forecast that I have sketched (better than 3 percent real activity growth next year and a growth recession which really hits us in late 1989 or early 1990) is all that bad; and I don't think that the RPM implications are particularly severe.

One important caveat though. The forecast that I have described suggests that household purchasing power will come under pressure generally, that we are going to be a slow consuming country. The interest rate environment will be austere; and lastly, if you put these pieces together and threaten the Wall Street community with both higher interest rates and a significant business cycle slowdown in 1989 or 1990, then the stock market may not perform quite as briskly as it has over the last 2 or 3 years. We may be looking at a stock market downturn in the second half of 1988.

For what you might call the "consumer aircraft market" which is, I guess, a discretionary consumer durable, the implications are not so healthy. We would be somewhat conservative about forecasts for consumer aircraft purchases in the 1989 and 1990 period. Thank you.

Discussion

Mr. Drake (Purdue University): Could you clarify the time horizon for your optimism on fuel prices? Is it the next year or 18 months or is it further out?

Mr. Rolley: We are looking for flat oil prices for the next 12 months, and a sort of cautious and quite slow rise in nominal petroleum prices, but very little real price increase over the next couple of years. At this time we see no significant tightening in the supply/demand balance for petroleum until about 1991. The growth recession in 1989 to 1990, helps us buy a couple more years of relative price stability in the petroleum market.

Mr. Drake: Would you include general aviation aircraft in your pessimism about private aircraft purchases?

Mr. Rolley: Yes.

Mr. Drake: Would you comment on the pleasure airline travel market -- the vacation trip?

Mr. Rolley: I think that a lot of the same elements would apply to that market, as well; that the expensive vacation trip would be one of those things that could be postponed.

I think that next year still looks all right, despite relatively moderate wage and salary increase forecasts. Actual disposable income growth next year looks likely to come in at about 2.5 percent which is an okay year. Also, people seem to have gotten used to the weaker dollar. They are over the "sticker shock" that comes from the higher prices in the Far East and in Europe and our forecast additional dollar declines are fairly modest, so that I would think that we have a year or 18 months of good news followed by about an equivalent period of time of much less attractive prospects.

Mr. Nesbit: Can you be more specific about your moderate declines? Where do you see the exchange rate with the yen, the Deutsche mark and the British pound, say, at the end of 1988 and in 1989?

Mr. Rolley: Maybe the Federal Reserve Bank is the best operator to ask about the Deutsche mark and yen forecast because over the last 18 months or so the currency markets have done exactly what the Group of Seven have told them to.

In February they said that the dollar-mark and dollar-yen rates were going to be flat, and here we are 6 months later, and they look flat to me. But, in fact, we don't think this plateau can hold. We think that by either late this year or early next year we will have another test of the floor, and we are likely to see the deutsche mark-dollar rate move below that 1.80 bottom that we have seen this year and move into something on the order of 1.75 by, say, February or March.

We think that ultimately by the end of 1988 or early 1989, we could very easily see Deutsche mark-dollar rates of 1.60. For the Japanese yen, we think that there is every reason on a 6-month horizon to look for yen-dollar rates, spot rates of about 135, and moving that horizon a year forward after that, on an 18-month horizon to look for that market to trade at between 125 and 130.

Mr. Caplan (Pratt and Whitney): I am interested in your long-term forecast for fuel prices. You said that you expect them to be relatively flat into the early 1990's. Do you foresee at that time a rise in fuel prices of any significant shock like maybe 10 percent upwards per year, at that point in time or still a very graduate rise?

Mr. Rolley: I am afraid that our energy economists are somewhat pessimistic about the early Nineties outlook. They suggest that there is going to be a progressive increase in worldwide petroleum demand. It is slow, but the trend is there. That is going to be exacerbated a bit by declining production in the lower 48 states, and by declining production in some of the other older fields around the rest of the world.

One of the things that is going to help put OPEC in a more favorable position in 4 or 5 years down the road is the recent decline in worldwide drilling activity that set in a little over 18 months ago when oil prices fell from $28. to $18. per barrel.

As a consequence, we see a significant compression of that supply/demand balance and we could be looking at $5 or $6 per barrel price increases within a period of several months in 1991 or 1992.

Mr. Swanda (General Aviation Manufacturers Association): Given the tight fiscal and monetary policy that you suspect will happen in 1989, why do you think it will all be a growth recession instead of a full-fledged recession.

Mr. Rolley: A fair point. The principal reason that things don't get worse is because we know something about fighting recessions in the U.S. and we think that a couple of things will help us. The first and maybe most advantageous thing that will be of some benefit is that through the good part of our forecast, before the Biblical hard times, we really don't look for a major run-up in inventory stocks.

We think the companies have gotten very cautious about the kind of inventories that they carry. Stock building has been fairly moderate in the U.S. economy for this stage of a business cycle. We don't think a lot of product is going to pile up on the shelves. That means that the amount of destocking required in that business downturn will, also, be fairly moderate.

A big part of any business cycle is the inventory cycle, and it looks like inventories are being managed much less cyclically this time around. That is going to be one of the helps.

The other thing that I think will tend to help us a little bit is that the recession that we are expecting should not be as bad as the last couple. We are talking abut fairly moderate interest rate increases rather than the kind of swinging contractions that we have had before; and one of the reasons is that the inflation forecast is not that terrible. We are talking about inflation peaking at a bit over 5 percent.

That doesn't suggest that we need a 13 percent prime. It doesn't suggest that we need 15 percent bond yields. So, the amount of damage that tight money will do to the economy will not be nearly as severe as it was in 1981. I think the amount of damage that is done to activity levels in the rest of the world will be fairly modest. What we really have here is not so much a boom/bust forecast as a forecast in which we have a lot of trouble with out trade deficits. The risk premium to the rest of the world that buys our securities continues to increase on trend. Interest rates inch higher and higher until the party stops.

At that point we have to bite the bullet and tighten up fiscal policy and cut that deficit the hard way; but while it is bitter medicine, I don't think that it is going to be the kind of contraction that we had in 1981 simply because the inflationary circumstances we carry into that situation just aren't as unpleasant.

Mr. Griffiths (Boeing): You mentioned that a large apart of the deficit is interest payments. Why not relax monetary policy and cut the deficit the easy way?

Mr. Rolley: Quite a number of economists have suggested that the right policy mix for our present situation is a fairly hefty tax increase matched with a very accommodating monetary policy. One of our principal competitors had an editorial to that effect in this week.end's newspaper. It is, I think, a broadly held view of a way to get through this problem.

The difficulty, I think, is going to be that it requires a degree of policy coordination in the government that has been notably absent over the last several years, and it is not clear to us the those prospects have improved very much.

Lastly, the U.S. is not at this point setting interest rate levels in isolation. We have adopted an exchange rate rule for our central banks, and one of the things that we know is that a central bank can either control its exchange rate or its level of interest rates, but not both. One of the things that would happen, if we went back to a low interest rate policy and say, cut the federal funds tomorrow by 100 basis points, is that the 1.60 Deutsche mark dollar rate forecast I suggested might be 18 months away would prove to be about 8 trading days away; we would solve our financing problems by seeing the dollar tumble to a point where the rest of the world could conclude that in fact, it was undervalued.

The Fed is not prepared to do that because they don't know what the financial community is prepared to accept. They just think that the inflationary risks of an unmanaged dollar are too great, given the very bearish attitude of the world investment community toward our currency, our bonds and our policy prospects.

Mr. Foley (Falcon Jet Corporation): Does your forecast of flat fuel prices during the next few years, take into account the tensions in the Persian Gulf; and should these tensions increase, how might that affect your forecast?

Mr. Rolley: Actually they do. This moves us out of the area of economics into the area of geopolitics and political science. Although, I don't pretend to be an expert in any of those arenas it still seems unlikely to us that we would see an increase in the level of hostility of the tanker war that would actually disrupt shipments through the Persian Gulf. That is because it does not seem to be in Iran's interest since it needs that oil flow to finance its government, its civilian economy an its ongoing land-front activities. So, between that self-interest on the part of Iran and the warships currently sitting in the Gulf, I really don't think that a serious disruption in the Persian Gulf supply is going to take place.

I think oil traders have more or less come to the same conclusion, and after running up the futures to $22 this summer, they looked at whether this was going to be shut off and concluded it wasn't. Then they looked at inventories and thought we might have a problem; so, I think near term, over the next 3 months, the likelihood is that oil prices are more likely to move down than to move up.