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Holiday Message

Now that the only Bush commercials on TV are featuring the white bush on Santa's face – and the only long face we now see belongs to the Grinch – perhaps we can all pause and give thanks for putting another year successfully behind us. All is not well in the world – to be sure – but at least we can draw back a bit and hope that 2005 will see more than a bit of improvement from 2004.

From all the staff at MacKay & Company, we wish each of you a very happy holiday season and a most prosperous New Year.

Happy Holidays!

DataMac® Truck: Generation II Up And Running

In October, we released Generation II of our DataMac Truck program to the 22 companies currently participating. For the first time, DataMac Truck subscribers are able to segregate replacement demand volume, point of service, point of parts purchase, new vs. rebuilt components and several other key aftermarket factors separately for owners of new as well as used trucks. And, with the availability of the interactive database CD, subscribers can accumulate, segregate, analyze and compare a huge number of data combinations right on their PCs.

“...subscribers can accumulate, segregate, analyze and compare a huge number of data combinations right on their PCs.”

Developing and releasing DataMac Truck Generation II required the analysis and rework of approximately 975,000 separate records in the database program. Development work has been underway for several years, primarily data collection activities. This work began to intensify earlier this year and throughout the summer culminating in the early October release of the program to all U.S. DataMac Truck subscribers.

Like to have a look at what DataMac Truck Generation II can do for your business? Just give Dave Fulghum or John Blodgett a call.

The Economic Outlook For 2005:

Bob Dieli



The first week of November brought us two pieces of news that settled a host of questions and raised some new ones. The first, of course, was the news on Tuesday, November 2, that President Bush had been reelected and that the Republican majorities in the House and Senate had been retained. The second piece came on Friday, November 5 when the release of a surprisingly strong employment report removed any lingering doubts about the sustainability of the economic expansion. What's next?

As can be seen on Chart 1, the Aggregate Spread – Mr. Model's leading indicator of recessions – remains at a level that signals continued expansion over the next year. Historically, recessions have occurred – with only one exception – when the Aggregate Spread is around zero. The latest available figures have the series at around 500 basis points. Note further that in the long expansions of 1961-69, 1981-90, and 1991-2001 it took several years for the Aggregate Spread to fall from 500 to zero. Moreover, in all those instances, it was not until the Federal Reserve had begun to tighten monetary policy that the expansions finally came to an end. No such restraint is being applied now, nor is any expected to be applied in the near future.

The Aggregate Spread is also sending a clear signal of further growth in Truckable Economic Activity (TEA), MacKay & Company's proprietary measure of demand for trucks and trucking services. As seen in Chart 2, the Aggregate Spread leads changes in TEA by about 12 months, and provided a clear warning of the slowdown we experienced during the last recession. Over the past year, TEA has risen at the pace the Aggregate Spread suggested it would. We fully expect this relationship to hold in the year ahead.

With the economy having successfully transitioned into the expansion phase of the business cycle we will now face a different set of worries than we did in 2004. The short list includes rising interest rates, a pickup in inflation, the budget deficit, the trend in exchange rates, and the war. A daunting list to be sure, but one that will be addressed against the background of an expanding economy.

Chart 1 – AGGREGATE SPREAD
Shaded areas indicate recessions

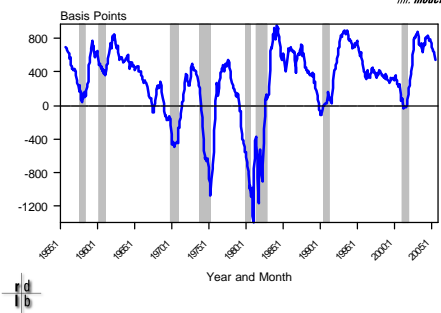
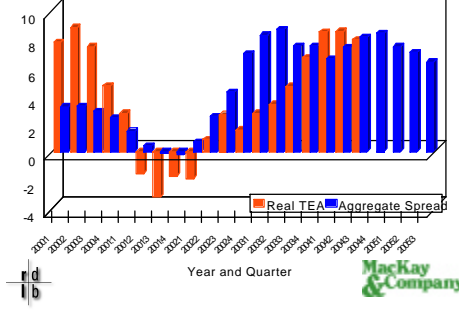


Chart 2 -- Real Truckable Economic Activity (TEA) and Aggregate Spread
TEA Percent Change from Year Ago Quarter



Still Don't Believe In Evolution?

It appears that Charles Darwin's theory of evolution has impacted more than just how animals and humans may have developed. It seems that the truck business has Darwinian origins as well.

The three "double-saddle mounted" marine iguanas were photographed in the Galapagos in November, the Freightliner and Western Stars in early December. The iguanas have several advantages; they are both self-loading and self-unloading and they fuel up on free algae — not #2 diesel at two bucks a gallon. But putting stop/turn/tail lights on that last tail looks like it could be a challenge!



The Freightliner and Western Star diesels



The three "double-saddle mounted" marine iguanas

DataMac® Truck Generation II Interactive Database

What's the best way to manipulate the three million individual pieces of heavy duty aftermarket information in the new Generation II Database? And what's the easiest way to convert any or all of this information directly into charts and graphs? The Generation II Interactive Database CD.

We've made the database CD available for all DataMac Truck Generation II subscribers at drastically reduced prices for the next several months. Subscribers to one module of Generation II data can acquire the interactive CD program for as little as \$2500, a 50% reduction from post-2005 prices. That's a huge amount of analytical power for a very nominal investment.

What's more – we'll train you how to use the program right in your office, electronically. Like more details? Chris Walters and Dave Fulghum are ready to give you all the details.



On The Road Again – In 2005

It hardly seems like it was nearly a year ago when we started arranging 2004 Road Show visits for all 26 of our DataMac Truck and Tire subscribers. And we know it's been a busy year for many of you; we still have a couple visits to wrap up in the next 30 days or so.

We'll be contacting each of you early in the first quarter to arrange for the 2005 Road Shows with some potential dates and, hopefully, we can arrange a mutually convenient date for us to come visit. As we announced in the last newsletter, we have relied on your expressed preferences to hold more Road Shows and schedule less frequent workshops here in Chicago. At the moment, we're developing the format for the 2005 Road Show material. We are looking to make these sessions even more productive and enjoyable.

If you're in DataMac – expect to hear from Gloria some time in the next 60 days!

What's In Your Forecast?

A currently running TV commercial featuring a hoard of Huns ends with the punch line "What's in YOUR wallet?" Clever ending, we think, and we'd like to tag along with a little variation.

A handful of our clients have been using our MacForecast system to forecast medium and heavy duty truck demand, not only in total but by vocational application as well. For those of you who aren't yet in the program, here's how we did this year:

- Late last fall, MacForecast projected U.S. medium duty (Class 6 & 7) 2004 retail sales at 145,900 vehicles. Projecting actual sales to date through year end will see sales of just under 142,000. Margin of error? Just a smidgen over 2%.
- MacForecast January projected U.S. Class 8 retail sales for 2004 was pegged at 204,000. It now looks like we'll hit about 202,000 as a final number, an error margin of approximately 1%.

Like to know more about how we can make this program work for you? Email or call Dave Fulghum for the details.

Meet A MacKay & Company Employee

Dave Kalvelage joined MacKay & Company in September 2002. At MacKay, Dave wears a variety of hats — co-managing the IT department, responsible for the monthly Aftermarket Index, and database work for single-client projects. He has a BS from Iowa State University and an MBA and MS in Information Systems from the University of Colorado at Denver. Prior to joining MacKay, Dave worked at Lucent Technologies. In his spare time (he wishes), he and his wife enjoy chasing their 15 month old son around the house.

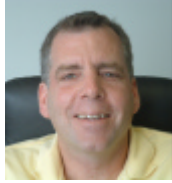


Dave Kalvelage



Second Career For John Blodgett

Commentary



John Blodgett

Planes, Rooms, Rental Cars

As a frequent traveler, I have a few questions and a few suggestions for the travel industry.

If I have a non-smoking room and there are ashtrays in the room, are they for gum wrappers? Should I have asked for a non-gum room?

If you give me a TV remote with only one battery, does this mean I can control the volume or the channels but not both?

If none of the equipment in your exercise room works, is it all right if I push the equipment around for half an hour?

I understand the need for handicap rooms, but I don't want to end up handicapped. So if you give me one of these rooms please either give me a wheel chair or 50 towels to build a dam around the shower.

If the windows are screwed shut from the inside of my room, could you please leave me a screwdriver? Otherwise you may find the desk chair in the parking lot because I won't be able to go to sleep until I know I can get out of the room in an emergency.

Could you please put the "No vacancy" signs back up? As much as I enjoy meeting the hotel clerks at every exit in Georgia on our spring break trip to Florida, it just doesn't seem like an efficient use of time.

If you tell me and five of my fellow travelers you are going to bump us off a flight because there is too much weight and then five minutes later you let us on, I need an explanation. You might tell me we will take off but probably won't clear the trees or we are going to dump fuel and attempt to glide part way

or you will jettison my luggage into Lake Michigan. Any explanation will do—I just need one.

Should I be concerned if you tell me I can't get on a flight because I didn't check my luggage in early enough, but my luggage makes the flight? Does my luggage have some kind of premier status?

If I am boarding your bankrupt airlines for a flight that has been delayed four hours, please tell the pilots not to jokingly refer to their competition as Southworst. It will never get a laugh.

If there are 300 rooms in a hotel, 150 seats on a plane and 100 rental cars available, please only sell 300 rooms, 150 seats and let's see, carry the 2, 100cars.

If you are renting me a car in the winter, after midnight and I have to carry my three bags a half mile to slot 79F and there is no car there, please don't act surprised if I raise my voice.

— John Blodgett of Hinsdale, contributing columnist for *the Doings* suburban newsletter

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FORWARDING SERVICE REQUESTED