

## Cowan Financial Group, Inc. Presents

# Weekly Economic Update for the Week of April 13, 2009

**Quote of the week.** “Adversity is the trial of principle. Without it, a man hardly knows whether he is honest or not.” – Henry Fielding

**Recession over by September?** That is the average estimate of 53 economists polled in the latest *Wall Street Journal* forecasting survey. These economists, on average, see U.S. GDP back in positive territory (+0.4%) for 3Q 2009 after contraction in the first two quarters. On average, the economists polled think unemployment will reach 9.5% by year’s end.<sup>1</sup>

**Sales gain, inventories shrink.** So reports the Commerce Department: sales at wholesalers rose 0.6% in February, the first increase since last June. Inventories were thinned by 1.5% in February.<sup>2</sup>

**Bank credit stresses easing?** Emergency borrowing from the Federal Reserve is down for the second straight week. During April 2-8, the Fed lent an average of \$10.5 billion less per day to banks and \$1.9 billion less daily to investment firms from its so-called discount window compared to the prior week.<sup>3</sup>

**Mortgage rates tick up.** Freddie Mac’s April 9 survey still shows them at enticing lows – 30-year FRMs at 4.87%, 15-year FRMs at 4.54%, 5/1-year ARMs averaging 4.93%, and 1-year ARMs at 4.83%. Last week, two respected bank economists stated their belief that 30-year FRMs could average 4.20% by the end of 2009.<sup>4,5</sup>

**The rally rolls on.** Strong gains concluded a short trading week: DJIA, +246.27 to a close of 8,083.38; S&P 500, +31.40 to close at 856.56; NASDAQ, +61.88 to a Friday close of 1,652.54. By the way, the CBOE VIX – the so-called “fear index” – closed at its lowest level since September on Friday.<sup>6</sup>

% Change	Y-T-D	1-Year	5-Yr Avg
<b>DJIA</b>	<b>-7.90</b>	<b>-35.47</b>	<b>-4.52</b>
<b>NASDAQ</b>	<b>+4.79</b>	<b>-28.83</b>	<b>-3.90</b>
<b>S&amp;P 500</b>	<b>-5.17</b>	<b>-36.76</b>	<b>-4.96</b>

(Source: CNNMoney.com, 4/9/09)<sup>7</sup>

*Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.*

**Riddle of the week.** This equation is clearly false:  $76 = 24$ . But you can take these four digits (4, 6, 2, 7) and creatively arrange them around an equal sign into a true equation. How can you pull this off? (Hint: think outside the box and think exponentially.)

*Contact my office or see next week’s Update for the answer.*

**Last week’s riddle:** I’m found in rock, but not in stone. I’m within marrow, but not in bone. I’m learned early in school, I’m used in speech. What am I?

**Answer:** The letter R.

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### Citations.

- <sup>1</sup> [online.wsj.com/article/SB123921340472201877.html?mod=mktw](http://online.wsj.com/article/SB123921340472201877.html?mod=mktw) [4/9/09]
- <sup>2</sup> [bloomberg.com/apps/news?pid=20601103&sid=ankQ5rmxZVJM&refer=us](http://bloomberg.com/apps/news?pid=20601103&sid=ankQ5rmxZVJM&refer=us) [4/8/09]
- <sup>3</sup> [washingtonpost.com/wp-dyn/content/article/2009/04/09/AR2009040903120.html](http://washingtonpost.com/wp-dyn/content/article/2009/04/09/AR2009040903120.html) [4/9/09]
- <sup>4</sup> [freddiemac.com/dlink/html/PMMS/display/PMMSOutputYr.jsp](http://freddiemac.com/dlink/html/PMMS/display/PMMSOutputYr.jsp) [4/2/09]
- <sup>5</sup> [cnbc.com/id/30106560](http://cnbc.com/id/30106560) [4/8/09]
- <sup>6</sup> [cnbc.com/id/30141216](http://cnbc.com/id/30141216) [4/9/09]
- <sup>7</sup> [money.cnn.com/data/markets/dow/](http://money.cnn.com/data/markets/dow/) [4/9/09]
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