

Cowan Financial Group, Inc. Presents

Weekly Economic Update for the Week of April 27, 2009

Quote of the week. “Children need models rather than critics.” – Joseph Joubert

Stress tests in brief. Friday, the Treasury Department released details about the stress tests of 19 major U.S. banks. The banks privately know the results; the world will know them as early as May 4. One scenario sees whether thrifts can cope with -2.0% GDP, 8.4% unemployment, and a 14% decline in home prices this year; another scenario uses mock numbers of -3.3% GDP, 8.9% joblessness and a 22% fall in real estate values.¹ No banks will fail the test; some could be slated to receive more TARP money.²

Hope in housing. New home sales fell by 0.6% in March, but that was better than economists expected. Commerce Department data showed the inventory of unsold new homes shrinking from January to March, from 12.5 months worth to 10.7 months worth. Existing home sales, however, fell by 3.0% in March.³

The news on Ford, Chrysler, GM? The good news: Ford Motor Co. says it can do without federal loans for the rest of 2009. A Chrysler LLC VP said Friday that the automaker faces “no pending bankruptcy” despite a *Wall Street Journal* report that a Chapter 11 filing is days away. General Motors will temporarily shutter 13 assembly plants this summer.^{4,5}

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7 in a row for the NASDAQ. It gained 1.27% across April 20-24 to end the week at 1,694.29. The DJIA lost 0.68% on the week, closing Friday at 8,076.29. The S&P 500 slipped 0.39% for the week to close at 866.23 Friday. Over the last 7 weeks, the NASDAQ has gained 30.95%.⁶

% Change	Y-T-D	1-Year	5-Yr Avg
DJIA	-7.98	-37.14	-4.58
NASDAQ	+7.44	-30.25	-3.47
S&P 500	-4.10	-37.63	-4.81

(Source: CNNMoney.com, 4/24/09)⁷

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. What's the difference between here and there?

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

Last week's riddle: Decades ago, a historical society leased a mansion to a museum for 99 years. The mansion has already been leased for a time span equal to four-fifths of the time remaining on the lease. How much time is left on the lease?

Answer: 55 years. Four-fifths of 55 = 44.

Citations. ¹ forbes.com/feeds/afx/2009/04/24/afx6336215.html [4/24/09]

² latimes.com/news/nationworld/world/la-fi-stress-tests19-2009apr19,0,655575.story [4/19/09]

³ money.cnn.com/2009/04/24/real_estate/new_home_sales_March/?postversion=2009042411 [4/24/09]

⁴ usnews.com/articles/news/national/2009/04/24/bankruptcy-looms-for-chrysler-and-general-motors.html [4/24/09]

⁵ online.wsj.com/article/SB124059075827353331.html?mod=googlenews_wsj [4/24/09]

⁶ cnbc.com/id/30392147 [4/24/09]

⁷ money.cnn.com/data/markets/dow/? [4/24/09]

⁷ money.cnn.com/data/markets/nasdaq/? [4/24/09]

⁷ money.cnn.com/data/markets/sandp/? [4/24/09]

⁷ money.cnn.com/quote/historical/historical.html?pg=hi&close_date=4%2F24%2F08&mode=add&symb=DJIA [4/24/09]

⁷ money.cnn.com/quote/historical/historical.html?pg=hi&close_date=4%2F23%2F04&mode=add&symb=DJIA [4/24/09]

⁷ money.cnn.com/quote/historical/historical.html?pg=hi&close_date=4%2F24%2F08&mode=add&symb=COMP [4/24/09]

⁷ money.cnn.com/quote/historical/historical.html?pg=hi&close_date=4%2F23%2F04&mode=add&symb=COMP [4/24/09]

⁷ money.cnn.com/quote/historical/historical.html?pg=hi&close_date=4%2F24%2F08&mode=add&symb=SPX [4/24/09]

⁷ money.cnn.com/quote/historical/historical.html?pg=hi&close_date=4%2F23%2F04&mode=add&symb=SPX [4/24/09]