

Cowan Financial Group, Inc. Presents Weekly Economic Update for the Week of August 17, 2009

Quote of the week. “We are happy when we are growing.” – William Butler Yeats

Fed: “economic activity is leveling out”. Does that sound mildly bullish? It doesn’t seem bearish. In addition to that pronouncement, last week’s Federal Reserve policy statement contained the opinion that inflation will be “subdued for some time” and said that the key interest rate will remain at “exceptionally low levels” for the near future. In another hopeful sign, it said it would end its emergency program to buy \$300 billion worth of Treasuries in October.¹

Surprise drop in confidence. Consumer confidence, that is. The August Reuters/University of Michigan consumer sentiment survey came in at 63.2, down from 66.0 in July and way below the 69.0 forecast by economists polled by MarketWatch. The August number is the lowest since March.²

Friday reports raise hopes. Countering the consumer sentiment figures, we got better news at the end of last week. Industrial output rose 0.5% for July – the first increase in nine months. Consumer prices did not rise - the Consumer Price Index was flat for July, after gaining 0.7% in June. Consumer prices were down 2.1% from 2008 levels.^{3,4}

Gold & oil wrap up week with losses. Oil futures settled at \$67.51 on the NYMEX Friday, dropping \$3.01 for the day. Gold ended the week with a \$7.80 drop, closing at \$948.70 per ounce.³

Retail sales retreat. They declined mildly for July, with Commerce Department data showing a 0.1% drop. Economists polled by Bloomberg News had expected a gain of 0.8%, mirroring the gain in June.⁵

4-week winning streak ends. Stocks had their first down week since mid-July, with the S&P 500 declining 0.63% last week to close at 1,004.09 Friday. The NASDAQ ended the week at 1,985.52, after a 0.74% weekly loss. The DJIA fell 0.52% to close at 9,321.40 Friday.⁶

% Change	Y-T-D	1-Yr Avg	5-Yr Avg	10-Yr Avg
DJIA	+6.21	-19.75	-1.03	-1.51
NASDAQ	+25.90	-19.08	+2.60	-2.47
S&P 500	+11.16	-22.34	-1.14	-2.44
10YrTIPS Yd	-19.21	+10.78	+0.90	-4.97

(Source: CNNMoney.com, ustreas.gov, bls.gov, 8/14/09)^{7,8,9}
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. Name six or more things that you can wear on your feet starting with the letter S. Contact my office or see next week’s Update for the answer.

Last week’s riddle answer: Niagara Falls (the rim is worn down about 2.5' each year due to the millions of gallons of water that rush over it every minute).

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If you would like us to add them to our list, please reply with their address
and we will contact them and ask for their permission to be added.**

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Citations.

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- 2 marketwatch.com/story/us-consumer-sentiment-falls-in-august-2009-08-14 [8/14/09]
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