

## Cowan Financial Group, Inc. Presents

# Weekly Economic Update for the Week of February 2, 2009

**Quote of the week.** “And as we let our own light shine, we unconsciously give other people permission to do the same.” – Nelson Mandela

**Rescue strategy advances.** The \$819 billion stimulus bill backed by President Obama now awaits a Senate vote, and passage still seems likely (though no Republicans voted for the bill in the House last week).<sup>1</sup> February may also see the unveiling of the next stage in the bank bailout: an “aggregator bank” proposal to buy up between \$750 billion and \$1.25 trillion in toxic assets from thrifts.<sup>2</sup>

**4Q GDP: -3.8%.** Economists had worried the contraction would be in the 5-6% range, so this came as a bit of a relief. But statistically, this still represents the poorest quarter for the economy since 1982.<sup>3</sup> Durable goods purchases fell by 22.4% in the quarter; the personal savings rate increased by 2.9%.<sup>4</sup>

**Good and bad housing news.** In December, new home sales dropped 15.0% from November and 44.8% from December 2007 levels, according to the Commerce Department (which estimates 12.9 months worth of inventory remains).<sup>5</sup> However, thanks to falling prices, existing home sales jumped 6.5% last month (the nationwide median sale price was \$175,400).<sup>6</sup>

**As for stocks...** Wall Street had flirted with a winning week, but losses Thursday and Friday left the major indices slightly lower. The DJIA finished the week at 8,000.86, the NASDAQ closed at 1,476.42 Friday, and the S&P 500 ended up at 825.88.<sup>7</sup>

% Change	Y-T-D	1-Year	5-Yr Avg
<b>DJIA</b>	<b>-8.84</b>	<b>-35.70</b>	<b>-4.74</b>
<b>NASDAQ</b>	<b>-6.38</b>	<b>-37.15</b>	<b>-5.71</b>
<b>S&amp;P 500</b>	<b>-8.57</b>	<b>-39.09</b>	<b>-5.40</b>

(Source: CNNMoney.com, 1/30/09)<sup>8</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.** One word, seven letters. The first two stand for a boy. The first three stand for a girl. The first four signify a brave boy, yet all seven letters signify a brave girl. What word is this?

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

**Last week's riddle:** What five-letter English word does not change its pronunciation when you take four letters away from it?

**Answer:** Queue.

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- Citations.** <sup>1</sup> nytimes.com/2009/01/30/us/politics/30repubs.html?ref=us [1/30/09]  
<sup>2</sup> thestreet.com/story/10460505/1/bad-bank-plan-seen-as-crucial-to-recovery.html?cm\_ven=GOOGLE [1/28/09]  
<sup>3</sup> marketwatch.com/news/story/US-Stocks-Slip-Into-Red/story.aspx?guid={BA5041C2-ECE5-4480-91C4-A877B6D36F6D} [1/30/09]  
<sup>4</sup> bloggingstocks.com/2009/01/30/great-news-gdp-shrinks-only-3-8-in-q4/ [1/30/09]  
<sup>5</sup> washingtonpost.com/wp-dyn/content/article/2009/01/29/AR2009012902225\_pf.html [1/30/09]  
<sup>6</sup> indystar.com/article/20090127/BUSINESS/901270314 [1/27/09]  
<sup>7</sup> cnbc.com/id/28937905 [1/30/09]  
<sup>8</sup> money.cnn.com/data/markets/dow/? [1/30/09]  
<sup>8</sup> money.cnn.com/data/markets/nasdaq/? [1/30/09]  
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<sup>8</sup> money.cnn.com/quote/historical/historical.html?pg=hi&close\_date=1%2F30%2F04&mode=add&symb=SPX [1/30/09]