

Cowan Financial Group, Inc. Presents Weekly Economic Update for the Week of January 5, 2009

Quote of the week. “Be kind, for everyone you meet is fighting a hard battle.” – Plato

Key ISM index lowest since 1980. The Institute for Supply Management’s manufacturing index brought predictable news – manufacturing in America contracted for the fifth straight month in December. Economists anticipated a reading of 35.4; the reading came in at 32.4. Stocks gained anyway, shrugging off 2009’s first major indicator. ¹

Oil futures gain 23% in a week. They closed Friday at \$46.34 per barrel on the New York Mercantile Exchange. Last year was the worst year for oil prices since the trading of oil futures began in 1983. Oil fell about 27% during the week ending December 19 alone, and futures are still \$100 below their July peaks. ²

Consumer confidence: 38.0. If you have watched the Conference Board’s monthly numbers over the years, you may not recall a number so low. December’s reading is indeed a new low. Economists expected a tiny increase to 45.0 from November’s reading of 44.9. ³

Fed starts buying troubled assets. Last Tuesday, the Federal Reserve said it will begin purchasing mortgage-backed securities early this month through its TALF program, with the goal of buying \$500 billion by the end of 2Q 2009. The

securities are currently held by Freddie Mac, Fannie Mae and Ginnie Mae. ⁴

Clean slate for stocks. We saw big gains for the major indexes on January 2, the year’s first day of trading. The Dow finished the day back over 9,000 at 9,034.69, and the S&P 500 had its best start out of the gate since 2003, rising to 931.80. ⁵

% Change	Y-T-D	1-Year	5-Yr Avg
DJIA	+2.94	-30.74	-2.64
NASDAQ	+3.50	-37.45	-3.73
S&P 500	+3.16	-35.61	-3.19

(Source: CNNMoney.com, 1/2/09) ⁶

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. You hear it speak, for it has a hard tongue. But it cannot breathe, for it has not a lung. What is it?

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

Last week’s riddle: One word in the English language is always pronounced incorrectly. What is it?

Answer: The word “incorrectly.”

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Citations. ¹ money.cnn.com/2009/01/02/news/economy/ISM/ [1/2/09]
² bloomberg.com/apps/news?pid=20601101&sid=a.jRoJrOK.Q4&refer=japan [1/2/09]
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