

## Cowan Financial Group, Inc. Presents Weekly Economic Update for the Week of July 13, 2009

**Quote of the week.** “You can never plan the future by the past.” – Edmund Burke

**GM leaves bankruptcy.** That was fast. (Six weeks, to be precise.) Friday, General Motors CEO Fritz Henderson announced the birth of the “new” GM, but made no promise that it would repay the \$50 billion loaned or pledged by its new majority owner ... the U.S. government. It is unlikely that GM’s stock will publicly trade until 2010 or later; it has a 2015 deadline to pay back roughly \$6.7 billion in federal loans.<sup>1</sup>

**U.S. trade deficit shrinks impressively.** It narrowed by 9.8% in May to \$26 billion – the slimmest trade deficit since November 1999. Analysts had expected it to grow. Moody’s Economy.com chief economist Mark Zandi called the finding “consistent with the idea that the U.S. recession will come to an end in the next few months.”<sup>2</sup>

**Less contraction in the services sector?** Yes, at least in June. The Institute for Supply Manufacturing services index read 47.0 for the month, improved from 44.0 in May and beating the 46.0 mark forecast by analysts.<sup>3</sup>

**Wholesale inventories down 0.8% in May.** This was less of a decrease than economists expected; chalk it up to non-durable goods inventories (including oil and crops) growing by 0.3% as durable goods inventories declined by 1.5%.<sup>4</sup>

**Oil below \$60, gold settles above \$910.** Oil futures fell more than 10% last week, the roughest week for the commodity since late January; oil settled at \$59.89 a barrel Friday on the NYMEX. In the latest AAA survey, retail gas prices descended to \$2.57 a gallon nationally. Gold futures lost 1.99% last week to end Friday at \$912.50 per ounce.<sup>5</sup>

**The edge of earnings season.** Wall Street was mostly cautious (and a bit anxious) on the eve of 2Q reports and associated forecasts. The S&P 500 slipped 1.93% on the week, while the DJIA lost 1.62% and the NASDAQ lost 2.25%.<sup>6</sup>

% Change	Y-T-D	1-Year	5-Yr Avg
<b>DJIA</b>	<b>-7.18</b>	<b>-24.75</b>	<b>-4.05</b>
<b>NASDAQ</b>	<b>+11.35</b>	<b>-22.23</b>	<b>-1.96</b>
<b>S&amp;P 500</b>	<b>-2.67</b>	<b>-29.86</b>	<b>-4.20</b>

(Source: CNBC.com, 7/10/09)<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.** You must keep it in check, its loss will rile your brothers. For once yours is lost, it will soon be lost by others. What is it?  
*Contact my office or see next week’s Update for the answer.*

**Last week’s riddle answer:** A match.

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## Citations.

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