

Cowan Financial Group, Inc. Presents Weekly Economic Update for the Week of July 20, 2009

Quote of the week. "Life is like a ten-speed bicycle. Most of us have gears we never use." – Charles Schulz

Stocks come roaring back. The story of the week was the rally on the Street. The Dow, NASDAQ and S&P 500 regained momentum and performed spectacularly in response to encouraging earnings reports. The S&P 500 gained 6.97% last week, the DJIA 7.33% and the NASDAQ 7.44%. The Russell 2000 topped all three, rising 7.95%. The Information Technology sector of the S&P 500 shot up 9.56% for the week – and as of Friday's close, that sector was up 31.15% on the year.¹

Housing starts hit 7-month high. They increased by 3.6% in June. Construction on single-family homes rose 14.4% from May levels, to a high unseen since December 2004. The Commerce Department also said applications for building permits jumped 8.7% last month.²

PPI jumps 2x expectations. Producer prices leapt 1.8% in June, the biggest month-to-month jump since November 2007. You can attribute much of that to rising energy prices. Core PPI went north by 0.5%.³

CPI up 0.7% for June. Analysts had forecast a 0.6% rise. Core CPI (minus food and energy prices) went up 0.2%. However, consumer prices were 1.4% below June 2008 levels, the Labor Department noted.⁴

Gold & oil join the rally. Gold futures rounded out

Friday at \$937.50 per ounce – a 2.7% gain on the week. Oil rose 6.1% from Monday to Friday to settle at \$63.56 per barrel on the NYMEX.⁵

Stocks up 39% from March 9. That is where last week's rally put the S&P 500. Since July 8, 38 companies in that index have released 2Q earnings reports, and those 38 firms posted earnings that beat analysts' forecasts by an average of 16%.⁶

% Change	Y-T-D	1-Yr Avg	5-Yr Avg	10-Yr Avg
DJIA	-0.37	-23.61	-2.75	-2.20
NASDAQ	+19.63	-18.41	0.00	-3.41
S&P 500	+4.11	-25.39	-2.92	-3.37
10YrTIPS Yd	+49.19	-9.83	-16.21	-35.39

(Source: CNNMoney.com, ustreas.gov, 7/17/09)^{7,8}
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. Mike challenges Keith to flip a coin 20 times. Each time the coin comes up heads, Mike pays Keith \$2.00. Each time it comes up tails, Mike earns \$3.00 from Keith. After 20 coin flips, the end result is that no money changes hands. How many times did the coin come up heads?
Contact my office or see next week's Update for the answer.

Last week's riddle answer: Your temper.

Please feel free to forward this article to family, friends or colleagues. 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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