

# Cowan Financial Group, Inc. Presents

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

**Quote of the week.** "Success is the sum of details." – Harvey S. Firestone

**A busy week.** President Obama unveiled a federal budget plan to cut the \$1+ trillion deficit to \$533 billion by 2013. It would include a \$634 billion health care reserve fund, return the highest tax brackets to 36.0% and 39.6% in 2011, return the capital gains tax rate to 20.0% in 2011, and make the Making Work Pay and American Opportunity tax credits permanent.<sup>1</sup> The stress test began for America's 19 biggest banks; any shaky thrifts would be offered 6 months to raise private capital before getting more federal bailout money.<sup>2</sup> Finally, the Treasury struck a deal with Citigroup to convert up to \$25 billion in preferred Citi shares to common shares.<sup>3</sup>

**Bernanke conceives 2010 rebound.** Ben Bernanke thinks the recession could end during 2009, and that 2010 could prove to be a "year of recovery". Last week, the Federal Reserve Chairman also told the Senate Banking Committee that big banks need not be nationalized in the rescue.<sup>4</sup> Elsewhere, analyst Alpesh Patel of Praefinium Group told CNBC that bear markets have averaged just 84 weeks in length across the last 100 years, and that this one is now at the 70-week mark – another reason to be encouraged.<sup>5</sup>

**4Q 2008 GDP revised.** The -3.8% reading was refigured to -6.2% by the Commerce Department. Personal spending fell in 4Q 2008 by 4.3%.<sup>3</sup>

**Stocks descend.** At week's end, the NASDAQ finished up at 1,377.84, the DJIA at 7,062.93, and the S&P 500 at 735.09.<sup>6</sup>

% Change	Y-T-D	1-Year	5-Yr Avg
<b>DJIA</b>	<b>-19.52</b>	<b>-44.36</b>	<b>-6.65</b>
<b>NASDAQ</b>	<b>-12.63</b>	<b>-41.46</b>	<b>-6.42</b>
<b>S&amp;P 500</b>	<b>-18.62</b>	<b>-46.73</b>	<b>-7.16</b>

(Source: CNNMoney.com, 2/27/09)<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.** In the year 1985, a man named Marcus was 15 years old. In the year 1990, this very same Marcus was 10 years old. How could this be?

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

**Last week's riddle:** One day Jill celebrated her birthday. A day later, her older twin brother Greg celebrated his birthday. How is that possible?

**Answer:** At the time she went into labor, the mother of the twins was traveling by boat. The older twin, Greg, was born first early on March 1. The boat then crossed a time zone, and Jill, the younger twin, was born on February 28.

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### Citations.

- <sup>1</sup> [money.cnn.com/2009/02/26/news/economy/obama\\_budget\\_outline/index.htm?postversion=2009022619](http://money.cnn.com/2009/02/26/news/economy/obama_budget_outline/index.htm?postversion=2009022619) [2/27/09]
- <sup>2</sup> [marketwatch.com/news/story/us-stocks-lower-bleak-housing/story.aspx?guid={9B545E24-3B45-48C2-A5A1-A0A5992A96BC}&dist=msr\\_1](http://marketwatch.com/news/story/us-stocks-lower-bleak-housing/story.aspx?guid={9B545E24-3B45-48C2-A5A1-A0A5992A96BC}&dist=msr_1)  
[2/25/09]
- <sup>3</sup> [forbes.com/2009/02/27/gdp-recession-pce-markets-economy\\_financial\\_12\\_print.html](http://forbes.com/2009/02/27/gdp-recession-pce-markets-economy_financial_12_print.html) [2/27/09]
- <sup>4</sup> [washingtonpost.com/wp-dyn/content/article/2009/02/24/AR2009022401514.html/](http://washingtonpost.com/wp-dyn/content/article/2009/02/24/AR2009022401514.html/) [2/25/09]
- <sup>5</sup> [cnbc.com/id/29428052](http://cnbc.com/id/29428052) [2/27/09]
- <sup>6</sup> [money.cnn.com](http://money.cnn.com) [2/27/09]
- <sup>7</sup> [money.cnn.com/data/markets/dow/?](http://money.cnn.com/data/markets/dow/) [2/27/09]
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- <sup>7</sup> [money.cnn.com/quote/historical/historical.html?pg=hi&close\\_date=2%2F27%2F08&mode=add&symb=DJIA](http://money.cnn.com/quote/historical/historical.html?pg=hi&close_date=2%2F27%2F08&mode=add&symb=DJIA) [2/27/09]
- <sup>7</sup> [money.cnn.com/quote/historical/historical.html?pg=hi&close\\_date=2%2F27%2F04&mode=add&symb=DJIA](http://money.cnn.com/quote/historical/historical.html?pg=hi&close_date=2%2F27%2F04&mode=add&symb=DJIA) [2/27/09]
- <sup>7</sup> [money.cnn.com/quote/historical/historical.html?pg=hi&close\\_date=2%2F27%2F08&mode=add&symb=COMP](http://money.cnn.com/quote/historical/historical.html?pg=hi&close_date=2%2F27%2F08&mode=add&symb=COMP) [2/27/09]
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