

Cowan Financial Group, Inc. Presents

Weekly Economic Update for the Week of March 23, 2009

Quote of the week. “Be a yardstick of quality. Some people aren’t used to an environment where excellence is expected.” – Steve Jobs

Fed buying \$1+ trillion in securities. In a move that surprised the Treasury market, the Federal Reserve said it would buy up to \$300 billion in Treasuries and an additional \$750 billion in mortgage-linked bonds Wednesday.¹ What effect did this have? Treasury yields fell roughly half a percentage point at midweek; mortgage interest rates were poised to go even lower.² The dollar fell and gold soared on inflation worries. Gold shot up more than \$53 on Wednesday; the dollar lost 4.7% versus the euro and 2.1% versus the yen on the week.^{3,4} The Fed is aggressively trying to kick-start lending, and is considering expanding the \$1 trillion TALF program designed to repair the consumer credit markets.¹

Consumer prices up, PPI almost flat. In February, the Labor Department’s Consumer Price Index rose 0.4%. Core CPI rose 0.2%, and at that rate, annual core inflation would reach 1.8% for 2009, within the Fed target.⁵ As for wholesale inflation, the Producer Price Index gained just 0.1% last month.⁶

Huge jump in housing starts. A 22.2% gain over January’s numbers? Wow. Most of the gain came in the multifamily housing sector. Single-family construction starts rose only 1.1% in February.⁷

Two in a row. For the first time in almost a year, all three major indexes gained ground for consecutive trading weeks. The DJIA ended the week at 7,278.38. The S&P 500 finished Friday at 768.54. As for the NASDAQ, it ended the trading week at 1,457.27.⁸

% Change	Y-T-D	1-Year	5-Yr Avg
DJIA	-17.07	-41.12	-5.71
NASDAQ	-7.59	-35.47	-4.98
S&P 500	-14.91	-42.19	-6.15

(Source: CNNMoney.com, 3/20/09)⁹

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. Pronounced as one letter, written with three, there are only two letters in me. I’m read from both ends, and the same either way. What word am I?

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

Last week’s riddle: It can be ten men’s length with ten men’s strength, and yet ten men cannot make it stand on its end. What could it be?

Answer: A rope.

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Citations.

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