

Cowan Financial Group, Inc. Presents Weekly Economic Update for the Week of May 11, 2009

Quote of the week. “There is nothing so useless as doing efficiently that which should not be done at all.” – Peter Drucker

More joblessness, but fewer layoffs. The latest data from the Labor Department put the jobless rate at 8.9%, but the pace of layoffs declined in April. In March, the economy shed 699,000 jobs. Last month’s net reduction was only 539,000 jobs. Is the pace of layoffs easing? President Obama sees hope: “The gears of our economic engine do appear to be slowly turning once again. Step by step, we’re beginning to make progress.”¹

A stress test summary. The Federal Reserve found that 10 out of 19 major U.S. banks needed a bigger capital buffer, including Bank of America, Citigroup, GMAC and Wells Fargo. BofA was instructed to raise nearly \$34 billion in capital.² Other big thrifts do not need to beef up their balance sheets, among them American Express, Capital One, Goldman Sachs, JPMorgan Chase and MetLife.³

Service sector shrinks mildly. April’s Institute for Supply Management service sector index improved to 43.7% from 40.8%. The index hasn’t increased since January. Numbers below 50% mean contraction, but the rate of contraction eased in April.⁴

Warehouses are emptier. Wholesale inventories fell by 1.6% in March, and that’s good news – inventory overhang is one of the conditions

promoting the recession. Clearing inventory out can inspire an increase in production.⁵

Market passes test. The Dow closed Friday at 8,574.65 for a weekly gain of 4.41%. The NASDAQ rose 1.15% last week to finish the week at 1739.00. The S&P 500 gained 5.89% in a week to close at 929.23 Friday - it is now positive for the year.⁶

% Change	Y-T-D	1-Year	5-Yr Avg
DJIA	-2.30	-33.36	-3.05
NASDAQ	+10.27	-29.06	-1.87
S&P 500	+2.88	-33.52	-3.08

(Source: CNNMoney.com, 5/8/09)⁷

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. I follow a bird as it moves through the sky. I can cross the ocean and yet remain dry. What am I?

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

Last week’s riddle: What goes up and down each day yet does not physically move?

Answer: The temperature.

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Citations.

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