

Cowan Financial Group, Inc. Presents Weekly Economic Update for the Week of September 28, 2009

Quote of the week. “It is characteristic of wisdom not to do desperate things.” – Henry David Thoreau

How strong is the housing recovery? That was a major question on Wall Street last week. The Commerce Department had new home sales up 0.7% for August, below expectations of analysts but still rising to the highest level in almost a year. However, existing home sales fell 2.7% in August – the first dip since March. In better news, the backlog of unsold existing homes shrank to 8.5 months in August, down from this recession’s peak of nearly 12 months; 6 months is typical in a healthy housing market.^{1,2}

Fed holds rates, winds down auctions. The other big question last week: was the timing right for the Federal Reserve to scale back its auctions of Treasuries and cash loans? The auctions will be gradually decreased to \$100 billion in January from the current \$450 billion. As expected, the Fed left the key interest rate alone last week. It also said it would fulfill its plan to buy \$1.25 trillion in mortgage-linked securities by March.³

Breaking down durable goods data. In August, durable goods orders slipped 2.4%. The silver lining (of sorts): excluding transportation orders, durable goods orders were merely flat last month.⁴

Fresh optimism. The Conference Board’s leading economic indicators index rose 0.6% in August - the fifth straight monthly gain. The Reuters/University of Michigan consumer sentiment index rose to a final September number of 73.5, far above the 65.7 mark

registered in August.^{1,5}

A challenging week for stocks. The home sales statistics and the Fed’s plan to scale back emergency lending programs weighed on equities. The S&P 500 came in at 1,044.38 at the Friday close. The NASDAQ finished the week at 2,090.92, and the DJIA was at 9,665.19 at the closing bell Friday.⁶

% Change	Y-T-D	1-Yr Avg	5-Yr Avg	10-Yr Avg
DJIA	+10.13	-12.31	-0.76	-0.60
NASDAQ	+32.59	-4.37	+2.25	-2.37
S&P 500	+15.62	-13.63	-1.18	-1.82
Real Yield	9/25	1 Yr Ago	5 Yrs Ago	10 Yrs Ago
10YrTIPS	1.60%	2.09%	1.78%	4.04%

(Source: CNNMoney.com, ustreas.gov, bls.gov, 9/25/09)^{7,8,9}
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. It has keys that open no locks. Yet it lets you enter and create spaces. What is it? *Contact my office or see next week’s Update for the answer.*

Last week’s riddle: You buy 10 shrubs. How can you plant them in five rows with four in each row?

Last week’s riddle answer: Draw a five-pointed star. Plant one tree at each point, and one tree where the sides intersect.

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.

Securities offered through NEXT Financial Group, Inc. Member FINRA/SIPC

These views are those of Peter Montoya Inc., and not the presenting Representative or the Representative’s Broker/Dealer, and should not be construed as investment advice. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor’s 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is not possible to invest directly in an index. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the “NYSE”) and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world’s largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. All information is believed to be from reliable sources; however we make no representation as to its completeness or accuracy. All economic and performance data is historical and not indicative of future results. The market indices discussed are unmanaged. Investors cannot invest in unmanaged indices. The publisher is not engaged in rendering legal, accounting or other professional services. If other expert assistance is needed, the reader is advised to engage the services of a competent professional. Please consult your Financial Advisor for further information. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards.

Citations.

- 1 bloomberg.com/apps/news?pid=20601087&sid=a9xREfkW71Qc [9/25/09]
- 2 voices.washingtonpost.com/economy-watch/2009/09/aug_existing_home_sales_drop_u.html?hpId=moreheadlines [9/24/09]
- 3 bloomberg.com/apps/news?pid=20601068&sid=aiRVSHpimr1E [9/24/09]
- 4 marketwatch.com/story/us-durable-goods-orders-tumble-24-2009-09-25 [9/25/09]
- 5 npr.org/blogs/thetwo-way/2009/09/leading_indicators_economy_rec.html [9/21/09]
- 6 cnbc.com/id/32918723 [9/25/09]
- 7 money.cnn.com/data/markets/dow/ [9/25/09]
- 7 money.cnn.com/data/markets/nasdaq/ [9/25/09]
- 7 money.cnn.com/data/markets/sandp/? [9/25/09]
- 7 money.cnn.com/quote/historical/historical.html?pg=hi&close_date=9%2F25%2F08&mode=add&symb=DJIA [9/25/09]
- 7 money.cnn.com/quote/historical/historical.html?pg=hi&close_date=9%2F24%2F04&mode=add&symb=DJIA [9/25/09]
- 7 money.cnn.com/quote/historical/historical.html?pg=hi&close_date=9%2F24%2F99&mode=add&symb=DJIA [9/25/09]
- 7 money.cnn.com/quote/historical/historical.html?pg=hi&close_date=9%2F25%2F08&mode=add&symb=COMP [9/25/09]
- 7 money.cnn.com/quote/historical/historical.html?pg=hi&close_date=9%2F24%2F04&mode=add&symb=COMP [9/25/09]
- 7 money.cnn.com/quote/historical/historical.html?pg=hi&close_date=9%2F24%2F99&mode=add&symb=COMP [9/25/09]
- 7 money.cnn.com/quote/historical/historical.html?pg=hi&close_date=9%2F25%2F08&mode=add&symb=SPX [9/25/09]
- 7 money.cnn.com/quote/historical/historical.html?pg=hi&close_date=9%2F24%2F04&mode=add&symb=SPX [9/25/09]
- 7 money.cnn.com/quote/historical/historical.html?pg=hi&close_date=9%2F24%2F99&mode=add&symb=SPX [9/25/09]
- 8 ustreas.gov/offices/domestic-finance/debt-management/interest-rate/real_yield.shtml [9/25/09]
- 8 ustreas.gov/offices/domestic-finance/debt-management/interest-rate/real_yield_historical.shtml [9/25/09]
- 8 ustreas.gov/offices/domestic-finance/debt-management/interest-rate/yield_historical_1999.shtml [9/25/09]
- 9 treasurydirect.gov/instit/anncceresult/press/preanre/1999/ofm70799.pdf [7/7/99]