



1st QUARTER MARKET WRAP UP

It was a turbulent first quarter of 2008 on Wall Street. Fears that a deep US recession might halt global growth, the financial crisis in the US left no region of the world untouched. JPMorgan Chase's government-authorized \$ 10 a share acquisition of the collapsed Bear Stearns may be evidence of America's crippling status in an area that it once thrived and excelled in.

Consumer spending stayed stagnant in February, growing at the slowest pace in more than a year, as the housing slump and a weak job market continued to put pressure on the pocketbooks of Americans. Because consumer spending is considered the primary engine of the economy, accounting for more than two-thirds of the gross domestic product, a weakening economy can further emphasize the importance of consumer confidence. As expectations have fallen among many consumers, the Consumer Confidence Index, rated by the Conference Board, hit its second lowest level in history, slightly above the rating in 1973. Declining home prices, increase in mortgage defaults, along with rising food and energy prices, growing at a pace of 2.5%, up from 2% in the third quarter of 2007, have further fueled the increasing concern. Consumers are not only wary of spending, but also executives are concerned and appears to be cutting back on capital spending.

Housing: Sales of new homes in the US fell to a 13-year low, falling 4 months in a row and off 30% in the past year. The number of new homes on the market dropped by 2.1% to 471,000, indicating that builders are struggling to reduce their inventory of unsold homes. KB Home, one of the nation's biggest residential homebuilders, said it showed a loss in its fiscal first quarter as weak home sales, along with a worsening housing market, forced the company to take a large write-down related to falling home prices.

Job growth—or lack thereof: For many Americans, the state and security of their job is most of what they need to know about the economy. With that said, the forecast has a lot to be desired. The Labor Department has reported that job losses have totaled 232,000 since the New Year, an average of 77,000 lost jobs per month. Although jobless claims fell by 9,000, to 366,000 during the last week of the quarter, it fared better than many economists had forecast. Still, unemployment is expected to rise this year to 5.1% at the end of March.

Commodities: Most commodities managed to finish the first quarter on a significantly higher note, but tighter credit and concerns about economic growth sent prices into deep decline in mid-March. Bear Stearns' sale to JPMorgan Chase in March swept across the entire commodity sector. Gold, which reached an all-time high of over \$ 1,000 an ounce, advanced 10.3% during the first quarter, however, it dropped \$ 58.50 on March 19, its biggest decline since 1980. The same scenario occurred with crude oil; prices rose above \$ 110, topping the high previously set in 1980, yet fell \$ 4.94 in one day, its biggest dollar drop in more than 17 years.

The Dow Jones Industrial Average finished at 12,262.73, down 7.6% for the quarter. The S&P closes at 1,322.67, with a loss of 9.9% for the quarter. The NASDAQ composite, down 14.1% for first quarter, ends at 2,279.10. Yields on 10-year Treasuries closed at 3.429%, while the Russell 2000 Index ended at 687.97.

What's ahead? The JPMorgan Chase deal faces questions about the potential burden placed on taxpayers, yet again, and the precedent it may set forth for future financial disasters that occur in private sectors. And with the economy and job market among the foremost issues on Americans' minds right now, presidential candidates must walk a very fine line this election season, as talks of a recession by economists indicate that it may extend to 2009. As this is an election year, and all eyes are on the future.

Sources: *MarketWatch*, March 2008; *NY Times*, March 2008; *Wall Street Journal*, March 2008

Retirement Corner...

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ROTH 401(k) Plans

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NUMBERS TALK

Percentage the dollar has declined since 2005 against foreign currencies...36

Percentage the dollar declined against the Euro in 2007...9.6

Amount of money currently held in Individual Retirement Accounts in the US, in trillions... 4.23

Percentage of US stock funds added to 401(k) plans from 1998 to 2002 that were index funds...11

Number of Americans age 21 to 64 with full-time, year-round jobs, in millions...100

Percentage of Americans covered by job-based health insurance in 2006...59.7

Percentage of retirees who retired earlier than they planned, in 2007...60

Percentage of retirees that have less than \$ 25,000 in savings and investments...48

Cost of a semi-private nursing-home room for one year...69,000

Average age which pre-retirees believe they need to make their retirement savings last...83

Percentage of workers age 55 or older who work full-time, year-round...64

Percentage of working Americans ages 65 to 69 in 2006...30

Percentage of reduction in retirement contributions, due to rising costs...30

Percentage of individuals who have delayed going to doctors due to rising health care costs...50

Amount of dollars US households lost in real estate equity in the third quarter of 2007, in billions...128

Percentage consumer bankruptcy filings rose in 2007...40

Percentage of wealthy individuals that are optimistic about their 2008 investment returns...58

Percentage of wealthy individuals that are pessimistic about their 2008 investment returns...4

Percentage of parents with children age 5 and older who feel well prepared to teach their children about basic personal finances...26

Women are paid less than men for similar work performance, globally, by this percent...16

Women are paid less than men for similar work performance in the US by this percent...22

American adults who have left the faith in which they were raised, in percents...44

Adults who claim they are unaffiliated with any religion, in percents...16

Average age of modern-day financial advisors...55

Percentage of Americans who have received a large monetary gift from living relatives...22

If you would like to discuss any of the topics contained in this issue of "FINANCIAL FOCUS," contact Pegasus Asset Management, Inc. at 845-369-9422, or via e-mail:

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