



Despite the ongoing credit crisis, stock market jitters, the recession and lack of consumer spending, the second quarter of 2009 on Wall Street surprisingly finished its best quarter in years on Tuesday — part of a dizzy spree that lifted the market 35 percent since early March. The uphill battle continues, though, with concerns still lingering amid housing and employment sectors.

Housing

Lower prices lured home buyers in May, with existing home sales rising 2.4% to 4.77 million, with fewer distressed sales. According to the National Association of Realtors, falling prices boosted sales of pre-owned homes in May to the highest level since October. May sales may have been dominated more by the typical homebuyer, who tends to move in the summer. The median sales price fell 16.8% in the past year to \$ 173,000, the third largest year-over-year decline on record. U.S. home prices fell 0.1% in April, declining 6.8% in the past year.

Consumer Confidence & Employment

Though consumer spending is slightly up from last year, consumer confidence retreated, falling to a reading of 49.3 for June, as worries grew over jobs and the economy. First-time claims for state unemployment benefits declined in the last week of the quarter, almost completely reversing the gain from the prior week. The number of initial claims in the week ending June 27 fell 16,000 to 614,000. The four-week average of initial claims fell 2,750 to 615,250.

Commodities

Crude oil closed out the quarter at \$ 69.89, rising 5.4% in June, rallying 41% in the second quarter, the biggest three-month advance since Saddam Hussein's invasion of Kuwait in the third quarter of 1990. Crude gained 57% in the first half of the year.

Gold futures fell on the last trading day of the quarter as the dollar strengthened after lackluster data on consumer confidence and movements in US home prices, reducing gold's appeal. The precious metal had rallied 10% in May, the biggest monthly gain in six months, finishing June at \$ 927.10 an ounce, close to its March 2008 record of \$ 1,003.20.

Market Overview

The Dow Jones Industrial Average closed the second quarter at 8,447, up 11% for the last three months, but down 3.8% for the year. The S&P 500 Index is up 15% for the quarter, 1.8% for the year; its best quarter since 1998, ending at 919.32. The NASDAQ Composite soared 20% in the quarter, finishing at 1,835.04. Yields on 10-year Treasuries closed at 3.521%, while the Russell 2000 was off by 0.4%, closing at 508.28.

What's ahead? Stocks rose around the world in the second quarter, but investors worry about a pullback if the global economy continues to struggle. Despite signs that the downturn is easing, many Americans are more downbeat about the economy now than they were when the stock market rally began. With unemployment currently at 9.6%, economists expect it to rise. Private wages and salaries are continuing to fall, and Americans are saving more money as they try to hedge against job losses. If consumers continue to guard their money and banks sustain more losses from foreclosures, credit card defaults and losses in commercial real estate, analysts say that this could result in slower growth in consumer spending, corporate earnings and stock markets will face huge obstacles to growth that could keep investors less optimistic for months to come.

Sources: *MarketWatch*, June 2009; *The Wall Street Journal*, June 2009; *The New York Times*, June 2009.

****On December 23, 2008, The Worker, Retiree and Employer Recovery Act of 2008 ("the Act") was signed into law. This Act temporarily waives the required minimum distribution ("RMD") rules for 2009, subject to certain qualifications. The provision allows a retirement plan participant or beneficiary to suspend (or skip) their RMD for calendar year 2009 without triggering the 50% excise tax penalty that would normally apply for RMDs that are not distributed. Please note that, if suspended in 2009, the RMD would be required to resume in calendar year 2010. If you have any questions regarding this Act, please contact your tax professional.**

 **NUMBERS TALK**

Number of auditors, accountants and other financial professionals needed by 2016...**226,000**

Percentage of loans between family and friends that end up in default, versus less than 3 percent of consumer bank loans...**14**

Billions of dollars paid out by long term care insurance policies in 2007...**3.5**

Estimated billions of dollars in unpaid help given by 34 million caregivers to family and friends in 2007...**375**

Percentage of U.S. voters who believe workers should be allowed to opt out of Social Security to provide for their own retirement planning...**46**

Percentage of accuracy with which January market returns predict the direction of the market for the rest of the year...**91.4**

Number of consecutive years GM was the world's largest automaker before relinquishing that title to Toyota in 2008...**77**

Percentage of people who think it's a good time to buy a home, versus 32 percent who believe it's a good time to buy stocks...**51**

Trillions of dollars wiped out in defined contribution plans and individual retirement accounts from October 2007 to October 2008...**2**

Percentage of employers who offer some form of financial education or literacy program for their workers...**43**

Percentage of couples hiding purchases from their partners in 2009...**28**

Percentage of couples hiding purchases from their partners in 2008...**18**

Percentage of U.S. couples where money is the number one source of arguments...**31**

Percentage of couples worldwide who say they've ended their relationships due to money problems...**10**

Percentage of investors who consider the environment as the most desirable investment opportunity...**64**

Percentage of consumers around the globe who did not hear from their financial institutions—asset managers, bankers, and insurers—about the financial crisis late last year...**70**

Number of hours per week financial planners spent, on average, with clients after September 1, 2008...**15**

Percentage of large companies planning to layoff workers...**13**

Dollars of net worth the average American family has in 2009, down from \$87,300 in 2007...**56,700**

*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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