



From public outrage over AIG bonuses, to the Big Three US automaker crisis and a declining job market, the world is an unsettled place. The first three months of 2009 took investors on a turbulent ride, dropping stock markets to their lowest levels in some 12 years before they began one of their most dizzying rallies since the Depression. The Dow lost some 1,100 points during the first quarter of the year, and the S&P 500 sank about 11 percent.

The increasing potential of GM's bankruptcy and the departure of Rick Wagoner as GM's chief executive signaled stocks to tumble worldwide. The dismissal of Wagoner indicates that the government plans a more active role in the automaker's affairs and continuing plans to restructure and revive the ailing company.

Consumer confidence inched up in March from a record low in February as severe worries about the economy and jobs in coming months slightly eased, according to the Conference Board index. While there have been some tentative signs that the worst may be in the past for consumer spending and home sales, there's little hope for any immediate relief from the dramatic job loss that began last November.

Mounting job losses and depleted investments weighed down consumers. Those with plans to buy an automobile within six months fell to 3.9% from 4.7%. Those with plans to buy a home also dropped to 2% from 2.3%. Manufacturers are slashing production, jobs and inventories until supply can be rebalanced with demand. For the most part, consumers are too afraid to buy durable goods.

More than 650,000 jobs have been lost in each of the past three months, including 651,000 in February. The government reported 663,000 job losses in March, and that the unemployment rate climbed to 8.5% from 8.1%. Businesses with more than 500 workers cut 128,000 jobs while small and medium-size companies slashed 614,000 positions. Since the recession began in December 2007, some 4.4 million jobs have vanished. Pay cuts remain an intuitive next step.

According to Mercer, a human resources consultant, 25% of companies surveyed have instituted salary freezes for 2009. Projections indicate that will rise to 33% by the end of the year.

Prices of single-family homes in 20 major metropolitan areas fell 19 percent in February from a year earlier, according to Standard & Poor's Case-Shiller Home Price Index. The home price index fell 2.8% in January, with home values in all 20 cities falling at least 1%. Prices are down 29% from the peak in mid-2006.

With prices still falling at a rapid pace, millions of homeowners are finding themselves owing more on their house than it is worth. The data, offered a fresh reminder that the housing market was still sliding lower, despite reports of higher home sales and slight improvements in home construction. In states hit hardest by the housing bust or the swift decline in manufacturing, unemployment has already surged past 10 percent.

Commodities

Crude prices rose \$1.18 the final day of the first quarter, closing at \$49.59, up 11.3% in the quarter. For March, gold fell 2.1%, down for the first month in five. But the metal gained 4.3% in the first quarter. The gold price is now more than \$80 lower than this year's high above \$1,000 hit on Feb. 20.

Market Overview

The Dow Jones Industrial Average finished the quarter at 7608.92, down 13.3% in first quarter, up 7.7% for the month of March. The S&P 500 finished the quarter at 797.87, down 11.7% in first quarter, up 8.5% for the month of March. The NASDAQ finished the quarter at 1,528.59, down 3.1% in first quarter, up 10.9% in March. Yields on 10-year Treasuries closed at 2.69%, while the Russell 2000 Index closed at 422.75.

What's ahead? The current mindset of many remains one of the greater risks as this crisis evolves from financial to economic to social and as the equilibrium between equity, credit, commodities and currencies remains indefinable. Consumers remain extremely pessimistic about the short-term future and do not foresee a turnaround in economic conditions over the coming six months, although the general view among economists is that the US economy will begin to grow again in the June quarter.

 **NUMBERS TALK**

Number of pages in Treasury Henry Paulson's original bailout proposal to Congress...3

Number of pages in the signed Emergency Economic Stabilization Act of 2008 based on Henry Paulson's proposal...451

Internationally, ranking of China among biggest holders of US debt...1

Number of S&P 500 stocks that made money in 2008...31

Cost, in dollars, for a barrel of crude oil in December 2008...33.87

Cost, in dollars, for a barrel of crude oil in July 2008...147.27

Estimated trillions of dollars lost in home values by the end of 2008...2

Millions of jobs lost in the last four months of 2008...2

Total job loss in 2008, in millions...2.6

Average amount, in dollars, being spent annually by caregivers helping someone older...5,531

Number of years in a row the share of the US population under age 65 receiving health insurance coverage through their employer has declined...7

Percentage of seniors who are making lifestyle adjustments...75

Percentage of seniors who are borrowing against their home or trying to sell it for income...25

Percentage of seniors who are considering returning to work...20

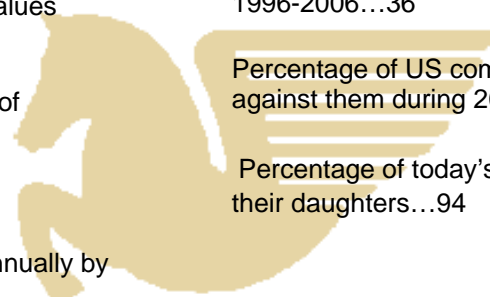
Percentage of 61-year-olds expecting to start Social Security when they turn 62...45

Percentage of all US workers participating in an employment-based retirement plan in 2007...41.5

Percentage increase in homeowner income between 1996-2006...36

Percentage of US companies reporting new lawsuits filed against them during 2007-2008...79

Percentage of today's women discussing finances with their daughters...94



****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.**

*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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