



After a long span of the worst financial crisis and recession in decades, continuing efforts on home mortgages, modest increases in consumer confidence and spending, and improvement in the job market are notable signs of a long-awaited glimpse of optimism heading into the second quarter of the year.

Job Market

The number of people applying for unemployment benefits fell 6,000 in the week ending March 27 to a seasonally adjusted 439,000, according to the Labor Department. The four-week average of initial claims declined to the lowest level since September 2008, and are down one-third from the prior year.

According to economists, while there have been recent declines in the data, jobless claims would have to fall to about 400,000 to indicate a strong hiring trend.

Housing

Homebuyers came back into the market in February, with an 8.2% increase in its pending home sales index, reported by the National Association of Realtors.

Sales rose even in areas hard hit by poor weather in February. Sales climbed 9 percent in the Northeast and South, which were hit with major storms in February.

Economists claim that the reported increase suggests that buyers were re-entering the market as the April 30th deadline approached for the government tax credit of up to \$ 8,000, driving up sales, and may also signal the early stages of a second surge of home sales.

The jump in pending home sales was a rare bit of good news for the housing market, which still remains in trouble. Home prices have shown little appreciation and foreclosures are still rising as Americans continue to fall behind on mortgage payments.

Analysts expect the housing market to gradually improve as unemployment recedes and the broader recovery gains steam, although relief has been slow to come.

With projections of millions of foreclosures over the next five years, the Obama administration announced it would make major adjustments to its \$75 billion mortgage-modification program, aimed at assisting a greater number of unemployed and other troubled homeowners in modifying or refinancing their mortgages. Bank of America Corp., the largest US mortgage

lender, also unveiled a program to cut principal on up to 45,000 troubled home loans by as much as 30%.

Consumer Confidence & Spending

A weak job market crimped the paychecks of Americans in February, with household incomes remaining flat. According to the Commerce Department, even as wages held steady, consumers were more willing to part with the cash they had on hand. Spending rose 0.3 percent, or \$ 34.7 billion, compared with January. Wages and salaries, which make up more than half of personal income, were largely flat in February, increasing by \$ 2.7 billion. Spending in February on long-lasting goods, such as cars and appliances, was weaker than on items such as food and clothing.

Commodities

Oil finished the quarter with a rise above \$ 83 a barrel, while natural gas extended double-digit losses for the same periods. Oil had gained 5.1% in March and 5.5% for the quarter, its fifth-straight quarterly increase. The price of gold rose to \$ 1,114.80 an ounce, and copper was up more than 3.5 percent.

Market Overview

The Dow Jones Industrial Average closed the quarter at 10,856.63, a gain of 4.1%. Up nearly 5% for the three-month period, the S&P 500 finished its best first quarter in 12 years, ending at 1,169.43. The NASDAQ Composite Index closed out the quarter at 2,397.96, gaining 5.7%.

What's ahead?

Far-reaching legislation aimed at overhauling the nation's financial-services regulatory system is moving forward in Congress, but advocates say some of the proposed consumer protections are too weak. With consumers and homeowners continuing to struggle through the after-effects of the worst financial crisis in decades, few experts argue that the current system provides adequate safeguards.

Economists expect spending to rise modestly this year, but consumer confidence is still at extraordinarily low levels, and economists believe that the nation's weak labor market, along with the unemployment rate standing at 9.7 percent, will continue to strain spending. Another contributing factor is that Americans, still nervous about the economy, will more likely keep higher-than-usual proportion of their income in savings.

Sources: *MarketWatch*, March 2010; *The New York Times*, March 2010.

 **NUMBERS TALK**

Billions from online retail sales this past holiday season (November and December 2009), up 8 percent over last year...44.7

Percentage of male retirees who are very confident their savings will carry them through retirement at an acceptable level...47

Percentage of female retirees who profess such confidence...30

Number of credit card solicitations mailed to U.S. households in the third quarter of 2009, in millions...272.5

Percentage of mothers who feel it is very important that their children get a college degree...74

Percentage of fathers who feel it is very important that their children get a college degree...66

Percentage of early boomers (born 1948 to 1953) who have no mortgage...46

Percentage of advisers ages 36 to 50 who use BlackBerries, not only to check e-mail, but also to access online information, including client accounts...40

Percentage of credit card holders who report using their cards "somewhat or far less often" than they did prior to the economic downturn...46

Percentage of Americans who made at least one finance-related New Year's resolution for 2010...75

Percentage of Americans who have *not* created a financial plan and claim they do not know where to turn for financial advice...42.5

Percentage of Americans ages 45 to 75 with a nest egg of at least \$100,000, who would prefer to learn more about guaranteed income from a financial professional...66

Average amount of 401(k) balances for those over age 60...115,000

Percentage of median growth revenue for financial advisory firms in 2008, despite the market meltdown...4

Percentage of Americans who have put away enough money to cover expenses for three months should they become sick, lose their jobs, or experience some other emergency...49

Percentage of U.S. married households with children in 2009 in which both parents worked...59

Number of females in the U.S. in October 2009, in millions...155.8

Number of males in the U.S. in October 2009, in millions...151.8

What women earn for every \$1 earned by men...77 cents

Median annual income of women 15 and older who worked year-round, full-time in 2009...35,745

Percentage of female college students in Fall 2009...55

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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