



For many Americans, the 2000's were a lost decade. Jobs created earlier in the decade fueled by the twin housing and credit bubbles disappeared as we watched the bubbles burst by the end of the decade. The bankruptcies of General Motors and Chrysler in 2009 caused thousands of additional job losses with dealerships closing; high-profile brands ending and similar negative effects for Toyota Motor Corporation. All in all not only was 2009 a year many would rather forget, but the end of a decade with many costly errors.

Job Market

Chronic unemployment continues to daunt the nation's long-term potential. Already, the economy is failing to provide work opportunities for so many, including America's young adults, who may suffer a lifelong financial handicap from their slow start on their careers.

Unemployment for young adults is a crisis, as joblessness is at a record 16% for them. The labor-force participation rate for young adults has fallen to 72% from 77%. In addition to 4 million who are counted as unemployed, another 3 million young adults have simply given up on getting a job.

The number of individuals filing initial claims for state unemployment benefits fell by 22,000 to a seasonally adjusted 432,000 in the last week of 2009, the lowest since July 2008. The official jobless rate had jumped from 4.4% to 10%. While more than 9 million Americans have been limited to part-time work even though they want to work full-time, more than 15 million people have been forced onto unemployment lines. At the height of the financial crisis, widespread layoffs sent jobless claims to a high of 674,000 last spring.

Commodities

Oil has had a notable run in 2009, ending the year down 54%; it's biggest yearly loss since oil futures started trading in NY. Oil had started the year with prices hitting their high above \$147 a barrel, only to come down to lows near \$30 a barrel by February. For much of the second half of 2009, oil prices have fluctuated within the \$70-\$80 a barrel. Some analysts expect to see crude-oil prices return to record levels and reach \$150 per barrel, taking retail gasoline prices along with them, to \$5 per gallon.

Natural gas prices ended the year approximately 4% higher; a vast improvement from the 25% loss posted in 2008. Gold is set to make 2009 its ninth consecutive year with gains, already coming off from its record high above \$1,220 an ounce hit in early December.

Market Overview

The Dow Jones Industrial Average closed the quarter at 10,428, ending the year up more than 20%, its best year on a percentage basis since 2003. The S&P 500 Index was up nearly 25% for the year, ending at 1,115, as the NASDAQ Composite finished the year at 2,269.

What's ahead?

While according to some economists, the economy is predicted to grow at a steady pace of 3% in 2010, the prospects for significant job growth are dim and the unemployment rate could still be in the 10% neighborhood at this time next year. Economists at Goldman Sachs figure the unemployment rate won't peak until the middle of 2011 and will drop back to 10.5% by the end of 2011. It could take years to bring the unemployment rate down to 5% or 6%.

Banks and other financial institutions will face new waves of problems as more borrowers default on commercial mortgages and other loans in the coming year. Banks will also be facing added pressure from Washington, which is set to crack down on credit card penalties and debit card overdraft fees—two crucial revenue streams. Interest rates are expected to rise in 2010, weakening the fragile rebound that is emerging in the housing market.

Sources: *MarketWatch*, December 2009; *The New York Times*, December 2009.

As of January 1, 2010, new rules allow investors of any income or tax filing status to convert retirement assets to a Roth IRA. Assets in an IRA, including traditional, SEP, and SIMPLE IRA's are eligible for a Roth IRA conversion. Please contact your tax professional with any questions.

 **NUMBERS TALK**

Percentage of Northeasterners who have delayed making a major purchase in the past year due to the economy, compared to 39 percent of Westerners...**52**

Percentage of investors who think about their finances daily...**51**

Percentage of investors who thought about their finances before the market downturn...**27**

Number of small businesses that join Twitter every day...**5,000**

Percentage of employers more concerned about retaining their top performing staff members in today's economic climate than before the crisis hit...**52**

Percentage of company retirement plans under \$50 million that use a financial adviser...**75**

Percentage of women who would change or delay marriage plans if their future spouse had substantial debt or bad credit...**69**

Percentage of men who would do the same...**51**

Percentage of Gen X-ers who agree that it is important to be well-insured when it comes to life insurance...**63**

In a recent survey comprised of 1,000 US adults, the percentage of women who have a will...**28**

From the same survey, the percentage of men who have a will...**42**

Percentage of working-age Americans covered by employment-based health insurance in 2008...**61**

Percentage of Americans who say news stories are often inaccurate. The level of confidence in news accuracy is at its lowest level in more than two decades...**63**

Billions of dollars U.S. car dealers requested in rebates for the nearly 700,000 autos sold in the "cash for clunkers" program...**2.9**

Percentage of retired Americans who financially support their children...**53**

Percentage of 401(k) participants who had made no changes to their investments since the start of the recession, as of spring 2009...**77**

Amount, in trillions, of the U.S. budget deficit for fiscal year 2009, the largest since World War II...**1.4**

Percentage of American consumers who believe that the credit crisis is just as serious as or more serious than the dot-com bubble burst...**75**

Percentage of 2008 IRS economic stimulus payment recipients who used the tax rebate to pay off debt...**49**

Median price of homes sold in September, down 8.5 percent from a year earlier...**174,900**

The median household income for 2008, according to the U.S. Census Bureau...**\$ 50,303**

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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