



Shaken by natural disasters and political crises, investors close out a nerve-rattling first quarter, maneuvering through a barrage of unexpected events, yet surprisingly prevailing through the storm.

By Gabriella Cosentino

Job Market

New applications for unemployment benefits edged lower in the last week of the quarter. The Labor Department reported that first-time jobless claims fell by 6,000 to 388,000 in the last week of the quarter.

The economy added 192,000 jobs in February, the largest increase in eight months, as the jobless rate was 8.9% for the month.

Most workers who have exhausted state benefits are also eligible for extended relief from the federal government. Approximately 4.36 million people received extended benefits in the week ending March 12, the latest data available; about 18,000 higher than compared to the prior week. Altogether, 8.77 million people received some kind of state or federal benefit in the week of March 12, up slightly from the prior week.

Although unemployment claims have dropped 20% since last August, hiring still hasn't occurred at a pace that the decline in jobless applications would suggest. Hiring would have to increase much faster over many months to return the unemployment rate to pre-recession levels.

Housing

According to the Case-Shiller home-price index, home prices in 20 major US cities fell 1% in January, the sixth straight monthly decline. Prices fell 3.1% year over year in January, down from a 2.4% year-over-year drop in December.

Economists stated that enormous oversupply of distressed properties is pushing prices down. There are also concerns of a so-called 'shadow inventory' of homes that sellers and banks want to list, but are waiting for the right moment.

As housing reports continued to be grim in February, both existing and new-home sales plunged. Analysts don't see any near-term shift in the downward momentum in home prices.

Consumer Confidence & Spending

Consumer confidence experienced its biggest decline in more than a year, falling sharply in March because of growing concerns about rising prices and stagnant incomes.

The Conference Board reported its consumer confidence index

dropped to 63.4 in March from a revised 72.0 in February, marking the biggest one-month decline since February 2010. The index had risen five straight months until backtracking in March. The biggest decline occurred in the board's 'expectations' index, which gauges how consumers feel about the next 12 months. That index fell to 81.1 in March from 97.5 in February, making it the largest drop since the financial crisis in October 2008 and one of the five largest declines ever recorded.

The slow pace of hiring, meager wage increases and rising prices of gas and food are the biggest concerns of consumers. Americans became more pessimistic about the jobs market in March, as fewer people expect their incomes to rise.

Commodities

Escalating violence in Libya aided in the surge of oil prices to above \$100 per barrel, as oil hit highs last seen in the fall of 2008. Oil closed 17% higher at \$106.72 per barrel at the end of March.

Gold reached a record-high this quarter, as seen on March 24, as it soared to \$1,448.60 an ounce. Gold finished the quarter at \$1,440.00 an ounce.

Market Overview

The Dow Jones, up 6.7% for the first quarter, closed the at 12,319.73. The S&P 500 Index finished the quarter at 1,325.83, up 5.4% year-to-date, while the NASDAQ Composite Index closed the quarter at 2,781.07, a 4.8% rise year-to-date.

Treasurys have fallen year-to-date, ending its worst quarter since 2009, pushing 10-year yields up to about 3.45% from 3.30% at the end of 2010.

What's Ahead?

Some economists see a light at the end of the housing tunnel. They believe that sales may pick up in the spring if buyers become convinced that mortgage rates are likely to rise.

As for consumer confidence, after increasing at its fastest rate in four years in the final three months of 2010, consumer spending is expected to slow. High gas prices, surging food prices, and a continuing lack of jobs are challenges not-so-easily ignored by the average American consumer, with rising energy and food prices stealing from spending on other goods and services. In addition, the disaster in Japan and political turmoil in the Mideast also likely contributed to a more pessimistic mood.

As consumers account for two-thirds of US growth, any significant drop in spending could weaken an already-fragile economy.

Sources: *MarketWatch*, March 2011; *The Wall Street Journal*, March 2011; *The New York Times*, March 2011.

 **NUMBERS TALK**

Number of hours the majority (52.7 percent) of financial planners spend developing a single financial plan...**<10**

Percentage of investors who, when asked what they would do with an unexpected \$25,000, said they would invest the money...**62**

Percentage of more-affluent Americans (investable assets of at least \$200,000) who believe the help of a professional financial adviser is required when planning for retirement...**53**

Average amount donated to charity in 2009 by high-net-worth individuals who volunteered more than 200 hours that year...**\$75,662**

Poverty rate percentage for Americans ages 65 or older according to the U.S. Census Bureau's experimental poverty measure (reflecting current living standards)...**18.5**

Percentage of executives who think there is a direct connection between a company's gender diversity and its financial success...**72**

Percentage of one-person households in the United States in 2010...**27**

Percentage of retirement plan participants who say that it's more likely scientists will clone dinosaurs in their lifetime than it is that Congress will save Social Security...**51**

Percentage of individuals under age 30 who use an online bank as their primary banking institution...**22**

The **3** worst states to retire to, taking into consideration economic factors, including cost of living, unemployment, and tax rates...**Nevada, Michigan, and Alaska**

Millions of uninsured people expected to gain health insurance coverage by 2019 because of the Affordable Care Act...**32**

Percentage of those individuals expected to gain health insurance coverage, due to the Affordable Care Act, between the ages of 50 and 64...**17**

Percentage of U.S. workers who said they paid off their credit cards in full each month in 2010, up from 42 percent in 2009...**50**

Median amount of inheritance projected to be received by baby boomers over their lifetimes...**\$64,000**

Number of FDIC-identified "problem" banks in 2009, a nearly 300 percent increase from 2008, and a 17-year high...**702**

Percentage of affluent investors (with investable assets over \$250,000) who cite their financial adviser relationship as the top factor giving them confidence in their financial strategy...**42**

Number of jobs eliminated in the United States in 2010...**529,973**

Number of states that cut aging and disability services programs in Fiscal Year 2010...**31**

Number of states that anticipate cutting aging and disability services programs in Fiscal Year 2011...**28**

Single-family home median resale price in the U.S. in 2010...**\$172,500**

Percentage of households who now pay their bills online...**36**

*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:
Rodd Berro: rberro@pegasusassetmgt.com
John M. Sebastiano: jms@pegasusassetmgt.com*

**Visit us on the web! You can view current and previous newsletters at:
www.pegasusassetmgt.com**

Remember, past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly in this newsletter, will be profitable, equal any corresponding indicated historical performance levels, or be suitable for your portfolio. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Pegasus Asset Management, Inc.