



The past year certainly had its own hurdles. Battles raged from the halls of Congress to the shores of Tripoli. Washington's bitterness over debt and taxes is likely to boil until Election Day and probably longer, and the Middle East and North Africa is a cauldron of conflicts.

With a few exceptions, the first year after the 'lost decade' for US stocks was also lost. And there's wariness that 2012, while ultimately positive for the overall market, will create more investment obstacles than opportunities.

By Gabriella Cosentino

The first week of the new year reveals a lot about the US economy of the final month of the old year. The biggest potential drags are slower government spending at all levels and the fragile financial health of US households.

Most Americans don't believe it's easy to find a job, as some 16 million Americans cannot find permanent full-time employment. The outcome of the 2012 presidential election is also likely to hinge on whether the economy is surging or slowing down again.

The US has added an average of 143,000 jobs from September through November after hiring nearly dried up in early summer, and would have to add at least 250,000 jobs a month for several years to reduce unemployment to pre-recession levels.

Consumer confidence has jumped nearly 25 points in the past three months and now sits at its highest level since April 2011. An acceleration in US hiring since fall has contributed to the rebound.

Stronger growth in the final three months of 2011 was largely underpinned by consumers dipping into their savings to pay for holiday-season purchases. Some expect consumers to retrench over the next few months to pay down their debt and rebuild their savings. If that happens, the US economy is likely to slow again and repeat a recent stop-and-go pattern.

Housing

The S&P/Case-Shiller 20-city composite index fell 1.2% in October to move its 12-month drop to 3.4%. After five

straight months of gains starting in April, prices have started to cool.

About the only source of strength in the housing market is the multi-family segment, as both rents and building starts are climbing.

Commodities

The economic slowdown has been pretty well advertised and reflected in commodities.

Both gold and corn hit all-time highs this summer, yet both commodities fell this winter for different reasons. Corn prices shot up on worries of a global food shortage, while gold was driven higher by anxious traders who didn't want to invest in riskier stocks or bonds. Gold futures rebounded to score a 10% gain in 2011, closing the year out at \$1,421.40. For the last quarter, gold lost 3.4%. Crude oil scored an 8.2% gain in 2011.

Economists expect a 'bull run' for gold in 2012, given the ongoing debt problems facing many economies and record-low interest rates.

Market Overview

Wall Street finished an up and down year pretty much where it stood at the close of 2010, with the S&P 500 unchanged in 2011, finishing the year at 1,257.60. The Dow Industrials, up 5.5% for the year, closed at 12,217.56, while the Nasdaq, off 1.8% for the year, closed at 2,605.15.

What's Ahead?

As 2011 ends, economic conditions in Europe remain tenuous, with no clear end in sight. The euro-zone debt crisis continues to undermine the region's economic and political stability, and several countries may slip into recession, if they haven't already. The emerging markets of China, Brazil, and others are slowing, as is demand for resources from commodity-rich countries such as Australia and Canada.

While the US economy may avoid a double-dip recession, it is still considered to be the cream of a poor crop.

Sources: *MarketWatch*, December 2011; *The Wall Street Journal*, December 2011.

 **NUMBERS TALK**

Percent salary increase expected for U.S. non-executive employees in 2012, up from 2.6 percent in 2010 and 2011...**2.8**

Percentage of working single mothers who own life insurance, compared to 57 percent of women overall...**2/3**

Percentage of U.S. workers making six figures report living paycheck to paycheck, slightly better than the 17 percent reporting so last year...**14**

Percentage of U.S. workers reported they are more fiscally responsible since the recession and have made a variety of changes to their living and spending habits...**72**

U.S. personal savings rate in 2010, up from 2.9 percent in 2008 and 4.3 percent in 2009...**6**

Percentage of non-elderly Americans with employment-based health benefits in 2010, down from 69.3 percent in 2000...**58.7**

Average total amount paid by high-income families (annual income of \$100,000 or more) to meet college costs in the last academic year (2010–2011), compared with \$31,245 in the previous year...**\$25,760**

Percentage of college students who would choose an Internet connection over having a car...**64**

Percentage of college students who feel the Internet is more important than dating, going out with friends, or listening to music...**40**

Percentage of Americans under age 30 who strongly support the “Buffett Rule” to increase taxes on the wealthiest Americans...**>80**

Millions of small businesses operating in the United States, employing almost 80 million workers (about half of all private sector employees)...**30**

Percentage of financial advisers use social networks for business purposes...**84**

Number of weeks the median unemployment time span is for workers age 55–64, in 2010...**31**

Percentage cost-of-living adjustment increase in monthly Social Security and Supplemental Security Income benefits for more than 60 million Americans in 2012...**3.6**

Percentage of baby boomers who expect to receive an inheritance in the future...**15**

Trillions in consumer household debt as of mid-year 2011...**13.3**

Percentage of people who would not tell their spouse if they were experiencing financial difficulties...**24**

Percentage increase in women’s earnings for every year motherhood is postponed...**9**

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