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FINANCIAL FOCUS



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Your Accounting for a New Economy

July 2009 - By the Numbers

1. **Crystal Ball** - The Federal Reserve issued its first ever **3-year forecast** of unemployment rates on 11/20/07 (i.e., for the 3-years 2008-09-10). At that time, the Fed **projected** that the national unemployment rate in the USA would range from 4.8% to 4.9% during calendar year 2009. The unemployment rate in the country is currently 9.5% (source: Department of Labor, Federal Reserve).
2. **A Little High** - 70 money managers surveyed in late October 2008 **predicted** that the price of a barrel of oil would be \$92.51 as of 6/30/09. The **actual price of oil** was \$69.89 a barrel as of 6/30/09. The price of oil was \$67.81 a barrel on 10/31/08 (source: Barron's).
3. **A Little Low** - 11 interest-rate forecasters surveyed in late December 2008 **predicted** that the yield on the 10-year Treasury note would be 2.46% as of 6/30/09. The **actual yield on the 10-year Treasury note** was 3.54% as of 6/30/09. At the time the predictions were made, the yield on the 10-year note was 2.10% (source: Barron's).
4. **Caught in the Middle** - 40% of homes being foreclosed upon today by lenders are not owner-occupied, i.e., the foreclosed homes are **occupied by renters** (Source: Seattle Times).
5. **You Think?** - One year ago (7/14/08), Barney Frank, the chairman of the House Financial Services Committee stated "Freddie Mac and Fannie Mae are **fundamentally sound**. I think they are in good shape going forward" (source: Business Week).
6. **Fannie and Freddie** - US Treasury Secretary Hank Paulson announced a plan on Sunday 9/7/08 where the government would take control of **mortgage giants** Fannie Mae and Freddie Mac. The Treasury Department acquired **\$1 billion of preferred stock** in each company, warrants for 80% of their common stock and **pledged up to \$200 billion of financial support** as a result of potential mortgage defaults. The initial \$200 billion pledge by the government has since been doubled to \$400 billion (source: Wall Street Journal).
7. **Not Enough Tenants** - The national **vacancy rate** for apartments is 7.5%, its highest level **since 1987** (source: Bloomberg).

8. **Housing Stats** - 35 million households **rent an apartment**. 76 million households **own a home**. Of the 76 million homeowners, 25 million own their home **free-and-clear of debt** and the remaining 51 million **have a mortgage** (source: American Housing Study, Census Bureau).
9. **Gas Prices** - Since peaking at \$2.693 a gallon on 6/21/09, the national average price of unleaded gasoline **has fallen for 19 consecutive days** to \$2.565 as of 7/10/09 (source: AAA).
10. **Chinese Currency** - It was nearly **4-years ago** (7/21/05) that China announced its **fixed exchange rate** (i.e., one Chinese yuan was set equal to 12.08 US cents) that had existed **since 1994** had ended and the yuan would now be allowed to rise in value. The US began pressing China in May 2005 to revalue the yuan (aka the renminbi) by at least 10% or face **protectionist action** such as a 27.5% tariff on all imports from China. As of the close of trading last Friday, the yuan had risen +21% to 14.64 US cents but **has been flat** at that level over the last 12 months (source: Associated Press).
11. **Just Playing Ball** - Nolan Ryan was the first major league baseball player to make **\$1 million in a season**, earning that amount in 1980. By 1992, the **average major league ballplayer** made \$1 million a year. The average player will make **\$3.3 million** during the current 2009 season (source: USA Today).
12. **A Trillion More** - When the S&P 500 **peaked** at 1565 on 10/09/07, there was a \$2.9 trillion in money market accounts nationwide. When the S&P 500 **bottomed** at 677 on 3/09/09, there was \$3.9 trillion in money market accounts nationwide (source: Investment Company Institute).
13. **Earnings** - The 2nd quarter ends tomorrow. Earnings for the S&P 500 companies for the quarter are expected to be **down 34%** when compared to the actual results from the 2nd quarter of 2008 (source: Denver Post).
14. **Twice as Large** - The nation's unemployment rate (9.4%) **has doubled** over the last 18 months (source: Department of Labor).
15. **Smaller Yet** - The size of the US economy has contracted for **3 consecutive quarters** through 3/31/09, the first time that has happened **since 3/31/75** (source: Department of Commerce).
16. **Banks** - Although more **banks have failed** in the USA (44) so far in 2009 compared to the total number of failures (35) over the last 6 years (2003 - 08), the 44 failures represent just **1/2 of 1%** of all insured banks (source: FDIC).
17. **Global Mess** - Bernie Madoff was sentenced to **150 years in prison** as a result of his **Ponzi scheme**. Half of Madoff's victims were non-US investors. (source: Financial Times)
18. **It's Not the Coaching** - The last NBA team to win a league title without having a **Hall of Fame basketball player** on its roster are the 1978-79 Seattle SuperSonics. This calculation ignores past championship teams that had active players from the 2009 season on their rosters (source: NBA.com).