



DETTERBECK WEALTH MANAGEMENT

A Division of DWM Financial Group, Inc.

April 21st, 2009

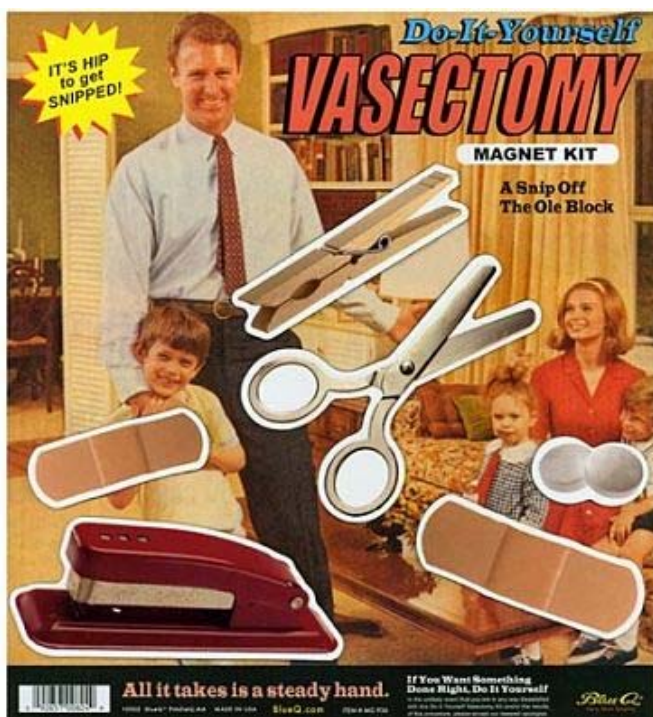
Issue 8

Sherpa Snapshots

*"Preparing you for the
financial road ahead"*

-Consumer Spending-

Vasectomies and Lipstick: "Cutting" and Kissing Goodbye a Potential Expense



There has been an uptick in men requesting vasectomies in recent months. Could this be correlated with the current recession? There is no hard data on this trend, but

In This Issue

Consumer Spending: Vasectomies and Lipstick: "Cutting" and Kissing Goodbye a Potential Expense

Bailout: Bank Stress Tests Already Causing Stress

Housing and Real Estate: Shadow Inventory of Foreclosed Homes

Business: U.S. Prices Drop

Market Update

Quick Links

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anecdotal reports indicate that the number of procedures has increased since the onset of the recession.

These reports may not be all that surprising when one takes into consideration the cost of raising a child these days. The U.S. Government has estimated that it costs about a quarter million dollars. This information can certainly make more than a few parents question whether or not they can afford the expense.

Live births, on the other hand, have hit highs in recent years, but now parents may decide that they have enough children. This economy may be pushing more men to elect for vasectomy and "cut" a potential expense. It could be years though before we have real statistics that sort out the developing trends. These anecdotal trends aren't limited to men, however.

The Financial Times reports that "The lipstick index proves cosmetic as women kiss goodbye to the boom." Flawless skin is replacing the perfect pout. Encouraging women to look good in tough times is a definite marketing device.

This may be a frivolous indicator, but foundation is apparently the cosmetic to watch. L'Oreal, the world's largest beauty company has found in the UK market that foundation has edged out lipstick as the "must-have" product for women. TNS Worlpanel, a consumer research company, thinks foundation sales are up 23.5% for the year so far, against a 5.7% drop for lipstick. Sales figures from the U.S. also suggest women are moving away from lipstick to foundation, according to Kline & Company, a market research company. Apparently the need to look good is still a priority for female consumers, regardless of the economy.

Historically, trends have shown that while in a bull markets, women tend to dress with a more lax attitude. In contrast, while in a bear market, women dress more conservatively. Money gets tighter, and so do societal views. For the most part, the indicators for vasectomies and lipstick are amusing, but it has often been said, "all economic information is initially anecdotal."

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SAVE THE DATE!

May 28th
DWM Breakfast
Seminar

"Has the Economy Hit Bottom Yet?"



Charleston, SC



For additional information in HSDent's April 14th article [click here](#)
 For additional information in The Financial Times' April 11th article [click here](#)

-Bailout-

Bank Stress Tests Already Causing Stress



On May 4th, the U.S. government is scheduled to release results of bank stress tests. These were designed to measure whether 19 companies, including Citigroup, Bank of America, GMAC and others have enough capital to make it through the current economic downturn. If the test indicates the bank needs more capital, it will have six months to raise the money.

Rising panic about how the results will be released has raised fears that could lead to another collapse of confidence in the financial sector. In fact, yesterday, a current version of "War of the Worlds" took place as a right-wing blogger and radio host by the

name of Hal Turner said he had obtained the stress test results. Turner said the findings were "very bad" with 16 banks technically insolvent. The report ricocheted around the internet Monday morning for hours before the Treasury responded.

Andrew Williams, a treasury spokesman, dismissed Turner's report, "particularly given that we don't have the stress test results yet". Regardless, financial markets dropped with the news.

Now, regulators and administration officials are wrestling with how much information to disclose. Will they release the results in aggregate or provide a bank-by bank breakdown? Releasing too much information could undermine the banks' health-the very thing the administration is trying to avoid. However, revealing too little would cast doubt on the process and perhaps create a vacuum where investors would make their own assumptions. And, this might lead to runs on the weakest banks.

The Los Angeles Times reported last week that the government had backed itself into corner on the stress tests because there is "no effective way to communicate the results of this test without causing greater stress than the test itself."

For additional information in The Los Angeles Times' April 19th article [click here](#)

-Housing and Real Estate-

Shadow Inventory of Foreclosed Homes



Big banks like JP Morgan & Co., Wells Fargo & Co., Fannie Mae, and Freddie Mac all say they have increased foreclosure activity in recent weeks. Since all moratoriums that initially halted foreclosures were lifted, foreclosure sales are being completed. But only 30% of foreclosed homes are being listed on the MLS (Multiple Listing Service), which means a lot of homes are being held off the market. Perhaps 600,000 properties nationwide have been repossessed by banks but not put on the market,

creating a "shadow inventory" of homes.

The inventory of foreclosed houses is six times normal levels. Banks could be holding off sales as they don't want to flood the market. And lenders could be deferring sales to put off having to acknowledge the actual extent of their losses.

Big banks have already announced that they will fund loans through their own offices and not through mortgage brokers. Brokers argue that they have been providing important consumer services such as monitoring offers from lenders and picking out the best mortgage loan deals to help homeowners avoid foreclosures. According to brokers, the services that they provide to consumers helps reduce interest rates. Even so, if banks are going to lend money, they could prefer it be used to help them reduce their foreclosure inventories.

In Charleston, SC, a federal initiative is sending \$7.4 million to local housing officials to purchase about 100 bank-owned homes. The goal: to stabilize property values in areas with high foreclosure rates and create more affordable housing. This money will come through the new Neighborhood Stabilization Program. The homes will be purchased, then offered for sale or rent. Hopefully, the \$7.4 million will go further than 100 houses because proceeds from sales will be reinvested in more affordable housing ventures. The idea is to try to recycle the money as many times as possible.

For additional information in The Wall Street Journal's April 15th article [click here](#)

For additional information The Charleston Regional Business Journal's April 13th issue [click here](#)

-Business-

U.S. Prices Drop



U.S. consumer prices in March posted their first annual drop in 54 years, and industrial production fell to a decade low as this data gave extra weight to the depth of recession in the world's largest economy. The negative prices raised the potential for deflation, but analysts were quick to rule out any immediate threat as the drop was driven entirely by falling energy prices.

The Labor Department said the consumer price index (CPI) fell 0.1% in March on a seasonally adjusted basis from a month ago and declined 0.4% from a year ago, which was the first annual drop since August 1955. The CPI, which tracks the average price of consumer goods and services purchased by households, had risen 0.4% in February and most analysts had expected a 0.1% month-on-month rise in March.

Core CPI, which excludes food and energy prices, increased 0.2% for the third month in a row in March, thanks to a sharp increase in prices for tobacco and smoking products. The core rate was up 1.8% from March 2008. The department also said that prices in March had decreased 0.4% from a year ago. The drop in prices could renew fears of deflation.

There is a broad downward pressure on prices, including wages and salaries across the country. Retail sales in March dropped 1.1% from February, and are down 9% from a

year ago. Credit turmoil continued to hit automobile sales and also took a hit on appliances, furniture and clothing stores. The threat of deflation will appear very large if the economy continues to struggle. A rapid recovery isn't likely with consumers still not ready to spend, and the price pressures are likely to continue for much of the year as weak demand keeps product prices in check.

For additional information in The Financial Time's April 16th article [click here](#)

-Market Update-

What's Hot - and Not How different investments did last week.

INVESTMENT	PERFORMANCE	
	Last week	52-week
REIT stocks	5.5%	-49.5%
European stocks	4.7	-38.6
U.S. corporate junk bonds	4.0	-16.7
Russell 2000 (small stocks)	2.4	-33.5
Global stocks	2.2	-41.4
U.S. investment-grade bonds	1.6	-6.0
S&P 500-stock index	1.5	-37.5
Nasdaq Composite Index	1.2	-30.4
Emerging-markets stocks	1.2	-45.3
Emerging-markets bonds	0.9	-4.5
Dow Jones Industrial Average	0.6	-36.7
Commodity futures	0.4	-47.0
U.S. dollar, trade weighted	-0.2%	14.6
Gold	-1.7	-4.9
Crude oil	-3.7	-56.9

Notes on data: European stocks: Dow Jones Stoxx Index; emerging-markets-stocks: MSCI price index for free markets; corporate-bond prices: Merrill Lynch Global Bond Indexes; U.S. dollar and U.S. Treasuries: J.P. Morgan; REIT stocks: Dow Jones Equity REIT Total Return Index; emerging-markets bonds: J.P. Morgan EMBI-plus price index, in U.S.-dollar terms; commodity futures: Dow Jones-AIG Commodity Index; global stocks: Dow Jones World Stock Index

Sources: WSJ Market Data Group; Dow Jones Indexes; Reuters; Merrill Lynch

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