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By Michelle Samaad/Credit Union Times

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By Laura Meckler/The Wall Street Journal

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Federal officials describe the discussions, which are wide-ranging and preliminary, as "contingency planning." Regulators are trying to ensure that they are prepared if Citigroup takes a sudden turn for the worse, which they aren't expecting, these people say.

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By Jay Johnson; CreditUnions.com

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Soldier's precious belongings found inside a foreclosed home

By Jeff McShan / 11 News

HOUSTON -- For two years, realtor Kim Stacy has been looking for Army Sgt. Armando Carbajal. This is because she has some of his most precious belongings.

"I want to return these items to him, but I haven't been able to find him after looking for two years," said Stacy.

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The Morning Commentary

By Ed Hohmann; Director, Capital Markets Sales Desk

Good Morning...

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11 Ways of Staying Focused

By Dave Cheong, www.davecheong.com

Each of us have our busy lives and in this world of constant distractions, how can we stay focused on our goals? This article discusses several techniques I have found to work.

For me, there are always several things constantly competing for my time - articles to write, business opportunities to explore, links to follow up, my daily work, personal commitments etc. In my experience whenever I try to work on many things at the same time, none of them actually gets done.

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Compliments of Jefferies & Company, Gary Wolf

SIGMA RESEARCH, INC.

Closing Prices and Changes for the Previous Week

Jun Bond Futures	127.09	+126/32	DJ Ind Avg	6626.94	-435.99
Jun 10-Yr Note Future	121.28	+59/32	NASDAQ	1293.85	-83.99
30-Year Cash Treasury	98.30	+86/32	S&P 500 Index	683.38	-51.71
10-Year Cash Treasury	98.29	+39/32	Dollar vs Yen	98.29	+0.73¥
US 30-Year Bond Yield	3.56%	-15 BP	Dollar vs Euro	1.2655	+\$0.0014
US 10-Year Note Yield	2.87%	-15 BP	London FT 100	3530.73	-299.36
US 5-Year Note Yield	1.88%	-11 BP	Frankfurt DAX	3666.41	-177.33
US 2-Yr Note Yield	0.95%	-3 BP	Tokyo Nikkei	7173.10	-395.32
GNMA 4.50 Apr	100.27	+29/32	H Kong Hang Seng	11921.52	-890.05
FNMA 4.50 Apr	100.24	+26/32	Crude Oil Apr	\$45.52	+\$0.76
FHLMC 4.50 Apr	100.20	+26/32	Gold Apr	\$942.70	+\$0.20
FNMA 15-Yr 4.50 Apr	101.31	+16/32	3-Month Libor	1.29%	+3 BP
GNMA 15-Yr 4.50 Apr	102.25	+15/32	6-Month Libor	1.85%	+5 BP
			1-Year Libor	2.15%	+3 BP

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Examiners Taking Closer Look at CUSO Hiring Practices, Operating Risks

By Michelle Samaad/Credit Union Times

Given some of the troubled loans that have caused losses at credit unions, the industry is already starting to see the impact as NCUA examiners move their visits closer together.

David Dunn, president/chief operating officer at Middletown, Pa.-based Impel Consulting Group, a strategic planning CUSO, has trained NCUA examiners a few times over the years. The latest round of training sessions had a reinvigorated interest in CUSO activities and how credit unions are using these entities. Over the course of a handful of sessions, there were an estimated 45-50 examiners in the room.

"NCUA is going to start challenging CUSOs more," Dunn said. "I think after seeing the losses that the industry and the share insurance fund has suffered, there are some big loans that NCUA is very concerned about that have not gone bad yet."

The NCUA has said it would increase scrutiny of credit union service provider relationships. In a December 2007 letter to credit unions, the regulator gave examiners the go-ahead to assess whether a credit union is effectively evaluating and monitoring its third-party relationships. A new examiner questionnaire released last spring honed in on three areas that require extra special attention: strong due diligence, risk measurement, monitoring and control and risk assessment and planning.

Dunn, a business lending and underwriting expert and former head of several related CUSOs, said the NCUA wants to dig deeper to learn more about loan types and if the authority for these loans is in place.

Another area of note is how CUSOs earn their revenue and how risks come into play on how it affects those fund streams, he noted.

According to the NCUA, examiners may consider recommending a CUSO for review if during an examination of an affiliated credit union,

certain questions arise, such as does the financial condition of the CUSO significantly affect the operations of a credit union or group of credit unions that depend on it for service? Are there any conflicts of interest? Or if services offered are permissible, are there other red flags? With business lending CUSOs, for instance, underwriting processes are being looked at more carefully, particularly if the person overseeing this analysis has the necessary experience.

"One of the lessons we wanted to give examiners is there is a variance of skills from one CUSO to the next. What happens is this may allow credit risk to spread," Dunn said.

A business services CUSO may hire someone to do underwriting, but if the owners aren't originating any loans, the entity will not make any money. On top of that, Dunn said many credit unions go into CUSOs not understanding how to sell or market business services. One first step is recognizing that the CUSO is "ready, willing and able" to service the loan, but if there is no direction coming from the owners, there's nothing to work with.

And, there's the danger. Idle CUSOs become a loan participation desk, Dunn said. Coupled with weak underwriting, he said, they open the door for risk exposures to spread like wildfire throughout the industry.

The NCUA has continued to stress that credit unions are responsible for precision due diligence. On the other side, examiners must also understand the services offered by the CUSO, market trends and conditions, and service viability. These are just a few areas that are taken into consideration. Depending on the type of service offered, the review could extend into a number of other critical areas. At the NCUA training sessions, Dunn said some of the common questions examiners asked were where are CUSO executives coming from and if it's banks, why are they leaving those financial institutions. Another question is what is motivating credit unions to start more CUSOs.

"If you talk to any of the long-established CUSOs, some will tell you that it's difficult to find credit analysts," Dunn said. "The good ones, banks tend to keep them around the longest."

Examiners certainly want to ensure that CUSOs have highly skilled staff. A growing trend within the credit union industry is the migration of bankers to the movement. Dunn said that may continue as frustrated senior officers "get tired of the carousel of mergers and acquisitions."

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Education Push Includes Merit Pay

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WASHINGTON—President Barack Obama laid out a broad education vision Tuesday that includes expanded merit pay for teachers and more charter schools, ideas long troubling to teachers' unions.

With his congressional agenda already packed, the president is not proposing a major new piece of legislation. Instead, he spelled out the goal of a "cradle to career" education system aimed at serving Americans better at every level. He said he would use the budget to expand programs that work and encourage voluntary action by states and individuals.

The president's plan, which largely implements promises from his campaign, includes new incentives for states to boost the quality of preschool programs and easier access to financial aid for higher education. Mr. Obama also called on states to raise standards for student achievement. ([See the full text of Obama's prepared remarks.](#))

Perhaps the most controversial step would increase the number of school districts that benefit from a federal program that supports performance pay for teachers.

Mr. Obama also called on states to remove caps on the number of public charter schools. Twenty-six states and the District of Columbia now cap the total, according to the National Alliance for Public Charter Schools.

The president cast his proposals as an effort to move past the debates that have dominated education policy in the past.

"Too many supporters of my party have resisted the idea of rewarding excellence in teaching with extra pay, even though we know it can make a difference in the classroom," he told the U.S. Hispanic Chamber of Commerce. "Too many in the

Republican Party have opposed new investments in early education, despite compelling evidence of its importance."

Mr. Obama's support for merit pay breaks with some in his party, who fear it can't be administered fairly. The Teacher Incentive Fund currently supports 34 grant recipients at a cost of \$97 million this year and another \$200 million was allocated through the economic-stimulus plan. Mr. Obama said he'd like to see as many as 150 districts added, but the administration did not say what its 2010 budget request will be.

"It's time to start rewarding good teachers, stop making excuses for bad ones," Mr. Obama said. "If a teacher is given a chance or two chances or three chances but still does not improve, there's no excuse for that person to continue teaching."

Mr. Obama said that teachers who are rewarded for excellence should help their schools improve.

Teacher unions said Tuesday that they welcomed Mr. Obama's overall approach and could support merit-pay plans as long as they are fair to teachers. The presidents of the two largest teachers' unions said they were confident Mr. Obama would only support proposals that meet that test.

"This is a president who actually respects teachers for who they are and what they do. We can work many of these things out," said Randi Weingarten, president of the American Federation of Teachers.

Dennis Van Roekel, president of the National Education Association, said that merit-pay plans should be negotiated to ensure they are not run in an arbitrary way, and he cautioned: "If you pay one teacher more you have to pay someone else less."

Mr. Van Roekel rejected another Obama proposal to pay math and science teachers more in hopes of filling the recruitment gap. He said a small additional payment will not change the financial calculations of math and science graduates who have more lucrative options than teaching.

Mr. Obama also used his address to talk about parents' responsibility for the education of their children.

"Government...cannot turn off the TV or put away the video games. Teachers, no matter how dedicated or effective, cannot make sure your child leaves for school on time and does their homework when they get back at night. These are things only a parent can do," he said.

Other aspects of the Obama plan include:

--Early Learning Challenge Grants to help states improve the quality of child care, including improving the quality of teachers. Incentive grants will provide aid for states to better collect data about programs, push for standards and increase help for the most disadvantaged students.

--Challenging states to voluntarily raise their standards in reading and math. As it is, certain states give students high grades for scores that would rate low in other states. But the president did not say anything about changes to the landmark No Child Left Behind law, which imposes federal standards on schools.

--For higher education, an increase in Pell grants, including inflation adjustments. Mr. Obama also wants to simplify the application process for financial aid.

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to stabilize the bank if its problems mount, according to people familiar with the matter.

Federal officials describe the discussions, which are wide-ranging and preliminary, as "contingency planning." Regulators are trying to ensure that they are prepared if Citigroup takes a sudden turn for the worse, which they aren't expecting, these people say.

Citi executives said they haven't detected signs of corporate clients or trading partners withdrawing their business, even though the New York company's shares are hovering near \$1 apiece -- closing Monday at \$1.05 on the New York Stock Exchange. Citigroup says it has a strong liquidity position and that its capital levels are among the highest in the banking industry.

The Citigroup discussions come as U.S. officials are conducting "stress tests" on the largest banks to determine their long-term viability under tough economic scenarios.

Banking regulators and Treasury officials called Citigroup executives over the weekend amid rumors about the discussions, according to people familiar with the matter. They said the talks were geared toward future planning and that no new rescue was imminent.

The discussions include the Treasury Department, Office of the Comptroller of the Currency, Federal Reserve and Federal Deposit Insurance Corp. The FDIC backs many of Citigroup's deposits in the U.S., as well as a large amount of new debt issued by the firm.

Regulators say the planning should be seen as a normal function of government during a financial crisis. One possible future step could involve creating a "bad bank" to take distressed assets off the balance sheet of Citigroup or other troubled financial institutions. Differing approaches are still being considered. Treasury officials already are developing a public-private partnership to tackle that problem more broadly, and the two concepts could either run parallel or be merged.

Following the latest round of government assistance, announced Feb. 27, taxpayers will own as much as 36% of Citigroup's common shares. Government officials are hopeful that the steps already taken will give Citigroup time to steady itself, but they realize that global financial markets are jittery about the company's prospects.

Last week, shares of banks fell to their lowest levels in decades, as broad stock and bond markets tumbled. In the credit-default-swap market, the cost of insuring against defaults by financial institutions is soaring. That reflects sagging confidence despite repeated bailouts of financial companies from banks to insurer American International Group Inc.

Also complicating matters, U.S. officials don't have a template for winding down a company of Citigroup's size and complexity, which Federal Reserve Chairman Ben Bernanke made clear at a Senate hearing last week.

"I'd like to challenge the Congress to give us a framework, where we can resolve a multinational complicated financial conglomerate like Citigroup, like AIG, or others, if that became necessary," Mr. Bernanke told the Senate budget committee.

Patience on Capitol Hill for repeated bailouts is growing thin. Sen. Richard Shelby of Alabama, the ranking Republican on the Senate banking committee, described Citigroup as a "problem child" in a television appearance Sunday, adding that some troubled banks need to be shut down.

The Obama administration is trying to counter criticism that its efforts to stabilize financial markets have been unsuccessful. In a private meeting Monday night with House Democrats, Treasury Secretary Timothy Geithner said the administration's efforts were working, and said policy makers had "done more in weeks" to address problems than other countries had done in years, according to a senior House aide who attended the meeting.

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Pending Home Sales Tumble 7.7%

By Meena Thiruvengadam/The Wall Street Journal

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The National Association of Realtors' index for pending sales of previously owned homes dropped 7.7% to 80.4 in January from 87.1 in December, the industry group said Tuesday.

Private analysts surveyed by Dow Jones Newswires had expected pending sales would fall 3.5%.

The pending home sales index in January was 6.4% lower than the 85.9 it was in January 2008, and the NAR index is at its lowest level since tracking began in 2001.

"Even with many serious potential home buyers on the sidelines waiting for passage of the stimulus bill, job losses and weak consumer confidence were a natural drag on home sales," Lawrence Yun, NAR's chief economist, said. "We expect similarly soft home sales in the near term, but buyers are expected to respond to much-improved affordability conditions and from the \$8,000 first-time buyer tax credit."

The NAR on Tuesday also revised its pending home sales index for December downward. The index rose 4.8% in December instead of the initially estimated 6.3% increase, the group said.

The NAR index is based on pending sales of existing homes, including single-family homes and condominiums. A home sale is pending when the contract has been signed but the transaction hasn't closed. Pending sales typically close within one or two months of signing.

By region, seasonally adjusted pending sales in the Northeast dropped 12.7% in January from December; they were down 19.7% since January 2008. Midwest activity fell 9.2% in January from December; it has fallen 13.8% since January 2008. Activity in the South fell 11.9% in January from December; it has fallen 9.1% since January 2008. In the West, pending sales rose 2.4% in January from December; they're up 13.5% since January 2008.

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Is four-day week new way to save jobs?

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Shorter week growing way to stave off layoffs in a declining economy

The four-day workweek: once the dream of overburdened labourers, now the cash saving concession that's saving many of their jobs.

Though it's not a new trend, work sharing is a growing one as employees across the country agree to wage freezes, vacations and benefit givebacks and reduced hours all in an effort to stave off layoffs.

Last month Sears Canada cut 300 jobs from its department stores. Yesterday it confirmed that senior leadership there had volunteered to take a 15 per cent cut in their base salary to avoid more job cuts.

At Rogers Communications, the company recently gave all full-time staff with its more than 70 publications the opportunity to reduce their workweek, accepting a 20 per cent pay cut in an effort to avoid laying off 20 per cent of its staff.

In Taiwan's Hsinchu Science Park (the island's version of California's Silicon Valley) some 100,000 workers are taking up to 10 days of unpaid leave a month to prevent job cuts. In Utah, 17,000 state employees have been on a four-day work week

since last summer.

The Canadian government has long supported work sharing as an alternative to outright layoffs. There's even a program through Services Canada designed to help employers and workers avoid temporary layoffs in times of trouble.

The program provides Employment Insurance benefits to compensate employees who are willing to work a temporarily reduced workweek.

But there's a bitter precedence in Ontario. Many look back at the so-called Rae Days of the 1990s when public servants took leave without pay under an initiative of the NDP government of then-premier Bob Rae.

"It was hugely unpopular because it was imposed on the unions," said Anil Verma, professor of industrial relations and human resources at the University of Toronto's Rotman School of Management.

"So they didn't like it. But there are many unions who would voluntarily accept" such work-sharing agreements today.

In his inaugural address to a joint session of Congress, U.S. President Barack Obama said the growing trend demonstrated the kind of determination and thoughtfulness that will help Americans pull through the economic slump.

"It is the kindness to take in a stranger when the levees break, the selflessness of workers who would rather cut their hours than see a friend lose their job which sees us through our darkest hours," Obama said.

The Canadian Auto Workers' recent concessions – freezing wages, taking leave without pay, giving up benefits and bonuses – seem to represent the selflessness Obama praised.

But what's to be said of the unionized workers at Tenaris Algoma Tubes in Sault Ste. Marie who initially rejected a work-sharing proposal that would have spared layoffs because they were reportedly angry?

"For unions selling an across-the-board (drop in pay) to all it is tougher because historically we've established this notion that junior people should take the brunt," Verma said.

That's because "the seniors are saying, 'when we were down there we did our part so now the people at the bottom should accept it and we should be immune just because we're senior'."

But in many cases it is the unions that have been offering workweek concessions to management.

"We've got a lot of our plants on job sharing right across Ontario," said Wayne Fraser, Ontario director of the United Steelworkers union.

Fraser reckons that thousands of Ontario's steelworkers are voluntarily working reduced hours, just as they did during the last recession, adding that it's counter-productive to let younger employees be cut.

The trend of spreading the pain around the workforce has been happening in such places as Silicon Valley for years, where high-tech firms tend not to axe their youngest employees when the going gets tough for fear that they might never get them back.

However, Verma said, layoffs, though never the kindest choice, can be the smartest one.

If a business is in a structural downturn and needs to shed bodies permanently, it makes more sense to implement layoffs, she said.

Problem is, "the younger people might be the most valuable assets."

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Soldier's precious belongings found inside a foreclosed home

By Jeff McShan / 11 News

HOUSTON -- For two years, realtor Kim Stacy has been looking for Army Sgt. Armando Carbajal. This is because she has some of his most precious belongings.

"I want to return these items to him, but I haven't been able to find him after looking for two years," said Stacy.

Stacy has two large boxes filled with Carbajal's belongings, including his Army uniform, jewelry, and even pictures from his wedding.

She discovered the boxes inside a foreclosed home in 2007.

A management company took over the home and hired Stacy to put it on the market. That's when she went inside and found all of the sergeant's stuff. She says she didn't have the heart to throw it away.

Instead, Stacy began to look for him.

"I tried to find him. I called the Army and I called the recruiting office in Rosenberg," said Stacy.

Digging through one box, our 11 news reporter found a copy of an old driver's license that revealed his hometown of Alice, Texas.

11 News called Alice High School, and in 15 minutes, the school's receptionist had found him.

Carbajal said he spent time in Iraq, and then he was shipped off to Korea.

He said the loan for his house was an adjustable rate mortgage, and like so many other Americans, the interest rate jumped too high for him and his wife to handle.

Back then, it was a sad time for the sergeant. But now that he knows someone had finally found his cherished possessions, he's smiling.

"I am really glad she saved my stuff. Twice, when I went to Houston, I went to the house and knocked on the door and nobody answered," said Carbajal.

Carbajal said he was never able to get in contact with anybody.

It took Stacy two years to track him down, but he's thankful she never gave up the search.

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The Morning Commentary

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In terms of economic releases, the major release for Friday was the February jobs report. The report showed that non-farm payroll losses reached a 60-year high in February, falling 651k. In addition, the unemployment rate reached 8.1%, the highest level in 25 years. The employment metrics actually came in fairly close to consensus estimates, however they continue to show the ill effects of the world economy in crisis. The vicious cycle could continue as the increase in job losses also threatens to exacerbate the mortgage delinquency and foreclosure crisis even further. Consumer credit rebounded unexpectedly by \$1.8 bln in January (estimates were for a -\$5.0 bln contraction). There are no major economic releases slated for today. In equities, futures on all of the major US indices are pointing lower prior to the bell as overseas markets continue to fall. Right now, Dow futures are -90.0.

Market Levels:

	Fri Close (5pm)	Current
2yr	0.963	0.927
10yr	2.883	2.874
FNCL 4.5s	101-02+	101-01+
FNCI 4.0s	100-26+	100-25+

Economic Calendar:

Date Time	Event		Survey	Prior
03/10/2009 10:00	Wholesale Inventories	JAN	-0.01	-1.40%
03/10/2009 10:00	IBD/TIPP Economic Optimism	MAR	- -	44.6
03/10/2009 17:00	ABC Consumer Confidence	39880	-49	-49
03/11/2009 07:00	MBA Mortgage Applications	6-Mar	- -	-12.60%
03/11/2009 07:00	Bloomberg Global Confidence	MAR	- -	8.49
03/11/2009 14:00	Monthly Budget Statement	FEB	-\$205.3B	-\$175.6B
03/12/2009 08:30	Advance Retail Sales	FEB	-0.50%	1.00%
03/12/2009 08:30	Retail Sales Less Autos	FEB	-0.20%	0.90%
03/12/2009 08:30	Initial Jobless Claims	7-Mar	640K	639K
03/12/2009 08:30	Continuing Claims	28-Feb	5170K	5106K
03/12/2009 10:00	Business Inventories	JAN	-1.10%	-1.30%
03/13/2009 08:30	Trade Balance	JAN	-\$38.1B	-\$39.9B
03/13/2009 08:30	Import Price Index (MoM)	FEB	-0.80%	-1.10%
03/13/2009 08:30	Import Price Index (YoY)	FEB	- -	-12.50%
03/13/2009 10:00	U. of Michigan Confidence	MAR P	55.5	56.3

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11 Ways of Staying Focused

By Dave Cheong, www.davecheong.com

Each of us have our busy lives and in this world of constant distractions, how can we stay focused on our goals? This article discusses several techniques I have found to work.

For me, there are always several things constantly competing for my time - articles to write, business opportunities to explore, links to follow up, my daily work, personal commitments etc. In my experience whenever I try to work on many things at the same time, none of them actually gets done.

In response, I've incorporated the following techniques for staying focused into my work patterns:

1. **Having well defined goals.** I can't stress the importance of this too much. Having [goals](#) which are well defined along with [good guidelines](#) is key. I've found writing my goals down really helps. Whenever I get distracted, I read my goals and I'm reminded of what I am trying to do and why.
2. **Breaking things into bite sized chunks.** Having broad high level goals are good but having an *actionable* plan is essential. A plan can identify how you can get from where you are to where you want go. Breaking goals into smaller *actionable* chunks (tasks) is great - it gives me motivation to start and allows me to get things done in one sitting.
3. **Prioritising constantly.** To figure out which task I should be working on, I prioritise constantly. Some tasks are more *important* than others. Some tasks are more *urgent* than others. I've found that working on urgent tasks followed by tasks which have the greatest impact to work well for me - urgent tasks allow me to get things done on time and important tasks allow me to maximize the benefits I receive.
4. **Tracking progress vigorously.** Each of us wants to improve our lives. However, it is easy to start with good intentions but more difficult to sustain commitment. I've found that by tracking my progress, I have more visibility on what I've done and can better gauge how much effort is left.
5. **Planning ahead without fail.** Concentrating on the remaining effort can help reinforce commitment. Some might think they'll get discouraged, however I haven't found this to be the case because my tasks are bite sized and easy to finish. I've found it really helps to look at my goals and task lists periodically, so I can assess how much time it'll take to do something and determine the best time to sit down and work on it.
6. **Rewarding myself when warranted.** By all means focus on what's outstanding, but also take stock of what's done. I always reflect on what I've done, whether it is reading a post I did awhile ago or looking at the ticks I've made alongside my task lists. Whenever I accomplish a logical piece of work, I always reward myself. It really does help with maintaining motivation.
7. **Having positive patterns in my routine.** I've found having good habits and [positive patterns](#) to be instrumental. At the moment, I can consistently get more done. As these patterns continue to establish into a routine, I'm finding that I can better judge the periods of the day in which I really need to focus and work.
8. **Removing distractions as best I can.** The best way not to give in to temptation is not to have the option to. What seems to work for me is making the distractions difficult or inconvenient to access. Because it takes too much effort to indulge in the distraction, I find it is less likely for me to give in.
9. **Blocking out some time.** In a previous post I wrote about [waking up early and consistently](#). You don't necessarily have to do this but I've found that having quiet time, set aside specifically for accomplishing a given task, to be very productive. I also tend to be more focused in the morning after a restful night.
10. **Keeping the results clear in mind.** Instead of concentrating too much on the task at hand, sometimes I put some attention on the feelings I ultimately wish to experience. By focusing on the results, it is easier for me to maintain my motivation especially when working on things that I am not by nature motivated by.
11. **Enlisting my family and friends for help.** I [communicate with my family and friends](#) about my goals all the time. Not only have they been helpful with gentle reminders whenever they see my behaviour is not consistent with my goals, but they also give me constant incentives to work at my goals and succeed.

These 11 techniques can be applied to any aspect of your personal and professional lives. If you find you have trouble staying focused for whatever reason, try applying some or all of these techniques. What works for me may not necessarily work for you, so don't be afraid to experiment.

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SIGMA RESEARCH, INC.

Closing Prices and Changes for the Previous Week

Jun Bond Futures	127.09	+126/32	DJ Ind Avg	6626.94	-435.99
Jun 10-Yr Note Future	121.28	+59/32	NASDAQ	1293.85	-83.99
30-Year Cash Treasury	98.30	+86/32	S&P 500 Index	683.38	-51.71
10-Year Cash Treasury	98.29	+39/32	Dollar vs Yen	98.29	+0.73¥
US 30-Year Bond Yield	3.56%	-15 BP	Dollar vs Euro	1.2655	+\$0.0014
US 10-Year Note Yield	2.87%	-15 BP	London FT 100	3530.73	-299.36
US 5-Year Note Yield	1.88%	-11 BP	Frankfurt DAX	3666.41	-177.33
US 2-Yr Note Yield	0.95%	-3 BP	Tokyo Nikkei	7173.10	-395.32
GNMA 4.50 Apr	100.27	+29/32	H Kong Hang Seng	11921.52	-890.05
FNMA 4.50 Apr	100.24	+26/32	Crude Oil Apr	\$45.52	+\$0.76
FHLMC 4.50 Apr	100.20	+26/32	Gold Apr	\$942.70	+\$0.20
FNMA 15-Yr 4.50 Apr	101.31	+16/32	3-Month Libor	1.29%	+3 BP
GNMA 15-Yr 4.50 Apr	102.25	+15/32	6-Month Libor	1.85%	+5 BP
			1-Year Libor	2.15%	+3 BP

LAST WEEK

Mon 3/02/09

Jan Personal Income	+0.4% (-0.2% Dec)
Jan Personal Spending	+0.6% (-1.0% Dec)
Jan Construction Spending	-3.3% (-2.4% Dec)
Feb ISM Mfg. Index	35.8 (35.6 Jan)

Tue 3/03/09

Jan Pending Home Sales	-7.7% (+4.8% Dec)
Feb Auto & Truck Sales	2.9M & 3.5M (2.9M & 4.0M Jan)

Wed 3/04/09

MBA Market Index 2/27	-12.6% (-15.1% prior)
Feb ADP Empl. Index	-697K (-522K Jan)
Feb ISM Svcs. Index	41.6 (42.9 Jan)
Crude Inventories 2/27	-757K (+717K prior)

Thu 3/05/09

Weekly Jobless Claims 2/28	-31K to 639K
Q4 Productivity-Rev.	-0.4% (+2.2% Q3)
Jan Factory Orders	-1.9% (-4.9% Dec)

Fri 3/06/09

Feb Nonfarm Payrolls	-651K (-655K Jan)
Feb Unemployment Rate	8.1% (7.6% Jan)
Feb Hourly Earnings	+0.2% (+0.2% Jan)
Feb Avg. Workweek	33.3 (33.3 Jan)
Jan Consumer Credit	+\$1.8B (-\$7.5B Dec)

THIS WEEK

Estimates

Tue 3/10/09

10:00 Jan Wholesale Inventories	-1.0% (-1.4% Dec)
1:00 3-Yr Note Auction	\$34B

Wed 3/11/09

7:00 MBA Market Index 3/06	-12.6% prior
10:35 Crude Inventories 3/06	-757K prior
1:00 10-Yr Note Auction	\$18B
2:00 Feb Treasury Budget	-\$200B (-\$175.6B Jan)

Thu 3/12/09

8:30 Weekly Claims 3/07	+1K to 640K
8:30 Feb Retail Sales	-0.4% (+1.0% Jan)
10:00 Jan Business Inventories	-1.1% (-1.3% Dec)
1:00 30-Yr Bond Auction	\$11B reopen

Fri 3/13/09

8:30 Jan Trade Balance -\$38.2B (-\$39.9B Dec)
8:30 Feb Export Prices Flat (+0.5% Jan)
8:30 Feb Import Prices -0.8% (-1.1% Jan)
9:55 Mar U of Mich Index-Prel. 55.0 (56.3 Feb)



STRATEGY

Safe haven moves added to the uplift in treasury prices following the continued misery in the equity markets last week. Although we have \$63B in notes and bonds to absorb this week, the bond market remained strong. We think that the announced purchase of bonds by the Bank of England added fuel to the strength in bonds and mortgage prices last week as the consensus feels that our own Fed will follow suit to help stem the rising pressure on interest rates. Technicals are reading neutral so we advise caution as we navigate the week ahead.

COMMENTARY

The continued decline in our economy has investors shaking in their boots, not to mention the general public. The unknown state of our financial institutions is what is causing all the confusion and panic. Since the beginning of the bursting of the asset bubble, we have not had a clear picture of the depth and magnitude of the problem. Just when we have thought we had our arms around it, more shoes dropped and then we found ourselves caught in an eddy where we remain today. We understand that we must fix the financial institutions in order to break the cycle, but at the same time, we must also address the very big problems in housing. Both our financial institutions and our housing woes are so complicated and so widespread and so intertwined, that we have been pushing on strings and putting bandages on such deep wounds, that the light at the end of the tunnel remains unlit. It is tiring to hear the constant chatter about the lack of a clear plan by the current administration. They have only been in office for less than two months people. What has clearly taken anywhere from twenty to thirty years in the making, cannot and will not be resolved in a short amount of time. Instead of the constant barrage of blame being dished out, it is time for Americans to do what they do best-INNOVATE and ADAPT!

There are no surprises in any of the data that have been released to date as we have and still feel that the worst has yet to come to us. If we were able to confidently say that our mounting losses are in fact say \$4T (trillion), we can then devise a plan to work with it and then really get moving. The scariest part of this mess is that we still do not have a number yet. Some people have suggested that our government (Geithner and Bernanke and Co.) does have a number but it is so enormous that they are not telling us. We dismiss this notion as there are too many people out there looking over shoulders and under rugs which we know are not the regulators who have failed the American public miserably! It does however sound like a great screenplay may be forthcoming titled "Conspiracy Theory Two, Three, Four....." Mel Gibson and Gordon Geckko need to get on it.

Auto sales were flat for February and truck sales were a disaster, down -12.5%. The fate of GM and Chrysler look more precarious as the days go on. It is looking like bankruptcy protection is their only hope. Americans are hoarding their cash just as the banks are. Spending will not be spurred until confidence has been restored despite any checks we may receive from Uncle Sam to try to stimulate that spending. We know of no one who is willing to spend their money now with job losses mounting, and any cash that would otherwise be used for discretionary consumer spending, is being saved for paying bills such as mortgage payments, car payments and food.

The week ahead offers us little in terms of economic relief. On Thursday, the House Financial Services Committee will meet to discuss mark-to-market rules. The repeal of the mark-to-market rule will help alleviate many of the pressures on our financial institutions and may free up needed credit. Also on Thursday we look at retail sales for February. Retail sales are likely to remain weak for some time given the employment picture, and the negative wealth impact for depressed prices for homes and stocks.

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