

WEEKLY ECONOMIC UPDATE

August 1, 2011

WEEKLY QUOTE

"It takes a long time to grow young."
– Pablo Picasso

WEEKLY TIP

Try to pay for nights out with cash. Dinner and a movie might turn into a \$150 night on the town; why pay 14% interest on the memory?

WEEKLY RIDDLE

There are 2 nouns in the English language that become men's names when you capitalize them – and when you capitalize them, you alter their pronunciation. Name either or both of these 2 nouns, both of which end in 'b'.

Last week's riddle:

Two trains are crossing America from coast to coast, traveling over 3,000 miles of track. The Gentle Zephyr is going west at 70mph; the Western Wind is headed east at 80mph. So which train will be closer to the east coast when they roll by each other in Kansas?

Last week's answer:

Neither. When they roll by each other, they will be the same distance from the east coast.

A HINT OF COMPROMISE, A SIGN OF WEAKNESS

The weekend arrived with the House narrowly passing a Republican debt-reduction bill – the "two-step" bill linked to a balanced budget amendment, proposing a \$917 billion cut in federal spending. Though doomed in the Senate, the vote on the bill opened a door to negotiation that may lead to passage of a compromise measure by the August 2 deadline. (At a Friday press briefing, Democratic officials said that Congress could possibly approve a 2-day extension of the cutoff date.) Meanwhile, the Commerce Department announced that the economy grew just 1.3% in the second quarter; economists polled by Reuters had forecast GDP of +1.8%.^{1,2,3,4}

MIXED CONSUMER CONFIDENCE READINGS

The final July Reuters/University of Michigan consumer sentiment survey came in at 63.7, the lowest reading since March 2009. However, the Conference Board's July survey came in 1.9 points higher than June at 59.5.^{5,6}

GOLD & OIL GO IN DIFFERENT DIRECTIONS

The price of gold went up \$126.00 in July. Futures ended the month at \$1,628.30 on the COMEX. Oil prices slipped 4.18% last week, settling at \$95.70 a barrel.⁷

REAL ESTATE INDICATORS LOOK MIXED

The May S&P/Case-Shiller Home Price Index showed a 1.0% gain in prices across 20 metro markets; the spring homebuying bump may have contributed to its second straight monthly advance. Year-over-year, prices were down 4.5%. The National Association of Realtors said pending home sales rose 2.4% in June; the Census Bureau said new home sales decreased 1.0% in that month.^{8,9}

DEBT IMPASSE TAKES TOLL ON STOCKS

July 25-29 was a trying market week. The numbers: S&P 500, -3.92% to 1,292.28; DJIA, -4.24% to 12,143.24; NASDAQ, -3.58% to 2,756.38.¹⁰

THIS WEEK: Monday offers the July ISM manufacturing index and earnings from Honda, Allstate and Humana. Tuesday, the consumer spending numbers for June are available along with 2Q results out of Pfizer, CBS, Barclays, Molson Coors and Toyota. Wednesday we have ISM's July service sector index, news about June factory orders and earnings from MasterCard, Comcast and Time Warner. Thursday brings weekly jobless claims plus results from General Motors, Adidas, Unilever, CIGNA, CVS, Kraft, DirecTV and Southwest Airlines. The July unemployment figures are issued Friday, and Berkshire Hathaway, Viacom, Allianz and Procter & Gamble all come out with 2Q results.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+4.89	+16.01	+1.65	+1.67
NASDAQ	+3.90	+22.41	+6.32	+3.66
S&P 500	+2.75	+17.32	+0.21	+0.73
REAL YIELD	7/29 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.38%	1.21%	2.41%	3.50%

Sources: usatoday.com, online.wsj.com, bigcharts.com, treasury.gov - 7/29/11^{10,11,12,13,14}
Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.
These returns do not include dividends.

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