

WEEKLY ECONOMIC UPDATE

August 29, 2011

WEEKLY QUOTE

“The greatest discovery of my generation is that human beings can alter their lives by altering their attitudes.”

– Lee Iacocca

WEEKLY TIP

Take a look at your withholding. It might be wise to adjust it before the end of the year, especially if you make estimated tax payments (and even if you don't).

WEEKLY RIDDLE

In a drawer are six pairs of red socks, four pairs of white socks and five pairs of blue socks. In total darkness, how many socks would you have to grab to be certain you had a matching pair?

Last week's riddle:

It has 18 legs, is uniformed, walks and runs on grass and artificial turf, and catches flies. What is it?

Last week's answer:

A baseball team.

COULD SEPTEMBER BRING ANOTHER STIMULUS?

Could we see a QE3? Maybe. While Federal Reserve Chairman Ben Bernanke made no mention of a plan to aid the economy at last week's Fed symposium in Wyoming, he did refer to “a range of tools that could be used to provide additional monetary stimulus” and noted that the Fed “will continue to consider those and other pertinent issues... at our meeting in September.” September's FOMC meeting has now been lengthened to 2 days; make of that what you will. Bernanke said he expects improved GDP in the second half of 2011 and core inflation under 2%.¹

NEW HOME SALES DECLINE, BUT HOME PRICES GO UP

The Census Bureau announced a 0.7% drop in new home sales in July; sales were up 6.8% from a year ago. The average sale price was \$272,300, with 6.6 months of inventory on the market. Overall U.S. home prices rose 0.9% in June, said the Federal Housing Finance Agency (the best 1-month gain since September 2005).^{2,3}

SURPRISE! DURABLE GOODS ORDERS RISE 4.0%

July figures from the Commerce Department far outpaced forecasts. Economists surveyed by Bloomberg News had expected a 2.0% increase. July saw an 11.5% gain orders for autos and auto parts – the biggest 1-month jump in demand since January 2003 - and a 43.4% leap in orders for commercial aircraft. Even with transportation orders factored out, orders for hard goods rose 0.7% last month.³

CONSUMERS PERCEIVE TOUGH TIMES

The final August Thomson Reuters/University of Michigan consumer sentiment survey came in at 55.7 – a bit of a rebound from the initial, abysmal 54.9 mark for the month. It is a long way from the high 80s (which is where the index routinely was before the Great Recession).⁴

BEST WEEK FOR STOCKS SINCE JUNE

Gold futures retreated, 2Q GDP was revised down to 1.0%, and stocks rallied. The 3 major Wall Street indices snapped 4-week losing streaks as follows: DJIA, +4.32% to 11,284.54; S&P 500, +4.74% to 1,176.80; NASDAQ, +5.89% to 2,479.85.^{4,5}

THIS WEEK: Monday, the numbers come out on July consumer spending, and we also get a report on June pending home sales. Tuesday offers June's Case-Shiller home price index and the Conference Board's August snapshot of consumer confidence. July factory orders data comes out on Wednesday. In addition to weekly jobless claims figures, Thursday brings ISM's August manufacturing index. On Friday morning, the July unemployment report is released.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-2.53	+13.01	+0.000009	+0.87
NASDAQ	-6.52	+17.05	+3.17	+2.97
S&P 500	-6.43	+12.37	-1.83	-0.0002
REAL YIELD	8/26 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.12%	0.95%	2.24%	3.50%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 8/26/11^{5,6,7,8}
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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Citations.

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