

WEEKLY ECONOMIC UPDATE

August 8, 2011

WEEKLY QUOTE

“You have to expect things of yourself before you can do them.”

– Michael Jordan

WEEKLY TIP

If you are presently retiring, moving or divorcing, try tracking all of your expenses for the next few weeks or months. Big life changes like these may mean big revisions to your budget.

WEEKLY RIDDLE

There is a 5-letter, single-syllable word that you can take 4 letters out of, leaving you with only a single letter that has the same pronunciation as the original 5-letter word. What is this word? (Hint: it involves waiting in line.)

Last week's 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 answer:

Herb and Job.

PRIVATE SECTOR ADDS 150,000+ NEW JOBS

America's jobless rate ticked down to 9.1% in July as private sector payrolls expanded by a better-than-anticipated 154,000 positions, 81,000 of which were in the health care, retail and manufacturing industries. On the downside, Labor Department data showed that 156,000 people stopped looking for work last month; 6.2 million people have been out of work for six months or longer.^{1,2}

A SILVER LINING IN JUNE'S CONSUMER SPENDING

Basic Commerce Department data shows that personal spending fell 0.2% in June as personal incomes rose just 0.1%. Factor in inflation, and the story differs. Real disposable income increased 0.3% in June for the best advance since May 2010, and inflation-adjusted consumer spending was merely flat for the month.^{3,4}

ISM BAROMETERS INDICATE MODEST GROWTH

The Institute for Supply Management's latest manufacturing and service sector PMIs didn't exactly thrill Wall Street. ISM's manufacturing index declined 4.4% to 50.9 for July, showing a sector that was barely growing for the month. Its service sector PMI descended to a 52.7 reading from June's 53.3 mark.⁵

WALL STREET BRACES ITSELF

After Thursday's 513-point plunge, the Dow swung more than 400 points in Friday's session and settled with a 61-point gain. While the July jobs report and the European Central Bank's plan to buy Italian bonds provided a bit of encouragement for Wall Street, Standard & Poor's discouraged investors worldwide by downgrading the U.S. long-term credit rating from AAA to AA+ Friday evening. The major index performance in the first week of August: S&P 500, -7.19% to 1,199.38; DJIA, -5.75% to 11,444.61; NASDAQ, -8.13% to 2,532.41. As U.S. stocks endured a correction, gold rose \$20.50 in five days to \$1,648.50 per ounce - its fifth straight weekly gain.⁶

THIS WEEK: The release schedule is light. No major earnings reports or domestic economic indicators will appear Monday. Tuesday, the Federal Reserve's Open Market Committee will almost certainly leave the federal funds rate untouched (we'll see if they say anything about an additional stimulus); Disney will present 2Q results. Wednesday, Macy's and Cisco issue 2Q earnings reports and we get a report on wholesale stockpiles for June. Thursday brings earnings from Nordstrom, Kohl's and Nvidia and another round of initial and continuing jobless claims figures. Friday may offer the most news - Census Bureau data on July retail sales, the initial August consumer sentiment poll from the University of Michigan, data on June business inventories, and 2Q results from JCPenney.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-1.15	+7.21	+0.36	+1.00
NASDAQ	-4.54	+10.44	+4.29	+2.45
S&P 500	-4.63	+6.53	-1.25	-0.009
REAL YIELD	8/5 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.32%	1.07%	2.30%	3.50%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 8/5/11^{6,7,8,9}
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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