

WEEKLY ECONOMIC UPDATE

December 26, 2011

WEEKLY QUOTE

“Life is an adventure in forgiveness.”

– Norman Cousins

WEEKLY TIP

If 2012 is a year in which you start a business, remember three essentials to have on hand: an emergency fund, a year’s worth of operating capital and the support of your spouse or partner.

WEEKLY RIDDLE

They are sometimes stomped on, yet they can also be very tasty and sweet. What are they?

Last week’s riddle:

A man leaves home and makes three left turns. He comes home again and sees two masked men waiting for him, but he jogs straight toward them with a smile as others cheer. Why is this man so unafraid?

Last week’s answer:

He is a baseball player who has just hit a home run. The masked men are the umpire and the other team’s catcher.

PAYROLL TAX HOLIDAY EXTENDED FOR 2 MONTHS

Friday, President Obama signed an extension of the payroll tax cut lasting through February 29. The stopgap legislation also extends long-term unemployment benefits through that date and postpones a 27% reduction in Medicare payments to doctors. The federal government will pay for the extenders by having Fannie Mae and Freddie Mac hike guarantee fees on new mortgages, a cost that will be passed on to those buying or refinancing a home in 2012.¹

GAINS IN HARD GOODS ORDERS, CONSUMER SPENDING

November’s consumer spending increase was tiny: 0.1%. Wages advanced just 0.1% as well. However, last month also saw a 3.8% rise in durable goods orders (the best month for that indicator since July).^{2,3}

IMPROVED HOME SALES, HOUSING STARTS

The Census Bureau reported a 1.6% increase in new home purchases in November, with the new home inventory at its smallest since March 2006. Housing starts hit a 19-month peak in November, soaring 9.3% on the month. Existing home sales also improved notably in November, rising 4.0%; according to the National Association of Realtors, that was the best month since January.³

CONSUMERS FEELING MERRIER

December’s final Thomson Reuters/University of Michigan consumer sentiment survey came in at 69.9 compared with November’s final 64.1 mark. That also beat the 68.0 estimate forecast by economists Reuters had surveyed.⁴

A YEAR-END RALLY GETS ROLLING

Stocks showed definite momentum last week. The 5-day performances: DJIA, +3.60% to 12,294.00; NASDAQ, +2.48% to 2,618.64; S&P 500, +3.74% to 1,265.33. At the close on Friday, oil settled at \$99.68 on the NYMEX, gold closed at \$1,606.00 on the COMEX, retail gasoline prices had fallen 2.15% in the past 30 days and natural gas futures were at lows unseen in four years.^{2,5}

THIS WEEK: No major economic releases are on tap for Monday, Wednesday or Friday. Tuesday, the October edition of the S&P/Case-Shiller home price index arrives plus the Conference Board’s newest consumer confidence poll. Thursday, the National Association of Realtors issues its November report on pending home sales and we get the latest initial claims figures.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+6.19	+6.23	-0.0008	+2.25
NASDAQ	-1.29	-1.76	+1.81	+3.47
S&P 500	+0.61	+0.68	-2.06	+1.05
REAL YIELD	12/23 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	-0.04%	1.08%	2.35%	3.50%

Sources: money.msn.com, bigcharts.com, treasury.gov, treasurydirect.gov - 12/23/11^{2,6,7,8}
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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