

WEEKLY ECONOMIC UPDATE

May 23, 2011

WEEKLY QUOTE

“Work harder on yourself than you do on your job.”

– Jim Rohn

WEEKLY TIP

Take an inventory of your non-financial assets (home, cars, valuables, etc.) and weigh whether your property insurance coverage is still sufficient for them.

WEEKLY RIDDLE

You are at sea, it is mid-July, and your ship has reached a unique spot on earth. If you sail north, it will be summer; if you sail south, it will be winter. If you sail east, it will be Friday, but if you sail west, it will be Saturday. Precisely where in the world are you? (Hint: your ship is in the Pacific Ocean, near the island nation of Kiribati.)

Last week's riddle:

There is a word (four letters long) that begins with the letter I. If you put the letter A at the front of this four-letter word, it becomes a five-letter word which is pronounced exactly the same. Name both words.

Last week's answer:

Isle and aisle.

HOME SALES, HOUSING STARTS SLIP

Existing home sales decreased 0.9% in April, according to the National Association of Realtors. Annually, sales were off 12.9% from the pace of April 2010 (back when the homebuyer tax credit was in effect). The national median existing home price last month was \$163,700, 5.0% below where it was a year before. The inventory of unsold residences increased to a 9.2-month supply, up from an 8.3-month supply in March. A new release from the Commerce Department said housing starts declined by 10.6% in April; building permits decreased by 4.0% last month.^{1,2}

CONFERENCE BOARD LEI INDEX DECLINES

The CB's Leading Economic Index retreated in April for only the second time since March 2009. The 0.3% slip came after the index rose 0.7% in March and 0.9% in February. On the bright side, the CB's coincident (i.e., current) economic index improved for the third straight month in April.³

GOLD GETS BACK ABOVE \$1,500; GAS PRICES FALL

On Friday, gold prices topped the \$1,500 level for the first time since May 12 – the settlement price on the COMEX was \$1,508.90 an ounce, concluding a 1.0% advance for the week. Silver pulled off a 0.3% gain last week to settle Friday at \$35.09 an ounce. Crude oil fell 0.2% on the week; retail gas prices decreased by almost \$0.10 last week, according to AAA's Fuel Gauge Survey.^{4,5,6}

STOCKS RETREAT ON INDICATORS, DEBT ISSUES

Investors were largely left cold by this week's economic reports, and anxieties over the debt of Spain and Greece also affected Wall Street. So, all three major U.S. indexes moved south. On the week, they performed like this: DJIA, -0.66% to 12,512.04; S&P 500, -0.77% to 1,333.27; NASDAQ, -0.71% to 2,803.32. In 2011, we are seeing selling in May: the DJIA and S&P 500 are currently on three-week losing streaks.⁷

THIS WEEK: Monday offers 1Q earnings from Campbell Soup, and Wall Street will also be eyeing the elections in debt-burdened Spain. Tuesday, we have the report on April new home sales. Wednesday brings us news about April durable goods orders, plus 1Q results out of Costco and Polo Ralph Lauren. Thursday provides weekly jobless claims data along with 1Q results from Sony and BigLots. The major economic releases of the week all arrive Friday: reports on April consumer spending and pending home sales, plus the final May consumer sentiment poll out of the University of Michigan.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+8.07	+24.28	+2.46	+1.04
NASDAQ	+5.67	+27.19	+5.56	+2.16
S&P 500	+6.01	+24.42	+1.05	+0.16
REAL YIELD	5/20 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.85%	1.36%	2.43%	3.52%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 5/20/11^{7,8,9,10}
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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