

WEEKLY ECONOMIC UPDATE

May 9, 2011

WEEKLY QUOTE

“That which seems the height of absurdity in one generation often becomes the height of wisdom in the next.”
– John Stuart Mill

WEEKLY TIP

If you have adult children living at home, do they pay rent? It can provide you with a source of extra income.

WEEKLY RIDDLE

You have a can of soda in your hand and someone tells you to drink the bottom half of it first. How can you do that?

Last week’s riddle:

You go in through one hole, and you come out through three holes. Once you're inside you're ready to go outside, but once you're outside you're still inside. What is it?

Last week’s answer:

A sweater.

HIRING IMPROVES IN APRIL

The Labor Department’s latest jobs report contained some good news: the private sector added 268,000 new jobs last month, and overall non-farm payrolls increased by 244,000 in April. The private sector hasn’t seen this much month-over-month job creation since February 2006, and the net gain of 244,000 jobs was the best since June 2010. The unemployment rate went up to 9.0% in April, but Wall Street rallied Friday after the report was released.¹

PMI INDEX STRONG; SERVICE SECTOR INDEX SLIPS

Last week, the Institute for Supply Management released its April reports on the manufacturing and service sectors. While the manufacturing index came in at 60.4 – down slightly from March’s 61.2 – anything above 60 indicates a booming sector. The non-manufacturing index dropped to 52.8 from March’s 57.3 reading. Anything above 50 means growth, but the index hasn’t been this low in eight months.²

GOLD, SILVER & OIL PULL BACK

Are commodities overbought? That anxiety weighed on the futures markets last week, and it was amplified by a strengthening dollar. Silver took the biggest hit, retreating 27.4% across five days to \$35.28 an ounce at the Friday COMEX close. Gold lost 4.2% to end the week at \$1,491.20 per ounce; copper sank 4.9% for the week, leaving it 14% under its February 14 record close on Friday. Oil slid 14.7% last week, all the way down to \$97.18 per barrel at the Friday close; crude had its poorest week since mid-December of 2008.^{3,4}

A VOLATILE WEEK SEES STOCKS RETREAT

Stocks rollercoasted a bit last week as closely watched indicators alternately came in positive and negative. By Friday’s close, the scorecard for May 3-6 looked like this: DJIA, -1.34% to 12,638.74; S&P 500, -1.72% to 1,340.20; NASDAQ, -1.60% to 2,827.56. (The “flash crash” occurred on May 6, 2010 – that’s why the 1-YR CHG column below shows such radical improvement this week.)⁵

THIS WEEK: No major economic releases are scheduled for Monday. On Tuesday, we have a report on March wholesale inventories and 1Q earnings from Disney. On Wednesday, three Federal Reserve Bank presidents speak and 1Q earnings from Toyota, Symantec and Cisco arrive. Thursday, the April PPI is released and the newest reports on initial jobless claims arrive; we get the Census Bureau’s report on April retail sales along with 1Q earnings from three titans of the mall – Nordstrom, Macy’s and Kohl’s. Friday, we get April’s CPI and the University of Michigan’s initial consumer sentiment survey for May.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+9.17	+20.14	+1.83	+1.56
NASDAQ	+6.58	+21.90	+4.14	+3.01
S&P 500	+6.56	+18.80	+0.22	+0.61
REAL YIELD	5/6 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.71%	1.25%	2.45%	3.52%

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