

WEEKLY ECONOMIC UPDATE

September 5, 2011

WEEKLY QUOTE

“Friendship either finds or makes equals.”

– Publilius Syrus

WEEKLY TIP

If you are divorcing and will have joint custody of your children, clarify who will claim them as dependents on a federal return. If you both claim the same dependents, it might be a red flag for the IRS.

WEEKLY RIDDLE

It weighs nothing, but when you put it into any container it makes the container lighter. What is it?

Last week's riddle:

In a drawer are 6 pairs of red socks, 4 pairs of white socks and 5 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 answer:

You would have to grab 4 socks – 4 is the maximum number you'd need to pull to insure you had at least 2 socks that matched. (Don't believe it? Give it a try!)

NO JOB GAINS IN AUGUST

In August, nonfarm payroll employment totaled 131.1 million – as it did in July. The Labor Department measured no job growth in the economy for the first time since September 2010. Additionally, employers reduced the average work week slightly to 34.2 hours. The unemployment rate remained at 9.1% last month.¹

CONSUMER SPENDING IMPROVES BY 0.8%

This hugely encouraging July figure from the Commerce Department trounced forecasts and represented the best month for the statistic since February. Personal incomes improved by 0.3% in July; the personal savings rate hit a four-month low.²

PENDING HOME SALES DOWN, HOME PRICES UP

The National Association of Realtors announced pending home sales had declined by 1.3% in July following three months of gains. The number of sales contracts was still 14.4% better than a year before. July's Case-Shiller Home Price Index was notable for indicating a 3.6% 2Q gain in home prices, though the index was still down 5.9% year-over-year.^{2,3,4}

MANUFACTURERS SIGNAL MINOR EXPANSION

The Institute for Supply Management's August purchasing manufacturers index ticked down to 50.6 from July's 50.9 mark. So the sector is growing, but not by much (50 is the line between expansion and contraction). The new orders sub-index improved 0.4% to 49.6.⁵

STOCKS GIVE BACK SOME GAINS

While the NASDAQ managed a 0.02% advance last week to settle at 2,480.33 on Friday, the S&P 500 and Dow had minor weekly losses. The DJIA retreated 0.39% to a Friday close of 11,240.26, and the S&P pulled back 0.24% to settle Friday at 1,173.97. Gold futures gained 4.43% on the week – prices jumped \$47.70 on Friday alone.^{6,7}

THIS WEEK: U.S. markets are closed for Labor Day. On Tuesday, ISM releases its August service sector index and Pep Boys issues earnings. Wednesday, the Fed puts out a new Beige Book and we have an earnings report from Hovnanian. Thursday promises to be interesting; the Bank of England and European Central Bank will each conclude policy meetings, Fed chief Ben Bernanke speaks in Minneapolis, President Obama addresses the nation on jobs and the economy, and of course new initial claims figures come out. Friday, we have earnings from Kroger.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-2.91	+8.92	-0.39	+1.24
NASDAQ	-6.50	+12.74	+2.62	+4.01
S&P 500	-6.65	+7.69	-2.09	+0.36
REAL YIELD	9/2 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.00%	1.05%	2.25%	3.50%

Sources: cnbc.com, usatoday.com, bigcharts.com, treasury.gov, treasurydirect.gov - 9/2/11^{6,8,9,10}
Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.
These returns do not include dividends.

Please feel free to forward this article to family, friends or colleagues.

If you would like us to add them to our distribution list, please reply with their address. We will contact them first and request their permission to add them to our list.

Investment Centers of America, Inc. (ICA), member FINRA, SIPC, a Registered Investment Advisor, is not affiliated with ChoiceOne Bank or ChoiceOne Investment Center. Securities, advisory services and insurance products offered through ICA and affiliated insurance agencies are ***not insured by the FDIC or any other federal government agency *not a deposit or other obligation of, or guaranteed by any bank or their affiliates *subject to risks including the possible loss of principal amount invested.**

This material was prepared by MarketingLibrary.Net Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is not possible to invest directly in an index. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the "NYSE") and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. All information is believed to be from reliable sources; however we make no representation as to its completeness or accuracy. All economic and performance data is historical and not indicative of future results. Market indices discussed are unmanaged. Investors cannot invest in unmanaged indices. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

Citations.

- 1 - latimes.com/business/la-fiw-jobs-20110903,0,2844276.story [9/2/11]
- 2 - nj.com/business/index.ssf/2011/08/consumer_spending_climbs_more.html [8/29/11]
- 3 - realtor.org/press_room/news_releases/2011/08/phs_july [8/29/11]
- 4 - blogs.wsj.com/economics/2011/08/30/vital-signs-home-prices-remain-low/ [8/30/11]
- 5 - ism.ws/ISMReport/MfgROB.cfm [9/1/11]
- 6 - blogs.wsj.com/marketbeat/2011/09/02/data-points-u-s-markets-47/ [9/2/11]
- 7 - blogs.wsj.com/marketbeat/2011/09/02/data-points-energy-metals-518/ [9/2/11]
- 8 - usatoday.com/money/index [9/2/11]
- 9 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=9%2F2%2F10&x=0&y=0 [9/2/11]
- 9 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=9%2F2%2F10&x=10&y=18 [9/2/11]
- 9 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=9%2F2%2F10&x=0&y=0 [9/2/11]
- 9 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=9%2F1%2F06&x=0&y=0 [9/2/11]
- 9 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=9%2F1%2F06&x=0&y=0 [9/2/11]
- 9 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=9%2F1%2F06&x=0&y=0 [9/2/11]
- 9 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=9%2F4%2F01&x=0&y=0 [9/2/11]
- 9 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=9%2F4%2F01&x=0&y=0 [9/2/11]
- 9 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=9%2F4%2F01&x=0&y=0 [9/2/11]
- 10 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield [9/2/11]
- 10 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll [9/2/11]
- 11 - treasurydirect.gov/instit/annceresult/press/preanre/2001/ofm71101.pdf [7/11/01]