

# WEEKLY ECONOMIC UPDATE

February 21, 2011

## WEEKLY QUOTE

“There are no problems we cannot solve together, and very few that we can solve by ourselves.”  
– Lyndon B. Johnson

## WEEKLY TIP

It is comforting to have an emergency fund - a lump sum roughly equivalent to 6 months of normal living expenses. That lump sum could even be invested in an interest-earning account that allows you easy access.

## WEEKLY RIDDLE

Tim hands a friend \$63 using six bills, yet none of them are dollar bills. How is he able to do this?

## Last week's riddle:

You answer me all the time, yet I never ask you questions. What am I?

## Last week's answer:

Your phone.

## INFLATION UP 0.4% FOR SECOND STRAIGHT MONTH

The federal government's Consumer Price Index hasn't seen back-to-back increases of this magnitude since June-July 2008. As overall CPI rose 0.4% in January, core CPI rose 0.2% - the biggest increase in that indicator in 15 months. In addition, the Labor Department's Producer Price Index climbed 0.8% for January.<sup>1</sup>

## CONFERENCE BOARD LEI TICKS UP 0.1%

January brought a tiny increase in the Conference Board's Leading Indicator Index. New manufacturing orders, consumer expectations and low interest rates were the indicators pushing the index into positive territory.<sup>2</sup>

## RETAIL SALES, INDUSTRIAL OUTPUT DISAPPOINT

Blame the weather, not the shopper: the Commerce Department said retail sales were up 0.3% for January, underneath the 0.5% gain forecast by economists surveyed by Bloomberg News. On the upside, retail sales posted their seventh straight monthly gain. The weather also may have been a factor in the 0.1% retreat in U.S. industrial production last month. The Federal Reserve did revise December's gain in that indicator from 0.8% to 1.2%.<sup>3,4</sup>

## HOUSING STARTS UP 14.6%

This is the biggest jump in new construction in four months, according to the Commerce Department. While building permits fell 10.4% from December levels, that comes on the heels of a 15.3% rise in December as firms rushed to get permits before building code changes took effect for 2011 in several states.<sup>5</sup>

## STOCKS ON PACE FOR A FINE FEBRUARY

Last week continued the pattern we've seen recently, with the Dow calmly gaining between 10-100 points on the typical trading day. The numbers for the week: DJIA, +0.96% to 12,391.25; NASDAQ, +0.87% to 2,833.95; S&P 500, +1.04% to 1,343.01.<sup>6</sup>

**THIS WEEK:** U.S. financial markets are closed Monday for the Presidents Day holiday. Tuesday we get the December Case-Shiller home price index and the Conference Board's February assessment of consumer confidence, plus 4Q earnings from Wal-Mart, Home Depot, Macy's and Barnes & Noble. Wednesday offers data on January existing home sales and 4Q results from Priceline. Thursday brings new data on new home sales, durable goods orders and earnings from Kohl's, Sears, Target and General Motors. Friday, we have the University of Michigan's final February consumer sentiment survey and 4Q results from JC Penney.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+7.03	+19.23	+2.30	+1.55
NASDAQ	+6.83	+26.42	+4.83	+2.22
S&P 500	+6.79	+21.35	+0.87	+0.50
REAL YIELD	2/18 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.25%	1.48%	2.03%	3.52%

Source: cncb.com, bigcharts.com, treasury.gov, treasurydirect.gov - 2/18/11<sup>6,7,8,9</sup>  
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.***

\*CFP® and CERTIFIED FINANCIAL PLANNER™ are marks owned by the Certified Financial Planner Board of standards, Inc. This mark is awarded to individuals who successfully complete the CFP Board's initial and ongoing certification requirements.

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 Peter Montoya 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. 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 - [csmonitor.com/Business/2011/0217/Inflation-rate-why-prices-are-rising-on-everything-from-cornflakes-to-socks](http://csmonitor.com/Business/2011/0217/Inflation-rate-why-prices-are-rising-on-everything-from-cornflakes-to-socks) [2/17/11]
- 2 - [theatlantic.com/business/archive/2011/02/leading-indicators-continue-to-creep-up-in-january/71397/](http://theatlantic.com/business/archive/2011/02/leading-indicators-continue-to-creep-up-in-january/71397/) [2/17/11]
- 3 - [bloomberg.com/news/2011-02-15/retail-sales-in-u-s-increased-less-than-economists-forecast-on-weather.html](http://bloomberg.com/news/2011-02-15/retail-sales-in-u-s-increased-less-than-economists-forecast-on-weather.html) [2/15/11]
- 4 - [online.wsj.com/article/BT-CO-20110216-709057.html](http://online.wsj.com/article/BT-CO-20110216-709057.html) [2/16/11]
- 5 - [marketwatch.com/story/jan-housing-starts-up-146-to-596000-2011-02-16](http://marketwatch.com/story/jan-housing-starts-up-146-to-596000-2011-02-16) [2/16/11]
- 6 - [cnbc.com/id/41670795](http://cnbc.com/id/41670795) [2/18/11]
- 7 - [bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=DJIA&close\\_date=2%2F18%2F10&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=DJIA&close_date=2%2F18%2F10&x=0&y=0) [2/18/11]
- 7 - [bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=COMP&close\\_date=2%2F18%2F10&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=COMP&close_date=2%2F18%2F10&x=0&y=0) [2/18/11]
- 7 - [bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=SPX&close\\_date=2%2F18%2F10&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=SPX&close_date=2%2F18%2F10&x=0&y=0) [2/18/11]
- 7 - [bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=DJIA&close\\_date=2%2F17%2F06&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=DJIA&close_date=2%2F17%2F06&x=0&y=0) [2/18/11]
- 7 - [bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=COMP&close\\_date=2%2F17%2F06&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=COMP&close_date=2%2F17%2F06&x=0&y=0) [2/18/11]
- 7 - [bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=SPX&close\\_date=2%2F17%2F06&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=SPX&close_date=2%2F17%2F06&x=0&y=0) [2/18/11]
- 7 - [bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=DJIA&close\\_date=2%2F20%2F01&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=DJIA&close_date=2%2F20%2F01&x=0&y=0) [2/18/11]
- 7 - [bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=COMP&close\\_date=2%2F20%2F01&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=COMP&close_date=2%2F20%2F01&x=0&y=0) [2/18/11]
- 7 - [bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=SPX&close\\_date=2%2F20%2F01&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?detect=1&symbol=SPX&close_date=2%2F20%2F01&x=0&y=0) [2/18/11]
- 8 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield](http://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield) [2/18/11]
- 8 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll](http://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll) [2/18/11]
- 9 - [treasurydirect.gov/instit/annceresult/press/preanre/2001/ofm11001.pdf](http://treasurydirect.gov/instit/annceresult/press/preanre/2001/ofm11001.pdf) [1/10/01]