

# WEEKLY ECONOMIC UPDATE

June 13, 2011

## WEEKLY QUOTE

"If you're too big for a small job, you're too small for a big one."

– Queen Rania of Jordan

## WEEKLY TIP

Recognize the two kinds of risk in investing: the risk of losing principal and the risk of losing purchasing power. Many investors grasp the first risk, but not the second.

## WEEKLY RIDDLE

What do a shark, a zipper and a comb all have in common?

### Last week's riddle:

New furniture will be delivered to your office on the day before five days from the day after tomorrow. If today is August 18, when will the furniture arrive?

### Last week's answer:

August 24.

## NEW BEIGE BOOK SHOWS GROWTH MODERATING

At last week's International Monetary Conference, Federal Reserve Chairman Ben Bernanke conceded that the pace of the recovery had become "frustratingly slow." While the Fed's latest Beige Book showed solid economic growth in eight of 12 Fed districts (with growth accelerating in the Dallas region), growth had moderated in the Philadelphia, Atlanta, Chicago and New York districts. Broadly, the Fed snapshot revealed some slowdown in manufacturing but steady service sector expansion.<sup>1</sup>

## 2-YEAR NOTES NOTCH 9-WEEK WIN STREAK

This hasn't happened since February 2008. The yield on the 2-year Treasury fell to 0.40% and the yield on the 10-year note slipped to 2.97% Friday, even with the sunset for QE2 on the horizon. Friday, the Fed said it would end that bond-buying program by purchasing \$50 billion in Treasuries by the end of the month.<sup>2</sup>

## MORTGAGE RATES EASE FOR EIGHTH STRAIGHT WEEK

Freddie Mac's latest Primary Mortgage Market Survey estimates the average interest rate on a 30-year fixed-rate mortgage at 4.49%, compared to an average of 4.72% across 2010. Rates on the 15-year FRM averaged just 3.68% in the June 9 survey.<sup>3</sup>

## GOLD, SILVER & OIL PRICES DECLINE

Gold prices slipped 0.5% last week, ending three weeks of advances; the good news is that gold is up roughly 5% over the last five weeks. Silver prices dropped 3.2% Friday to \$36.32 per ounce on the COMEX. Oil lost 0.9% last week, aided by Saudi Arabia's move to ramp up production for customers in Asia; prices settled Friday at \$99.29 per barrel on the NYMEX.<sup>4,5</sup>

## LITTLE ENTHUSIASM FOR STOCKS

The Dow closed under 12,000 Friday; its losing streak now stands at six weeks. (We have four weeks until the next earnings season.) The performances for June 6-10: DJIA, -1.64% to 11,951.91; NASDAQ, -3.26% to 2,643.73; S&P 500, -2.24% to 1,270.98.<sup>6</sup>

**THIS WEEK:** Nothing major is scheduled for Monday. Tuesday, we have the May PPI and government reports on May retail sales and April business inventories. The May CPI is released on Wednesday along with data on May industrial output. On Thursday, we have the latest initial and continuing claims reports from the Labor Department and the report on May housing starts from the Census Bureau. Friday brings the Conference Board's May index of leading indicators and the University of Michigan's preliminary June consumer sentiment survey.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+3.23	+17.49	+1.95	+0.94
NASDAQ	-0.34	+19.16	+4.76	+2.18
S&P 500	+1.06	+16.94	+0.30	+0.13
REAL YIELD	6/10 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.79%	1.35%	2.45%	3.52%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 6/10/11<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.

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## Citations.

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