

# WEEKLY ECONOMIC UPDATE

March 28, 2011

## WEEKLY QUOTE

"I have friends in overalls whose friendship I would not swap for the favor of the kings of the world."

– Thomas Edison

## WEEKLY TIP

Do you save a regular amount per month? Those who do find they have money for an emergency fund or other objectives. As you look at your monthly budget, determine the amount you can save each month.

## WEEKLY RIDDLE

A woman sailed into the Bahamas with her boat on the 28th of April. She stayed in the Bahamas for three weeks and then left in April. How is this possible?

## Last week's riddle:

How many times can you subtract the number 4 from 40?

## Last week's answer:

Once, because after you do it once you have 36 and are no longer subtracting from 40.

## 4Q GDP REVISED UPWARD

The Commerce Department's final estimate of 4Q 2010 GDP is +3.1%, an improvement from the previous estimate of +2.8%. The revision reflects increased consumer spending, exports and business investment during the quarter – and with this alteration, the Bureau of Economic Analysis now puts U.S. GDP at +2.9% for 2010. Compare that to the -2.6% economic output of 2009.<sup>1</sup>

## WHEN DOES THE REAL ESTATE RECOVERY BEGIN?

By the looks of February's home sales figures, recovery may not begin for a while. New home sales slipped 16.9% last month according to the Census Bureau, and were 28.0% under year-ago levels. The National Association of Realtors said existing home sales fell by 9.6% last month; the median sales price for a single-family home was \$157,000 (-5.2% from a year ago) with distressed homes making up 39% of the market (up 4% from a year ago). While monthly home sales figures are often later readjusted and have a sizable margin of error, the numbers are still troubling; for example, existing home sales were up for each of the preceding three months.<sup>2,3</sup>

## GLOBAL UNCERTAINTY WEIGHS ON CONSUMERS

High gas prices and the unresolved nuclear power plant crisis in Japan likely impacted the University of Michigan's final March consumer sentiment survey. The final March number was 67.5, the poorest reading the index has registered since November 2009.<sup>4</sup>

## HARD GOODS ORDERS SLIP IN FEBRUARY

Durable goods orders confounded the forecasts of economists, diminishing last month by 0.9%. Minus transportation orders, the decline was 0.6%.<sup>5</sup>

## STOCKS PROVE RESILIENT

While the three major Wall Street indexes are still negative for March, they all posted gains last week: DJIA, +3.05% to 12,220.59; S&P 500, +2.70% to 1,313.80; NASDAQ, +3.76% to 2,743.06. The Russell 2000 was up 3.67% last week and the "fear index", the CBOE VIX, fell 26.72%.<sup>6</sup>

**THIS WEEK:** February consumer spending and January pending home sales reports arrive Monday. The Conference Board's March consumer confidence index and the January Case-Shiller home price index come out Tuesday, plus earnings from Lennar. Thursday, we have initial and continuing claims and a report on February factory orders. Both the March unemployment report and the March ISM manufacturing report will be released on Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+5.55	+12.72	+1.67	+2.61
NASDAQ	+3.40	+14.42	+3.72	+4.30
S&P 500	+4.47	+12.70	+0.17	+1.40
REAL YIELD	3/25 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.02%	1.65%	2.20%	3.52%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 3/25/11<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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