

# WEEKLY ECONOMIC UPDATE

March 7, 2011

## WEEKLY QUOTE

“Many men go fishing all of their lives without knowing that it is not fish they are after.”  
– Henry David Thoreau

## WEEKLY TIP

Wondering how much income you may need when you retire? To get a rough idea, you may want to look at your current household budget. Typically the answer is between 75-100% of the money you currently devote to total yearly living expenses. But remember to factor in inflation.

## WEEKLY RIDDLE

I am soft enough to soothe the skin, yet I have the ability to crumble rocks. I am often slippery and on the move. What am I?

## Last week's riddle:

I was framed, yet not guilty of any crime. The man who framed me committed no crime. How is this possible?

## Last week's answer:

I am a picture, and I was put in a picture frame.

## JOBS REPORT (NEARLY) LIVES UP TO EXPECTATIONS

Wall Street had high hopes for the February unemployment report. Would it show that more than 200,000 new jobs had been created? Well, it came close - the data revealed 192,000 net new jobs, the best increase in nearly a year. The jobless rate ticked down to 8.9% last month, and the number of underemployed Americans (those either without work or working part-time) dropped to 15.9% from 16.1% in January. On the downside, the Labor Department data showed that just 64.2% of the working-age population was either employed or seeking employment last month. You have to go back to 1985 to find a labor force participation rate that low.<sup>1</sup>

## WAGES UP 1.0% IN JANUARY

The payroll tax holiday promoted a dramatic increase in personal incomes last month. Additionally, the Commerce Department said that the personal savings rate improved by 0.4% in January to 5.8%. Yet personal spending increased by only 0.2% in January and actually slipped 0.1% in inflation-adjusted terms.<sup>2</sup>

## SERVICE & MANUFACTURING SECTORS KEEP GROWING

According to new Institute for Supply Management surveys, the expansion of both sectors continued in February: the service sector reading improved by 0.3% to 59.7 and the manufacturing sector reading went up 0.6% to 61.4.<sup>3</sup>

## OIL, GOLD & SILVER PRICES LEAP NORTH AGAIN

Gold cracked a new ceiling last Wednesday, hitting an intraday high of \$1,440.10 per ounce. Friday, U.S. gold futures settled at \$1,428.60 an ounce. Gold prices have climbed 6.53% over the last five weeks. Silver hit yet another 31-year high on Friday, with futures hitting \$35.32 per ounce. Oil prices rose 6.68% last week alone, settling Friday at \$104.42 a barrel; oil futures are up 14.27% YTD on the NYMEX.<sup>4,5</sup>

## A WINNING WEEK (BELIEVE IT OR NOT)

After five rather volatile trading days, the DJIA, S&P 500 and NASDAQ had all managed weekly advances. Their performances for the week: DJIA, +0.33% to 12,169.88; NASDAQ, +0.13% to 2,784.67; S&P 500, +0.10% to 1,321.15.<sup>6</sup>

**THIS WEEK:** No major economic releases on Monday or Tuesday. Wednesday brings a report on January wholesale inventories plus 4Q earnings from H&R Block. Thursday offers new initial and continuing claims data. Friday brings the initial March survey on consumer sentiment from the University of Michigan, Census Bureau data on retail sales in February, and a report on January business inventories. (In tech news, the iPad 2 is scheduled to ship Friday.)

| % CHANGE          | Y-T-D           | 1-YR CHG        | 5-YR AVG         | 10-YR AVG         |
|-------------------|-----------------|-----------------|------------------|-------------------|
| DJIA              | +5.12           | +16.52          | +2.08            | +1.52             |
| NASDAQ            | +5.05           | +21.48          | +4.19            | +2.99             |
| S&P 500           | +4.97           | +17.65          | +0.53            | +0.64             |
| <b>REAL YIELD</b> | <b>3/4 RATE</b> | <b>1 YR AGO</b> | <b>5 YRS AGO</b> | <b>10 YRS AGO</b> |
| 10 YR TIPS        | 1.00%           | 1.44%           | 2.07%            | 3.52%             |

Source: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 3/4/11<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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