

WEEKLY ECONOMIC UPDATE

August 22, 2011

WEEKLY QUOTE

“Heroes are not known by the loftiness of their carriage; the greatest braggarts are generally the merest cowards.”

– Jean-Jacques Rousseau

WEEKLY TIP

Think of making a three-pronged attack on future college expenses. Assets from a 529 plan or other form of college savings fund can be complemented by cash flow from parents and financial aid, scholarships or loans the student may apply for as the time comes.

WEEKLY RIDDLE

It has 18 legs, is uniformed, walks and runs on grass and artificial turf, and catches flies. What is it?

Last week's riddle:

What surrounds everyone and is the end of time and space?

Last week's answer:

The letter E.

RIISING GAS PRICES KEY FACTOR IN INFLATION SPIKE

The federal government's Consumer Price Index recorded a 0.5% inflation increase for July. Gasoline prices rose 4.7% during the month; food prices rose 0.4%. Core CPI advanced 0.2%. Producer prices rose as well – the Labor Department's July Producer Price Index posted a 0.2% increase, with core PPI up 0.4%. Economists surveyed by Reuters had expected gains of just 0.2% in overall CPI and 0.1% in overall PPI for the month.^{1,2}

EXISTING HOME SALES DECLINE IN JULY

The National Association of Realtors noted a 3.5% fall in residential resales for July. While the rate of existing home sales hit an 8-month low last month, sales in July were still up 21% from a year ago (the federal homebuying credit expired in July 2010). The median sale price was \$174,400, down 4.4% from a year ago.³

\$1,800 GOLD IS HERE; OIL MOVES LOWER

Gold settled at \$1,852.20 per ounce on the COMEX Friday; the precious metal is on track for its best month in 12 years, and the gold bull market has now run for more than 1,000 days. Oil settled at \$82.26 on the NYMEX Friday, wrapping up its fourth straight down week.^{4,5}

GAINS IN INDUSTRIAL OUTPUT, LEADING INDICATORS

The Conference Board Leading Economic Index advanced 0.5% in July to follow an 0.3% rise in June and an 0.7% gain in May. Industrial output increased by 0.9% in July according to the Federal Reserve – the best month for that indicator since December. Auto production alone improved 5.2% for the month.^{6,7}

STOCKS UNDER PRESSURE

The ongoing debt crisis in Europe, disappointing U.S. economic indicators and some subpar earnings reports all did some damage. So it was a negative week for the big Wall Street benchmarks: DJIA, -4.01% to 10,817.65; S&P 500, -4.69% to 1,123.53; NASDAQ, -6.62% to 2,341.84.⁸

THIS WEEK: Nothing major is scheduled out of Washington or the private sector for Monday. Tuesday, July new home sales figures come out and Heinz has 2Q results. Wednesday, we get news about July's durable goods orders, plus earnings from Toll Brothers and TiVo. Thursday brings weekly jobless claims and earnings from Hormel. Friday, we have the second estimate of 2Q GDP and the final August consumer sentiment survey from the University of Michigan; Federal Reserve chairman Ben Bernanke will also speak at the Fed's Jackson Hole, WY symposium.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-6.56	+5.32	-0.99	+0.48
NASDAQ	-11.72	+7.48	+1.64	+2.45
S&P 500	-10.66	+4.45	-2.75	-0.41
REAL YIELD	8/19 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.02%	1.02%	2.26%	3.50%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 8/19/11^{6,9,10,11}
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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