

WEEKLY ECONOMIC UPDATE

July 5, 2011

WEEKLY QUOTE
“People are definitely a company’s greatest asset. It doesn’t make any difference whether the product is cars or cosmetics. A company is only as good as the people it keeps.”
– Mary Kay Ash

WEEKLY TIP
If a friend or relative moves in with you, have an up-front talk about rent, who pays X percentage of the bills and how long they will stay. No one wants to argue over misunderstandings.

WEEKLY RIDDLE
What is the number missing within this sequence? 4, 7, 11, 18, 29, 47, __, 123, 199, 322.

Last week’s riddle:
Wilson, Xavier, Yolanda, and Zach are standing in line at the market. See if you can figure out their order from these clues:
Yolanda is between Wilson and Xavier,
Zach is next to Wilson,
and Xavier is not first.

Last week’s answer:
Zach is first, Wilson is second, Yolanda is third, and Xavier is fourth.

SOFT SPENDING DURING THE SOFT PATCH

After ten consecutive months of gains, personal spending was flat for May and actually retreated 0.1% when adjusted for inflation. Weak auto sales may have been the biggest influence. Economists polled by Reuters had projected a 0.1% gain in the indicator. The Commerce Department did note that personal incomes rose 0.3% for the second straight month. The personal consumption expenditures (PCE) price index showed a 2.5% year-over-year advance.¹

ISM INDEX SURPRISES

Analysts thought the Institute for Supply Management’s factory index would decline in June. It didn’t. The index rose from May’s 53.5 mark to 55.3. The U.S. was the only nation in the world whose benchmark manufacturing PMI rose last month.²

CONSUMER CONFIDENCE WANES

This was not surprising given recent headlines. The University of Michigan’s final June consumer sentiment poll slipped to 71.5 from May’s 74.3 reading, and the Conference Board’s June consumer confidence index also declined to 58.5 from last month’s revised 61.7 mark.^{2,3}

HOME PRICES, HOME SALE AGREEMENTS INCREASE

The National Association of Realtors announced that pending home sales were up 8.2% for May, rebounding from April’s 7-month low. There were 17.0% more sales contracts signed last month than in June 2010, which represents the trough for pending home sales since the real estate downturn began. You can’t read too much into the April edition of the S&P/Case-Shiller Home Price Index; home prices in 20 major cities were up 0.7% overall, but it was the start of homebuying season.^{4,5}

WALL STREET SHIFTS INTO RALLY MODE

Equities looked far more attractive after Greece passed austerity measures and U.S. indicators showed improvement. Here are the five-day gains from the stock market’s best week in nearly two years: NASDAQ, +6.15% to 2,816.03; S&P 500, +5.61% to 1,339.67; DJIA, +5.43% to 12,582.77.⁶

THIS WEEK: Monday being July 4, U.S. markets are closed. Tuesday, we get the Commerce Department report on May factory orders. Wednesday brings the June edition of the ISM service sector PMI. New initial and continuing claims reports arrive Thursday. Friday, we have the Labor Department’s unemployment report for June plus data on May wholesale inventories.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+8.68	+29.29	+2.57	+1.89
NASDAQ	+6.15	+34.01	+5.93	+3.11
S&P 500	+6.52	+30.40	+1.09	+0.83
REAL YIELD	7/1 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.77%	1.21%	2.54%	3.52%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 7/1/11^{6,7,8,9}
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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