

WEEKLY ECONOMIC UPDATE

February 7, 2011

WEEKLY QUOTE

“Avoid having your ego so close to your position that when your position falls, your ego goes with it.”

– Gen. Colin Powell

WEEKLY TIP

How are your assets structured? Is your business structured to limit your liability? Talk with your tax professional to learn how things may be structured to offer you adequate asset protection and flexibility.

WEEKLY RIDDLE

You sit down to play chess. Out of the 16 pieces you have at your disposal, how many of them could be used to make your first move?

Last week's riddle:

What nation has current and former capital cities whose names are anagrams of each other? (Hint: it is a major player in the world economy.)

Last week's answer:

Japan (Tokyo and Kyoto).

A JOBS REPORT MUCH LIKE THE LAST ONE

Unemployment fell dramatically in January: the Labor Department reported a second straight .4% monthly drop, resulting in the largest two-month reduction of the jobless rate since 1958. While the decrease puts unemployment at 9.0% (the lowest figure since April 2009), just 36,000 net new jobs were created. The implication: due to the weather or discouragement, many job seekers didn't look for work. "The thumbprints of the weather were all over this report," Bank of America Merrill Lynch economist Neil Dutta told the Associated Press. "We know the job market is recovering."^{1,2}

CONSUMER SPENDING IMPROVES 0.7% IN DECEMBER

This beat the 0.5% gain forecast by economists polled by Reuters – and it was the sixth straight positive month for the indicator. The Commerce Department also noted that personal wages increased 0.4% in December. The core Personal Consumption Expenditures price index (PCE) was flat for the month; in 2010, core PCE only increased 0.7%.³

ISM: MANUFACTURING, SERVICE SECTOR GROW 2.3%

The Institute for Supply Management's manufacturing and service sector indices both jumped 2.3% in January. (It was the best month for the non-manufacturing index since August 2005.) The manufacturing index is now at 60.8, and the service sector index is at 59.4. Additionally, the Commerce Department said that December brought a 0.2% improvement in factory orders.^{4,5,6}

STOCKS LEAP NORTH, EVEN WITH UNCERTAINTY

The market largely turned its attention away from Egypt toward 4Q results and domestic economic indicators last week. The weekly gains were the best since early December: DJIA, +2.27% to 12,092.15; S&P 500, +2.71% to 1,310.87; NASDAQ, +3.07% to 2,769.30. As for fear in the marketplace, one measure of it - the CBOE VIX - dropped 20.66% for the week. Gold ended the week at \$1,348.30 an ounce and NYMEX crude at \$89.03 per barrel, and copper prices hit an all-time peak Friday.⁷

THIS WEEK: Monday brings 4Q results from Humana and Hasbro; also, President Obama addresses the U.S. Chamber of Commerce. Tuesday brings earnings from UBS and Toyota. Wednesday, we have earnings reports from Cisco, MetLife, Nissan, Prudential and Coca-Cola plus Ben Bernanke testifying before Congress. Thursday we get weekly unemployment figures and 4Q earnings from PepsiCo, Philip Morris and Sprint; it will also be "opening day" for Verizon iPhone sales. Friday offers the initial January consumer sentiment survey from the University of Michigan.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+4.45	+20.90	+2.41	+1.03
NASDAQ	+4.39	+30.29	+4.48	+0.48
S&P 500	+4.23	+23.31	+0.74	-0.32
REAL YIELD	2/4 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.30%	1.27%	2.00%	3.52%

Source: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 2/4/11^{7,8,9,10}
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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