

WEEKLY ECONOMIC UPDATE

January 10, 2011

WEEKLY QUOTE

“A career is born in public, talent in privacy.”

– Marilyn Monroe

WEEKLY TIP

If your life or financial situation changed notably in 2010 (a new job, a marriage, an addition to the family), then 2011 should be a time to review the state of your personal insurance and your risk management approach.

WEEKLY RIDDLE

Complete these words by putting the same 3 letters into each one: F---RISH, C---DY, S---GH.

Last week's riddle:

By rearranging the letters in the phrase VIEWING A STIR, you can make the name of a U.S. state. What state is it? (This state has 12 letters in its name.)

Last week's answer:

West Virginia.

HOW DO WE INTERPRET THIS JOBS REPORT?

America's unemployment rate fell four-tenths of a point in December to 9.4%. On the surface, that sounds great – after all, that is the biggest one-month drop in the jobless rate in 12 years. Beneath the surface, it wasn't so great. Labor Department figures show that 453,000 people dropped off the unemployment rolls last month, yet only 103,000 people found new non-farm jobs. So perhaps the dip in the jobless rate mostly reflects job seekers giving up the hunt. In contrast to federal data, ADP's new payrolls report indicates 297,000 new private sector jobs for December.^{1,2}

ISM FINDS CONTINUING EXPANSION

The Institute for Supply Management's twin purchasing manager index surveys came out last week. Its manufacturing PMI came in at 57.0 for December, while its service sector PMI came in at 57.1. New orders were up 5.3% in the service sector survey with business activity/production increasing 6.5%.³

OIL & GOLD PULL BACK TO OPEN THE YEAR

Oil had its poorest week in two months last week, as prices fell \$3.35 per barrel across five trading days to \$88.03. Gold slipped \$52.60 last week; futures settled at \$1368.50 an ounce Friday. Was this because of a stronger dollar, investors locking in profits at the start of a new year, a shift in sentiment, or all of the above? Was it just a selloff or an omen of correction? Bulls are watching and waiting.⁴

BIG 7 AUTOMAKERS SEE NICE 2010 SALES GAINS

The world's seven major automobile manufacturers enjoyed a collective 9.7% year-over-year increase in sales for 2010, according to figures compiled by MarketWatch. Toyota was the only one of the seven to see a 2010 sales drop, while Hyundai's 2010 U.S. sales improved by more than 30%. Sales across the big seven (Ford, Nissan, Hyundai, Honda, GM, Toyota and Chrysler) were up 33.3% in December.⁵

STOCKS ADVANCE TO START 2011

The Dow rose 0.84% last week to close at 11,674.76 Friday. The S&P 500 (+1.10%) and NASDAQ (+1.90%) opened 2011 with even better weeks. The NASDAQ settled Friday at 2703.17 while the S&P settled at 1271.50.⁶

THIS WEEK: Earnings season starts after the closing bell Monday with Alcoa's 4Q results. Tuesday, we get data on November wholesale inventories. Wednesday brings us a new Beige Book from the Fed. Thursday, the December PPI will be out plus the latest jobless claims data. Friday, we get December CPI, industrial output and retail sales data and the first University of Michigan consumer sentiment survey of 2011.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+0.84	+10.07	+1.31	+0.99
NASDAQ	+1.90	+17.53	+3.45	+1.28
S&P 500	+1.10	+11.37	-0.15	-0.19
REAL YIELD	1/7 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.98%	1.44%	2.05%	4.03%

Source: online.wsj.com, bigcharts.com, ustreas.gov, bls.gov - 1/7/11^{1,7,8,9}
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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