

WEEKLY ECONOMIC UPDATE

January 3, 2011

WEEKLY QUOTE

“And as we let our own light shine, we unconsciously give other people permission to do the same.”

– Nelson Mandela

WEEKLY TIP

Here’s a question for 2011: how are your current lifestyle costs affecting your financial progress? Consider emulating the “millionaire next door” - spend less today and you may end up with more money to save and invest toward lifetime financial objectives.

WEEKLY 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 riddle:

If you add 1.5 to this number, you will get the same result as you do if you multiply it by 1.5. What number is it? (Hints: it is a whole number, it is not zero, and it is between 1 and 10.)?

Last week’s answer:

3.

MAJOR INDICES POST DOUBLE-DIGIT GAINS IN 2010

For the second year in a row, bulls ruled Wall Street. When the closing bell sounded on December 31, the S&P 500 was at 1,257.64, having gained 12.78% for 2010. The Dow finished 2010 at 11,577.51, representing an 11.02% year-over-year advance. The NASDAQ wrapped up 2010 at 2,652.87, posting a 16.91% yearly gain. The Russell 2000 also had a terrific year, finishing +25.31% after going +7.79% for December.¹

FEWER INITIAL CLAIMS ... AND LESS CONFIDENCE?

While the University of Michigan’s final December consumer sentiment survey showed consumer confidence at a 6-month peak, the Conference Board’s December poll declined to a 52.5 reading. Perhaps as RBS Securities Inc. economist Omair Sharif noted at Bloomberg.com, “we should watch what consumers do and not what they say.” Here’s a development that might improve consumer sentiment: weekly jobless claims dropped to a 2-year low in the week that ended Christmas Day. The 388,000 initial claims filed that week were the smallest number since July 2008.^{2,3}

IMPROVED PENDING HOME SALES

The National Association of Realtors reported a 3.5% increase in the category for November. NAR’s pending home sales index still came in 5.0% below its November 2009 mark, but this was the second straight monthly improvement.⁴

CASE-SHILLER: HOME PRICES DOWN 0.8%

The latest Standard & Poor’s/Case-Shiller home price index shows an 0.8% decline in housing prices across 20 cities from October 2009 to October 2010. A 1.0% overall decline in prices last October contributed to the year-over-year retreat.⁵

OIL, GOLD & COPPER OUTPACE STOCKS

Gold prices rose 29.76% on the COMEX in 2010. That is the best year for gold since 2007; the precious metal climbed \$41.10 last week to finish December at \$1,421.10 per ounce. Oil futures went +14.27% in the fourth quarter to finish the year up 15.15% at \$91.38 a barrel. Copper gained 33.42% in 2010, concluding the year at \$4.44 per pound.⁶

COMING THIS WEEK: Monday brings the Institute for Supply Management’s December manufacturing report and data on November construction spending. Tuesday, we get data on November factory orders, the most recent FOMC minutes and new estimates of auto and truck sales. Wednesday brings the ISM December service sector report. Thursday, we have new initial and continuing claims numbers. Friday, we get the December unemployment report from the Labor Department.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+11.02	+11.02	+1.60	+0.73
NASDAQ	+16.91	+16.91	+4.06	+0.74
S&P 500	+12.78	+12.78	-0.15	-0.47
REAL YIELD	12/30 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.08%	1.48%	2.06%	4.03%

Source: cnbc.com, bigcharts.com, ustreas.gov, bls.gov - 12/31/10^{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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