

WEEKLY ECONOMIC UPDATE

February 28, 2011

WEEKLY QUOTE
“It is not the position,
but the disposition.”
– Susan Sontag

WEEKLY TIP
Establish a timeline
for your financial
goals. List what you
want to achieve and
when, and review
your progress and the
deadlines you have
set semi-annually or
annually.

WEEKLY RIDDLE
I was framed, yet the
man who framed me
committed no crime.
How is this possible?

Last week's riddle:
Tim hands a friend \$63
using six bills, yet none
of them are dollar bills.
How is he able to do
this?

Last week's answer:
Tim hands his friend
one \$50 bill, one \$5 bill
and four \$2 bills.

STRIKING IMPROVEMENT IN CONSUMER SENTIMENT

Consumer sentiment is really rebounding – at least by the measure of the country's two most respected polls. The final February Thomson Reuters/University of Michigan consumer sentiment survey came in at 77.5, leaping north from January's 74.2 mark to the highest reading in 37 months. The Conference Board's consumer confidence index climbed all the way to 70.4 this month (it was at 64.8 in January) and its gauge of future expectations hit its most optimistic level since December 2006.^{1,2}

REAL ESTATE MARKET WEATHERS CHILLY JANUARY

According to the Census Bureau, new home sales slipped 12.6% last month. Yet the National Association of Realtors reported that residential resales improved by 2.7% in January, the fifth increase in the past six months. Existing homes have apparently become a bit less expensive: the December Case-Shiller home price index came out last week and showed prices slipping 1.0% from November across 20 metro areas.^{2,3}

DURABLE GOODS ORDERS UP 2.7%

Aircraft orders drove the overall increase in the category for January. Economists polled by Dow Jones Newswires had forecast a 2.0% gain. Yet when you factor out transportation orders, durable goods orders actually fell 3.6% in January.⁴

CRUDE SETTLES NEAR \$98, GAS PRICES SPIKE NORTH

By Friday afternoon, oil prices had retreated from Thursday's \$103 intraday peak. On the NYMEX, crude for April delivery settled at \$97.88 a barrel Friday, capping a 9.11% weekly advance. Retail gasoline prices rose 5.9 cents overnight; the average price for a gallon of regular unleaded was \$3.29 on Friday.^{5,6}

UNREST HAMPERS STOCKS

February 21-25 amounted to the worst trading week for the S&P 500 and Dow since November. Statistically, this is what happened last week: DJIA, -2.10% to 12,130.45; NASDAQ, -1.87% to 2,781.05; S&P 500, -1.72% to 1,319.88.⁷

THIS WEEK: Reports on January consumer spending and December pending home sales arrive Monday. Tuesday, we get the latest ISM manufacturing index and Federal Reserve chairman Ben Bernanke speaks to Congress on monetary policy. Wednesday, we have a new Beige Book from the Fed and 4Q results from Staples and Costco. Thursday, we have the February ISM service-sector index, new initial and continuing claims figures and 4Q earnings from Kroger and Heinz. Friday, we get the February unemployment figures and the January report on factory orders.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+4.78	+17.53	+1.93	+1.40
NASDAQ	+4.83	+24.48	+4.32	+2.05
S&P 500	+4.95	+19.67	+0.39	+0.41
REAL YIELD	2/25 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.02%	1.51%	2.03%	3.52%

Source: cncb.com, bigcharts.com, treasury.gov, treasurydirect.gov - 2/25/11^{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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