

WEEKLY ECONOMIC UPDATE

March 21, 2011

WEEKLY QUOTE

“If we all worked on the assumption that what is accepted as true were really true, there would be little hope of advance.”
– Orville Wright

WEEKLY TIP

Some companies match employee retirement plan contributions. Often the amount of the match is 50¢ for each \$1 contributed. So if your budget allows, contribute enough to qualify for the match.

WEEKLY RIDDLE

How many times can you subtract the number 4 from 40?

Last week’s riddle:

When you take the whole away from this, you still have some left. What is it?

Last week’s answer:

Wholesome.

INFLATION PICKS UP

The Labor Department announced that the Consumer Price Index advanced 0.5% in February, following 0.4% advances in January and December. Energy prices climbed 3.4% in February and food prices rose 0.8%, the biggest monthly increase since July 2008. Annualized inflation now stands at 2.1% - a full percentage point higher than it was last November. The Producer Price Index climbed by 1.6% last month, the biggest monthly leap since June 2009; this puts annualized PPI at 5.6%. However, core CPI and core PPI did not advance so dramatically. In fact, core CPI and core PPI were both just +0.2% in February.^{1,2}

LEADING INDICATOR INDEX ADVANCES

The Conference Board index of leading indicators improved by 0.8% for February, which was below the 1.0% advance forecast by economists polled by Reuters but much better than the 0.1% gain for the previous month. The Conference Board’s report called the recent jump in food and energy prices a “headwind” in the face of the recovery.³

FEBRUARY SEES PLUNGE IN NEW CONSTRUCTION

Housing starts plummeted by 22.5% in February to 479,000, a number marginally better than the historic low measured by the Commerce Department in April 2009. How much of this is attributable to weather, we don’t know. Building permits touched a record low of 517,000 units last month.²

TWO DAYS OF RECOVERY ON WALL STREET

The major U.S. indexes rebounded strongly on Thursday and Friday from YTD lows touched on Wednesday. All three indices lost ground for the week, as these numbers show: DJIA, -1.54% to 11,858.52; S&P 500, -1.92% to 1,279.20; NASDAQ, -2.65% to 2,643.67. The CBOE VIX gained 21.81% on the week but fell 7.32% Friday.⁴

G7 INTERVENES IN JAPAN

The crisis in Japan saw the Yen soaring to a record 76.25, and threat of a recession was looming. But that fear was at least partially reduced when the G7 agreed to intervene to weaken the currency. By Friday the Nikkei 225 index was able to recover some of the ground it lost, but still dipped about 10% on the week.^{8,9}

THIS WEEK: Monday brings a report on February existing home sales; Fed chairman Bernanke addresses a conference of commercial bankers. Tuesday brings before-the-bell earnings from Walgreens and after-the-bell earnings from Adobe. Wednesday, we learn about new home sales in February; after the bell, we get earnings from General Mills. Thursday offers reports on last month’s durable goods orders and initial and continuing claims, and then after-the-bell earnings from Research in Motion and Oracle. Friday brings the final March reading for the University of Michigan’s consumer sentiment survey and the government’s final estimate of 4Q 2010 GDP.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+2.43	+10.01	+1.03	+1.91
NASDAQ	-0.35	+10.55	+2.92	+3.55
S&P 500	+1.71	+9.73	-0.43	+0.93
REAL YIELD	3/18 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.85%	1.45%	2.16%	3.52%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 3/18/11^{4,5,6,7}

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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