

WEEKLY ECONOMIC UPDATE

May 2, 2011

WEEKLY QUOTE

“Life is either a daring adventure, or nothing.”

– Helen Keller

WEEKLY TIP

What measures have you taken to help protect your family and your nest egg? If you haven't done anything yet, explore your insurance and estate planning options.

WEEKLY RIDDLE

You go in through one hole, you come out through three holes. Once you're inside you're ready to go outside, but once you're outside you're still inside. What is it?

Last week's riddle:

What is the smallest number of cars that can be driven down the road in this formation: two cars ahead of a car, two cars behind a car, and a car between two cars?

Last week's answer:

Three: one car in front, one in the middle, and one behind.

CONSUMER SPENDING INCREASES 0.6%

This March gain wasn't that surprising in light of rising food and energy costs. (The Commerce Department just revised February's gain to 0.9%). Disposable incomes were up by 0.1% in March while the personal savings rate held steady at 5.5%. The Commerce Department also released its initial estimate of 1Q 2011 GDP Friday (+1.8%) and 1Q consumer spending (+2.7%).¹

CONSUMER CONFIDENCE REBOUNDS

The University of Michigan's final April consumer sentiment survey came in at 69.8, up from March's final reading of 67.5. The one-year inflation expectation was 4.6%, the same as last month. The Conference Board's April consumer confidence poll came in at 65.4, better than the median projection of economists surveyed by Bloomberg. Both indices improved despite gas prices rising – AAA said a gallon of regular unleaded averaged \$3.87 on April 27, the highest price since August 2008.^{1,2}

CASE-SHILLER INDEX WITHIN .01% OF DOUBLE-DIP

February's Case-Shiller Home Price Index revealed a 3.3% year-over-year drop in prices across 20 metro areas. Most notably, the index was down 1.1% from January to just .01% above its April 2009 trough. Prices in 14 of the index's 20 metro areas have declined for six months or more. In more positive news, the Census Bureau said new home sales increased by 11.1% from February's record low. The National Association of Realtors said pending home sales were 5.1% better in March than in February.^{3,4}

STOCKS FINISH APRIL WITH A FLOURISH

Stocks took their cues from earnings last week, and earnings were mostly strong. The weekly performance numbers: DJIA, +2.44% to 12,810.54; S&P 500, +1.96% to 1,363.60; NASDAQ, +1.89% to 2,873.54. The DJIA rose 3.98% in April.⁵

THIS WEEK: On Monday, ISM's April manufacturing index comes out, we get data on March construction spending, and we have 1Q results from Humana. Tuesday brings 1Q earnings from Pfizer, CBS, MasterCard and Comcast along with reports on March factory orders and auto sales. Wednesday, we get quarterly results from AOL, MetLife, Kellogg and Anheuser-Busch and the ISM April service sector index. On Thursday, GM, AIG, Kraft, VISA and CVS all release 1Q earnings reports, Fed chairman Ben Bernanke speaks at a Chicago Fed conference, the European Central Bank makes a rate decision, and weekly jobless claims are released. Friday offers the March jobs report and 1Q results out of Berkshire Hathaway.

| % CHANGE | Y-T-D | 1-YR CHG | 5-YR AVG | 10-YR AVG |
|------------|-----------|----------|-----------|------------|
| DJIA | +10.65 | +14.71 | +2.54 | +1.93 |
| NASDAQ | +8.32 | +14.40 | +4.74 | +3.58 |
| S&P 500 | +8.43 | +12.99 | +0.81 | +0.91 |
| REAL YIELD | 4/29 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
| 10 YR TIPS | 0.75% | 1.31% | 2.39% | 3.52% |

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 4/29/11^{5,6,7,8}
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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