

# WEEKLY ECONOMIC UPDATE

August 23, 2010

## WEEKLY QUOTE

“Chance favors only the prepared mind.”

– Louis Pasteur

## WEEKLY TIP

Spammers love to create emails that LOOK like they’ve legitimately come from your bank or credit card issuer. How can you be safe? Never use a “click here to log in” link. Always go directly to the website address for your bank or credit card provider and log in there.

## WEEKLY RIDDLE

The more of them you take, the more you leave behind. What are they?

## Last week’s riddle:

What appears once in a minute, twice in a moment, but never in a decade?

## Last week’s answer:

The letter M.

## A JUMP IN HOUSING STARTS

In a relatively light week of economic data, one of the notable items was a 1.7% rise in new home construction in July. Economists had expected only a 0.2% increase in that category. However, the Commerce Department said most of the gain came in multi-family housing. In contrast, single-family housing starts were down 4.2% for the month, with building permits down 3.1%.<sup>1</sup>

## GM WILL GO PUBLIC

General Motors has announced it will reenter the stock market. Last Wednesday, it filed an IPO registration with the Securities and Exchange Commission. One of the largest IPOs in history may come as soon as October, including common and preferred shares. This signals the end of “Government Motors”: the Treasury Department will now have the opportunity to reduce its 61% stake in the company. GM earned \$1.3 billion in 2Q 2010 – its second straight quarter in the black.<sup>2,3</sup>

## LEADING INDICATORS TURN POSITIVE AGAIN

After a 0.3% slip in June and a 0.5% drop in May, the Conference Board’s Leading Economic Index eked out a 0.1% increase for July. The LEI has been more or less flat since March, yet components within the index have signified a mild economic expansion across that time.<sup>4</sup>

## PPI RISES FOR FIRST TIME SINCE MARCH

July’s 0.2% increase in the Producer Price Index was in line with analysts’ forecasts. Core PPI (wholesale inflation minus food and energy prices) rose 0.3% in July, more than the 0.1% advance expected.<sup>1</sup>

## OIL FUTURES SINK; GOLD FUTURES RISE

In fact, gold prices rose \$12.30 last week. That 1.01% weekly advance led to gold settling at \$1,227.20 per ounce Friday on the COMEX. Over the last three weeks, gold prices have climbed 3.85%. Oil prices slipped \$1.93 last week. At Friday’s close on the NYMEX, crude for September delivery was at \$73.46 a barrel.<sup>5</sup>

## LIGHT VOLUME, LOW ENTHUSIASM

August options were expiring last week, and initial jobless claims weren’t shrinking. Combine that with some bearish sentiment and you had a week of light trading marked by significant selloffs. The NASDAQ advanced 0.04% last week to close Friday at 2,179.76. The DJIA lost a bit of ground to settle at 10,213.62 Friday, while the S&P 500 ended the week at 1,071.69.<sup>6</sup>

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-2.06	+9.24	-0.65	-0.78
NASDAQ	-3.94	+9.58	+0.41	-4.49
S&P 500	-3.89	+6.38	-2.43	-2.85
REAL YIELD	8/20 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.05%	1.60%	1.85%	4.03%

Source: cnbc.com, bigcharts.com, ustreas.gov, bls.gov - 8/20/10<sup>6,7,8,9</sup>  
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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We will contact them first and request their permission to add them to our list.***

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## Citations.

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- 3 - [freep.com/article/20100818/BUSINESS0101/100818044/GM-files-to-launch-its-public-stock-offer](http://freep.com/article/20100818/BUSINESS0101/100818044/GM-files-to-launch-its-public-stock-offer) [8/18/10]
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