

WEEKLY ECONOMIC UPDATE

August 30, 2010

WEEKLY QUOTE

“When there is an original sound in the world, it makes a hundred echoes.”

– John A. Shedd

WEEKLY TIP

To help keep your accounts secure, you should change Internet passwords often, never share them or write them down, and make them obscure. Never use your birth or anniversary date as a password.

WEEKLY RIDDLE

A woman walking along a canal sees a boat full of people, yet there isn't a single person on board. How could this be?

Last week's riddle:

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

Last week's answer:

Footsteps.

BERNANKE REASSURES WALL STREET

At the annual Federal Reserve summer retreat at Jackson Hole, WY on Friday, Fed chairman Ben Bernanke said that the central bank “is prepared to provide additional monetary accommodation through unconventional measures if it proves necessary, especially if the outlook were to deteriorate significantly.” Translation: we are ready to do what it takes to support the economy. Bernanke stated that the Fed still had plenty of tools to fight deflation, with buying more Treasuries a prime option. He did not mention buying private assets. The Dow rallied for a gain of 164.84 Friday.^{1,2}

BREATHTAKING DROP IN HOME SALES

In July, demand in the housing market is usually at its highest. So the July housing numbers were confounding even with the absence of taxpayer credits: new home sales down 12.4% from June, existing home sales down 27.2% from June. In year-over-year terms, the rate of new home purchases was 32.4% below July 2009 while sale prices were -4.8% from last year's median. (Analysts polled by Thomson Reuters had forecast July new home sales to be flat.) The National Association of Realtors said residential resales were down 25.5% from a year ago; however, the median sale price was 0.7% higher than in July 2009.^{3,4}

SLIGHT GAIN IN DURABLE GOODS ORDERS

The 0.3% July increase underwhelmed analysts, who had expected a 3.0% gain. Excluding transportation orders, durable goods orders were -3.8% last month.³

CONSUMER SENTIMENT IMPROVES

The final August consumer sentiment poll is in from the University of Michigan and Reuters. The 68.9 index reading is an improvement from the final 67.8 mark in July; we are still a long way from seeing this index above 80, which was common before the recession.⁵

GOLD & OIL PRICES RISE

In fact, gold was up for the fourth week in a row – futures gained 0.72% last week to settle at \$1,236.00 Friday. Gold is up 4.60% across that four-week stretch. Oil futures advanced 2.47% on Friday to pull off a 1.83% weekly gain and settle at \$75.17 per barrel on the NYMEX.⁶

STOCKS SLIP DESPITE FRIDAY RALLY

The Dow actually closed below 10,000 on Thursday; fortunately, it regained that level, settling Friday at 10,150.65. The NASDAQ and S&P 500 also had slight weekly declines, respectively settling at 2,153.63 and 1,064.59 at week's end.⁷

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-2.66	+5.95	-0.47	-0.98
NASDAQ	-5.09	+6.21	+0.31	-4.71
S&P 500	-4.53	+3.26	-2.33	-2.97
REAL YIELD	8/27 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.05%	1.75%	1.81%	4.03%

Source: cnbc.com, bigcharts.com, ustreas.gov, bls.gov - 8/27/10^{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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Citations.

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