

# WEEKLY ECONOMIC UPDATE

December 27, 2010

## WEEKLY QUOTE

“Give what you have to somebody; it may be better than you think.”

– Henry Wadsworth Longfellow

## WEEKLY TIP

Look at the fees on your retirement accounts. How high are the annual fees and expenses? How are they impacting your return?

## WEEKLY RIDDLE

If you add 1.5 to this number, you will get the same result as you do if you multiply it by 1.5. What number is it? (Hints: it is a whole number, it is not zero, and it is between 1 and 10.)

## Last week's riddle:

What 9-letter word begins and ends with the letter S and has only one vowel?

## Last week's answer:

Strengths.

## SPENDING & WAGES UP, SAVINGS RATE TICKS DOWN

Last week, the Commerce Department reported a 0.4% gain in personal spending and a 0.3% gain in personal incomes for November. The personal savings rate edged down 0.1% to 5.3% last month. In combination, those numbers hint at the possibility of stronger retail sales this holiday season - although durable goods orders fell 1.3% for November, much more than the 0.5% dip forecast by economists polled by Bloomberg News.<sup>1,2</sup>

## NEW & EXISTING HOME SALES IMPROVE

Existing home sales were up by 5.6% in November, according to the National Association of Realtors. One reason why: the median home price was \$170,600 last month. Still, 2010 is on pace to be the poorest year for residential resales since 1997. At the current pace, 9.5 months worth of unsold inventory remains on the market. The Census Bureau reported a 5.5% improvement in new home purchases for November, with the sales pace down 21.2% from a year ago.<sup>3,4</sup>

## IS OIL MARCHING BACK TOWARD \$100?

As crude prices topped \$90 on the COMEX last week, the thought occurred to some analysts. Oil prices settled at \$91.51 a barrel on Thursday, representing a 26-month high. The chairman of Libya's national oil corporation told Reuters last week that “about \$100 [per barrel] would be a fair price for the time being.”<sup>5</sup>

## CONSUMER SENTIMENT EDGES UP

The final Reuters/University of Michigan consumer sentiment survey of 2010 came in at 74.6, slightly above November's final 74.2 figure and slightly below the 74.8 mark that economists had anticipated.<sup>4</sup>

## STOCKS GAIN MORE THAN 1% FOR THE WEEK

The markets were closed on Christmas Eve, trading was light last week and there was little volatility affecting the major indexes. The Dow almost replicated the previous week's advance, rising +0.71% across four days to 11,573.49 at the close Thursday. The NASDAQ gained +0.86% last week to close Thursday at 2,665.60. The S&P 500 advanced 1.03% for the week to finish at 1,256.77 Thursday.<sup>6</sup>

**COMING THIS WEEK:** As you might expect with the holidays, the schedule of economic releases is pretty slim. Tuesday, the October Case-Shiller home price index comes out, plus the Conference Board's December report on consumer confidence. Thursday, we get the report on November pending home sales from the National Association of Realtors as well as the latest initial and continuing claims figures.

| % CHANGE   | Y-T-D      | 1-YR CHG | 5-YR AVG  | 10-YR AVG  |
|------------|------------|----------|-----------|------------|
| DJIA       | +10.98     | +10.58   | +1.27     | +0.88      |
| NASDAQ     | +17.47     | +17.45   | +3.70     | +0.59      |
| S&P 500    | +12.70     | +12.15   | -0.19     | -0.38      |
| REAL YIELD | 12/23 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
| 10 YR TIPS | 1.08%      | 1.46%    | 2.07%     | 4.03%      |

Source: cnbc.com, bigcharts.com, ustreas.gov, bls.gov - 12/24/10<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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## Citations.

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