

WEEKLY ECONOMIC UPDATE

August 2, 2010

WEEKLY QUOTE

“Live out of your imagination, not your history.”

– Dr. Stephen Covey

WEEKLY TIP

Have you had the same internet passwords for years? Change them! In order to keep accounts secure, you should change your passwords often, never share them or write them down, and make them difficult. Never use your birth or anniversary date as a password.

WEEKLY RIDDLE

Six cups are lined up in a row. Cups 1-3 on the left are full of juice; cups 4-6 on the right are empty. How can you arrange this row so empty and full glasses alternate while moving only one cup in the process?

Last week's riddle:

This vehicle has wheels and often flies, but it is certainly not an aircraft. What is it?

Last week's answer:

A garbage truck.

HOME SALES & HOME PRICES IMPROVE

The Commerce Department said new home purchases surged by 23.6% for June, bouncing back nicely from May's historic retreat. The supply of new homes for sale diminished to 7.6 months worth, much improved from the 9.6 months worth of inventory estimated in May and much closer to the 6-month level of a healthy housing market. New home prices dropped only 0.6% from June 2009 to June 2010, the smallest year-over-year decrease since November 1987. Separately, the Standard & Poor's/Case-Shiller home price index of 20 U.S. cities showed prices of existing homes rising 1.3% for May. Prices were also 4.6% higher than a year ago.^{1,2}

CONSUMER CONFIDENCE LAGS

The economic recovery is taking time – too much time for many Americans, according to the final July University of Michigan consumer sentiment survey and the July Conference Board poll. The Reuters/University of Michigan index came in at 67.8, way down from the final 76.0 of June. That is the lowest reading since November. The Conference Board's survey also slipped to 50.4 in July from June's 54.3 mark.³

ECONOMY GROWS 2.4% IN SECOND QUARTER

The preliminary GDP reading from the Commerce Department was received tepidly on Wall Street. Analysts surveyed by Reuters were predicting 2.5% 2Q growth, and the federal government had earlier estimated 1Q 2010 expansion at 2.7%. Still, the recovery is continuing. One interesting note: business expenditures on equipment and software increased by 29.1% last quarter – the biggest jump since 3Q 1997.^{4,5}

DURABLE GOODS ORDERS DOWN 1.0%

Economists polled by MarketWatch had forecast a 1.1% gain for June. Instead, the category posted its worst performance in 10 months. With transportation orders factored out, the decrease was only 0.6%.⁶

A GREAT JULY ON WALL STREET

While last week saw stocks retreat slightly, the Dow climbed 7.08% in July for its best month in a year. As of Friday's close, about two-thirds of companies in the S&P 500 had issued earnings reports with about 75% surpassing expectations. The DJIA ended the week at 10,465.94, while the NASDAQ and S&P 500 respectively settled at 2,254.70 and 1,101.60 Friday. In commodities, oil logged its best month since March, with prices rising 4.39% to \$78.95 a barrel at the July 30 NYMEX close. Gold had its poorest month since December, with futures falling 5.12% in July and ending the month at \$1,181.70 per ounce on the COMEX.^{5,7}

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DIJA	+0.36	+14.33	-0.33	-0.05
NASDAQ	-0.64	+13.63	+0.64	-4.01
S&P 500	-1.21	+11.64	-2.15	-2.30
REAL YIELD	7/30 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.14%	1.78%	1.92%	4.03%

Source: cnbc.com, bigcharts.com, ustreas.gov, bls.gov - 7/30/10^{5,8,9,10}
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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