

# WEEKLY ECONOMIC UPDATE

August 9, 2010

## WEEKLY QUOTE

“There have been as great souls unknown to fame as any of the most famous.”

– Ben Franklin

## WEEKLY TIP

Use just one credit card (not debit card) for online purchases - this makes detecting any fraudulent charges easier, and you're protected under the Fair Credit Billing act. Try not to use your debit card, as it may expose your bank account if intercepted.

## WEEKLY RIDDLE

Two fathers and two sons went truffle hunting. Each found a truffle yet they found only three in all. Why?

## Last week's 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 answer:

Pour the juice from the second cup into the fifth cup.

## UNEMPLOYMENT REMAINS AT 9.5%

The American economy added 71,000 jobs in July but lost 202,000 others (143,000 of those positions were short-term Census Bureau hires). The private sector added 630,000 jobs during the first seven months of 2010; that 90,000 per month is far short of the 150,000 per month that would be commensurate with population growth. The bright spot: economists had presumed the jobless rate would edge up to 9.6% in July.<sup>1</sup>

## ISM: MANUFACTURING & SERVICE SECTOR GROWING

The Institute for Supply Management's service sector index rose to 54.3 for July, a nice surprise (economists polled by Bloomberg had forecast a dip to 53.0). The new orders and employment components of the service sector index both showed growth. ISM's manufacturing index came in at 55.5 for July, beating a Briefing.com consensus forecast of 54.2. (However, the Commerce Department noted that factory orders declined by 1.2% in July following a 1.0% fall in June.)<sup>2-3,4</sup>

## SAVING OUTPACES SPENDING

Personal spending and personal incomes were both flat last month according to the Commerce Department. The personal savings rate increased again to 6.4% - it has risen monthly since February, and it hasn't been under 5.0% since October 2008. (During 2007, the personal savings rate averaged just 2.1%.) The good news is that households are accumulating cash reserves; the bad news is that the primary engine of the economy is subdued.<sup>5</sup>

## FEWER HOMEBUYING CONTRACTS SIGNED IN JUNE

Pending home sales decreased by 2.6% in June, according to the National Association of Realtors; the number was 19.0% below year-ago levels. The June dip may reflect buyers rushing to sign contracts before federal incentives could expire.<sup>6</sup>

## 15-YEAR FRMs BELOW 4.0%; 30-YEAR FRMs BELOW 4.5%

Freddie Mac reported the average rate on a 30-year home loan at 4.49% last week; a year ago, the national average was 5.22%. Rates on 15-year FRMs were 3.95% last week, compared to 4.63% at this time in 2009.<sup>7</sup>

## STOCKS GAIN FOR SECOND STRAIGHT WEEK

The DJIA rose 1.79% last week, the NASDAQ advanced 1.50%, and the S&P 500 gained 1.82%. At Friday's closing bell, the S&P 500 was at 1,121.64, the NASDAQ at 2,288.47, and the Dow at 10,653.56.<sup>8</sup>

| % CHANGE           | Y-T-D    | 1-YR CHG | 5-YR AVG  | 10-YR AVG  |
|--------------------|----------|----------|-----------|------------|
| <b>DJIA</b>        | +2.16    | +15.10   | +0.18     | -0.20      |
| <b>NASDAQ</b>      | +0.85    | +15.98   | +1.02     | -4.08      |
| <b>S&amp;P 500</b> | -0.59    | +12.49   | -1.71     | -2.42      |
| REAL YIELD         | 8/6 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
| <b>10 YR TIPS</b>  | 1.04%    | 1.87%    | 2.00%     | 4.03%      |

Source: cnbc.com, bigcharts.com, ustreas.gov, bls.gov - 8/6/10<sup>8,9,10,11</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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