



Charles “Chuck” Martino CLU, ChFC Presents:

WEEKLY ECONOMIC UPDATE

May 31, 2011

WEEKLY QUOTE

“Leadership is a matter of having people look at you and gain confidence, seeing how you react. If you’re in control, they’re in control.”
– Tom Landry

WEEKLY TIP

Record estimated tax payments for 2011 on the calendar on your computer or in your office. Affix or attach payment vouchers to a physical calendar if you like.

WEEKLY RIDDLE

Two lawyers sit at opposite ends of a large conference table. Nothing is in between them but the table, yet they don’t see each other. How is this possible?

Last week’s riddle:

You are at sea, it is mid-July, and your ship has reached a unique spot on earth. If you sail north, it will be summer; if you sail south, it will be winter. If you sail east, it will be Friday, but if you sail west, it will be Saturday. Precisely where in the world are

CONSUMER SPENDING SLOWS IN APRIL

Personal spending and personal incomes both increased by 0.4% last month – but the inflation-adjusted gains were minimal or non-existent. With inflation factored in, personal spending rose by 0.1% in April while personal incomes were flat. These latest numbers out of the Commerce Department aren’t very inspiring, especially since April’s small gains can be attributed to higher gas and food prices. However, many economists believe things will pick up in coming months, assuming gas prices moderate and more jobs appear.¹

EXPECTATIONS IMPROVE IN KEY CONFIDENCE POLL

The final May consumer sentiment survey is in from the University of Michigan. At 74.3, it shows a nice rebound from the final 69.8 mark for April. It also surpassed the 72.5 reading forecast by economists polled by MarketWatch. The 2011 high for the survey – 77.5 – was recorded in February before gas prices soared.²

MIXED NEWS FROM THE REAL ESTATE SECTOR

The Census Bureau said that new home sales improved by 7.3% in April. (Sales were 23.1% below the tax credit-influenced levels of a year ago.) The National Association of Realtors noted a dip in pending home sales: they fell 11.6% in April.^{3,4}

DEMAND LESSENS FOR HARD GOODS

Durable goods orders fell 3.6% in April, much more than the 2.5% slip anticipated by economists surveyed by Bloomberg News. Minus the volatile transportation category, hard goods orders still decreased by 1.5%.⁵

INVESTORS LEFT COLD BY TEPID INDICATORS

The latest economic reports suggest that the economy is going through a soft patch. They didn’t exactly trigger a wave of buying on Wall Street. Stocks pulled back for the fourth straight week, as follows: DJIA, -0.56% to 12,441.58; S&P 500, -0.16% to 1,331.11; NASDAQ, -0.23% to 2,796.86. One bright spot to note: the CBOE VIX retreated 8.15% for the week.⁶

THIS WEEK: Monday was Memorial Day, so U.S. financial markets were closed. Tuesday offers the latest edition of the S&P/Case-Shiller home price index and the Conference Board’s May snapshot of consumer confidence. June begins Wednesday, when we have the ISM May manufacturing index and a report on April construction spending. Thursday brings the latest initial claims figures and data on April factory orders. Friday is big – the April unemployment numbers are released and the ISM service sector index for May arrives.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+7.46	+21.27	+2.06	+1.31

you? Last week's answer: You are at the intersection of the Equator and the International Date Line.	NASDAQ	+5.43	+22.79	+5.31	+2.42
	S&P 500	+5.84	+20.67	+0.80	+0.42
	REAL YIELD	5/27 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
	10 YR TIPS	0.79%	1.33%	2.44%	3.52%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 5/27/11^{6,7,8,9}
 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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