



Charles “Chuck” Martino CLU, ChFC Presents:

WEEKLY ECONOMIC UPDATE

January 31, 2011

WEEKLY QUOTE

“You can’t judge right from looking at what’s wrong.”
– Bo Diddley

WEEKLY TIP

A tax refund is nice, but it also means that you’ve given the IRS an interest-free loan. You may want to adjust your W-4 form so less is withheld from your paycheck. Maybe that extra money could be put to better use throughout the year - in your IRA or 401(k) for example.

WEEKLY RIDDLE

What nation has current and former capital cities whose names are anagrams of each other? (Hint: it is a major player in the world economy.)

Last week’s riddle:

The Cage family has a mother, father and six sons and each son has one sister. So how many people are in this family?

Last week’s answer:

9 people. As each son has only one sister,

4Q GDP: +3.2%

The preliminary estimate from the Bureau of Economic Analysis certainly beats the +2.6% mark from 3Q 2010. A deeper look into the BEA report reveals both personal consumption and nonresidential fixed investment improving by a healthy 4.4% last quarter; inventory accumulation slowed as well.¹

HUGE JUMP IN NEW HOME SALES

The pace of new home sales improved by 17.5% last month, according to the Census Bureau. In year-over-year terms, sales were down 7.6% while sale prices were 9.1% better. For the record, fewer new homes were built in 2010 than in any year since the government started keeping records in 1963. In other housing news, the National Association of Realtors reported that pending home sales were up for the fifth time in the last six months in December (+2.0%), and Freddie Mac reported that the average interest rate on a 30-year conventional mortgage has risen to 4.80%.^{2,3}

DISSIMILAR FINDINGS FROM CONFIDENCE POLLS

While the Conference Board’s January poll showed U.S. consumer confidence at an 8-month peak (60.6), the final January Reuters/University of Michigan survey showed a slight decline to 74.2 from 74.5 in December.^{4,5}

DURABLE GOODS ORDERS DOWN 2.5%

There was a silver lining in the Commerce Department’s December report: with aircraft orders factored out, durable goods orders were up 0.5% last month.⁶

FEARS, EARNINGS REPORTS STAGGER STOCKS

Unrest in Egypt (and subpar 4Q results from Ford, Amazon and Microsoft) led to a lot of selling Friday and took the DJIA, S&P 500 and NASDAQ lower for the week. The Dow’s eight-week winning streak was snapped; it did top 12,000 in intraday trading Friday. Weekly performances were as follows: DJIA, -0.41% to 11,823.70; S&P 500, -0.55% to 1,276.34; NASDAQ, -0.10% to 2,686.89. The CBOE VIX gained 8.50% last week.⁷

THIS WEEK: Monday brings a new consumer spending report and earnings from ExxonMobil and Chrysler. Tuesday, we have the January ISM manufacturing report and earnings from BP, Pfizer, UPS and Broadcom. Wednesday we get 4Q results from Yum Brands, Visa and Mattel. Thursday brings new initial and continuing claims data, a new ISM service sector report, December factory orders data, and 4Q results from Merck, Sony and Unilever and Ben Bernanke speaking to the National Press Club. Friday, we have the January jobs report and Aetna’s 4Q earnings.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+2.13	+16.83	+1.68	+1.05

there are two parents, six sons and one daughter.	NASDAQ	+ 1.28	+23.31	+3.32	-0.53
	S&P 500	+1.49	+17.69	-0.11	-0.64
	REAL YIELD	1/28 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
	10 YR TIPS	1.09%	1.35%	2.02%	3.52%

Source: cncb.com, bigcharts.com, treasury.gov, treasurydirect.gov - 1/28/11^{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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