



Charles “Chuck” Martino CLU, ChFC Presents:

WEEKLY ECONOMIC UPDATE

January 17, 2011

WEEKLY QUOTE

“Knowledge is more than equivalent to force.”

– Samuel Johnson

WEEKLY TIP

Do you have credit cards? Did you know you can call your credit card company and request a lower interest rate? In fact, a good rule of thumb is to do this once every six months. Why not do it today? They don't grant every request, but you won't know if you don't ask.

WEEKLY RIDDLE

An interesting occurrence happened about 25 minutes before 1:00pm on May 6, 1978, and it involved numbers on the clock and months and years on the calendar. What was this numerically interesting moment?

Last week's riddle:

Complete these words by putting the same three letters into each one: F---RISH, C---DY, S---GH.

CONSUMER & PRODUCER PRICES RISE

The U.S. inflation rate hit an 18-month peak in December: the federal government's Consumer Price Index advanced 0.5%. Pump prices were a big factor in that gain: gasoline grew 8.5% more expensive last month. However, core CPI (minus food and energy prices) only rose 0.1% for the month, and consumers experienced just 1.5% inflation across 2010. The Producer Price Index went 1.1% higher in December, and energy costs were responsible for most of the gain. Core PPI (again, minus food and energy prices) was just +0.2% for December. Wholesale prices rose 4.0% in 2010.^{1,2,3}

ENCOURAGING RETAIL SALES FIGURES RELEASED

The Commerce Department announced a 0.6% gain in retail sales for December. While this was smaller than the 0.8% advance forecast by economists polled by MarketWatch, the increase wrapped up a positive year for the indicator. Retail sales have now improved for sixth months in a row, and 2010 was the best year for the category since 1999.⁴

GOLD SLIDES, BUT OIL RECOVERS

Gold is certainly off to a rocky start in 2011: as of Friday's COMEX close, it was down 4.27% YTD to \$1360.40 per ounce following news that China had tightened bank reserves. Oil, on the other hand, gained 3.99% last week to settle Friday at \$91.54 a barrel on the NYMEX with prices up +0.18% YTD.⁵

NEWEST UMICH POLL UNDERWHELMS

The initial Reuters/University of Michigan consumer sentiment survey for January showed a little slip in consumer sentiment. It came in at 72.7, down from 74.4 at the end of 2010. Economists polled by Bloomberg News had reached a consensus forecast of 75.5.⁶

TWO WINNING WEEKS IN A ROW TO START 2011

A strong Friday contributed to nice weekly advances for the three major U.S. indices. The weekly numbers: DJIA, +0.96% to 11,787.38; NASDAQ, +1.93% to 2755.30; S&P 500, +1.71% to 1293.24. At Friday's close, the S&P was at its highest level since August 28, 2008.⁷

THIS WEEK: Stock markets are closed Monday for the national holiday honoring Dr. Martin Luther King, Jr. Looking at the notable economic releases next week, we get data on December housing starts and building permits on Wednesday, and a look at December existing home sales, the latest index of leading indicators from the Conference Board and the latest initial and continuing claims reports on Thursday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+1.81	+10.05	+1.51	+1.20

Last week's answer: The missing letters are LOU, and the words are FLOURISH, CLOUDY and SLOUGH.	NASDAQ	+3.86	+18.93	+3.78	+0.49
	S&P 500	+2.83	+12.61	+0.04	-0.19
	REAL YIELD	1/14 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
	10 YR TIPS	1.00%	1.34%	1.97%	3.52%

Source: cnbc.com, bigcharts.com, ustreas.gov, bls.gov - 1/14/11^{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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