

## Charles "Chuck" Martino CLU, ChFC Presents Weekly Economic Update for the Week of May 24, 2010

**Quote of the week.** "To succeed in life, you need three things: a wishbone, a backbone and a funny bone."— Reba McEntire

**Attention on Europe (and the Senate).** The euro thankfully rose for three straight days last week, after hitting a four-year low after German chancellor Angela Merkel commented that the EU/IMF debt bailout had "done no more than buy time" to fix the crisis. Thursday evening, the Senate passed its version of the financial industry reform bill; the next step is reconciliation with the House version. Stocks were hit hard early in the week, but managed Friday gains; a late rally took the Dow north 125 points.<sup>1,2,3</sup>

**Consumer, producer prices retreat.** This was surprising: the CPI declined 0.1% in April as energy prices fell by 1.4%. The PPI also decreased 0.1%. The Commerce Department reported a 0.9% year-over-year increase in the CPI, well below the Federal Reserve's annual inflation target of 1.5-2.0%.<sup>4,5</sup>

**Indicators streak ends.** The Conference Board's index of leading indicators slipped 0.1% last month, the first dip since March 2009. Economists surveyed by Thomson Reuters had forecast a 0.2% increase.<sup>6</sup>

**Housing starts rise, permits fall.** Overall housing starts increased by 5.8% in April to the highest level since October 2008, with a 10.0% rise in single-family construction. However, the Commerce Department had building permits down by 11.5% - an effect of expiring federal tax credits.<sup>7</sup>

**Bulls try to hold their ground.** All three major U.S. indices slipped between 4-5% last week. However, the S&P rose 1.50% Friday to end the week at 1,087.69. At Friday's close, the Dow was at 10,193.39 and the NASDAQ at 2,229.04.<sup>8</sup>

% Change	Y-T-D	1-Yr Chg	5-Yr Avg	10-Yr Avg
DJIA	-2.25	+22.93	-0.53	-0.33
NASDAQ	-1.77	+31.49	+1.78	-3.37
S&P 500	-2.46	+22.44	-1.71	-2.23
Real Yield	5/21	1 Yr Ago	5 Yrs Ago	10 Yrs Ago
10YrTIPS	1.33%	1.67%	1.67%	4.34%

(Source: CNBC.com, BigCharts.com, ustreas.gov, bls.gov, 5/21/10)<sup>9,10,11,12</sup>  
Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.

**Riddle of the week.** The railings on a 60-yard-long walkway have ornamental sculptures every 12 yards on both sides, starting at the east and west ends of the walkway. How many total sculptures are there on the walkway?

*Contact my office or see next week's Update for the answer.*

**Last week's riddle:** What number logically comes next in this series: 2, 3, 5, 9, 17, \_\_\_\_.

**Last week's riddle answer:** 33. (The difference between the two numbers is progressively multiplied by 2 and added to the next number.)

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If you would like us to add them to our list, please reply with their address  
and we will contact them and ask for their permission to be added.***

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## Citations.

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