

WEEKLY ECONOMIC UPDATE

February 3, 2012

WEEKLY QUOTE

“If you would be loved, love and be lovable.”

- Benjamin Franklin

WEEKLY TIP

As your retirement progresses, your retirement strategy should be reviewed in light of budgeting and inflation concerns and the current financial climate.

WEEKLY RIDDLE

A lone pine tree stands on a cliff. The wind is blowing from the east through the mountains. Which way do the tree's leaves blow?

Last week's riddle:

It has no crown, yet when the chips are down it is more powerful than a king or queen. What is it?

Last week's answer:

An ace in a deck of cards.

JOBLESS RATE DOWN TO 8.3%

Are we seeing a trend here? The unemployment rate has now fallen 0.8% in the last six months. We haven't seen a descent this sharp and swift since 1984. January hiring blew away forecasts: the Labor Department said the economy added 243,000 jobs last month, while economists polled by Briefing.com expected non-farm payrolls to grow by 155,000 positions. The labor force hasn't grown so much in a month since last April, and the numbers are making analysts wonder if the Federal Reserve will tinker with interest rates months ahead of expectations.^{1,2}

HOUSEHOLDS SAVE FIRST, SPEND SECOND

Consumer spending was flat in December after gains of just 0.1% in November and October. More significantly, consumer incomes rose 0.5% for December and so did the personal savings rate. People essentially put the extra money in the bank. In related news, the federal government estimated 2011 GDP at 1.7%, about half of the economic growth seen in 2010.³

BOTH ISM INDEXES RISE

The Institute for Supply Management's closely watched purchasing manager indexes signaled expanding service and manufacturing sectors in January. ISM's service sector PMI improved 3.8% to 56.8. Its manufacturing PMI advanced 1.0% to 54.1.⁴

CASE-SHILLER INDEX DECLINES AGAIN

This was the third straight monthly dip for the 20-city roundup of residential home prices. The latest available edition (November) showed a 1.3% monthly retreat in prices with a 3.7% year-over-year drop.⁵

NASDAQ TOPS 2,900

The tech-heavy index closed at an 11-year high Friday: 2,905.66. The Dow settled at 12,862.23 at week's end, its best close since May 2008. The S&P 500 finished Friday at 1,344.90. The weekly gains: DJIA, 1.59%; S&P, 2.17%; NASDAQ, 3.16%.^{1,6}

THIS WEEK: Earnings take center stage in a stretch without much economic data. Monday brings Q4 results from Yum Brands, Humana and Hasbro. Tuesday, earnings arrive from Disney, UBS, Toyota, BP, Coca-Cola and Hartford Financial. Wednesday, Groupon, VISA, CVS, Sprint Nextel, Time Warner and Cisco join in. Thursday, the Bank of England and ECB wrap up policy meetings; new initial claims figures complement earnings reports from Expedia, PepsiCo, Dunkin' Brands, Sirius XM Radio, Rio Tinto and Credit Suisse. Friday, the University of Michigan's initial February consumer sentiment survey comes out plus Q4 results from Barclays.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+5.28	+6.63	+0.33	+3.28
NASDAQ	+11.54	+5.51	+3.47	+5.66
S&P 500	+6.94	+2.89	-1.43	+2.29
REAL YIELD	2/3 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	-0.21%	1.23%	2.42%	3.48%

Sources: money.msn.com, bigcharts.com, treasury.gov, treasurydirect.gov - 2/3/12^{1,7,8,9}
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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