

WEEKLY ECONOMIC UPDATE

September 26, 2011

WEEKLY QUOTE

“We should have a great fewer disputes in the world if words were taken for what they are, the signs of our ideas only, and not for things themselves.”

– John Locke

WEEKLY TIP

Have an elderly parent who is on too many mailing lists - and spending or giving away too much money as a result? Consider adding your parent's name to the Do Not Mail list at Direct-mail.com .

WEEKLY RIDDLE

I can't be seen, but I'm all around. I have no mouth, yet can make a sound. I can be harnessed, but never bound. No hands have I, yet I move the ground. What am I?

Last week's riddle:

You have 9 seemingly identical cubes before you. You are told that one is heavier than the other eight. Using a two-pan balance scale only twice, how can you pick out the heaviest cube?

Last week's answer:

Divide the 9 cubes into 3 groups of 3. Weigh two groups. This way, you can find out which group has the heavier cube in it. Choose 2 cubes from this group and compare their weights. By deduction, you will determine the heaviest cube.

INVESTORS SEEK CASH, WATCH POLICY MOVES

Stocks tumbled last week as Wall Street shrugged off news of the Federal Reserve's move to direct \$400 billion into longer-term Treasuries and wondered if Europe's debt troubles might trigger a recession. At mid-week, the Federal Reserve and International Monetary Fund managing director Christine LaGarde both noted “downside risks” to the U.S. and world economies. Thursday night, finance ministers and central bank governors from the Group of 20 pledged they would make a “strong and coordinated international response to address the renewed challenges facing the global economy” – a welcome declaration, yet the S&P 500 still slipped more than 6% on the week.^{1,2,3}

EXISTING HOME SALES UP 7.7% IN AUGUST

This was a pleasant surprise. The National Association of Realtors also noted an 18.6% year-over-year improvement in residential resales. Housing starts were also up 3.2% last month, according to a Census Bureau report.^{4,5}

CONFERENCE BOARD LEADING INDICATORS RISE

The global research group said its index rose 0.3% last month. However, a sizable part of that gain was due to a rise in M2 money supply – Americans boosting their bank accounts and cash positions.⁶

BLEAK WEEK FOR GOLD & CRUDE

Commodities took a beating last week as the dollar strengthened. Gold lost 9.64% last week (and \$101.70 on Friday) to end the trading week at \$1,637.50 an ounce. Oil fell 9.45% last week, with futures settling at \$79.85 per barrel Friday.⁷

CONFIDENCE TAKES A HOLIDAY

Buyers were scarce last week on Wall Street, as these weekly performances point out: S&P 500, -6.54% to 1,136.43; NASDAQ, -5.30% to 2,483.23; DJIA, -6.41% to 10,771.48.³

THIS WEEK: Monday, the Census Bureau releases new home sales figures for August. Tuesday, the July S&P/Case-Shiller home price index comes out, plus the Conference Board's September consumer confidence index; Walgreens issues an earnings report. Wednesday brings a look at August durable goods orders. On Thursday, we have a new report on pending home sales and new initial claims figures; Germany's parliament also votes on expanding the Eurozone bailout fund. On Friday, we get the Commerce Department's report on August consumer spending and the University of Michigan's final September consumer sentiment survey.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-6.96	+1.02	-1.28	+2.52
NASDAQ	-6.39	+6.71	+2.38	+6.56
S&P 500	-9.64	+1.03	-2.71	+1.33
REAL YIELD	9/23 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.10%	0.77%	2.27%	3.50%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 9/23/11^{3,8,9,10}
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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Citations.

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