

WEEKLY ECONOMIC UPDATE

November 29, 2010

WEEKLY QUOTE

“Part of being a champ is acting like a champ. You have to learn how to win and not run away when you lose.”

– Nancy Kerrigan

WEEKLY TIP

If you're financing a new car, look for the best interest rate before setting foot in the dealership. It could be to your advantage to take a cash rebate and get a loan elsewhere.

WEEKLY RIDDLE

What has exactly three feet, but not a single toe?

Last week's riddle:

A coin lies inside an otherwise empty bottle that has a cork inserted in its neck. How can you remove this coin without removing the cork or breaking the bottle?

Last week's answer:

Push the cork into the bottle and put the bottle upside down to let the coin out.

CONSUMERS SPEND, BUT FED REVISES ITS FORECAST

The latest Commerce Department data shows consumer spending at +0.4% for October and +2.8% for 3Q 2010. Personal incomes rose by 0.5% last month, and the federal government revised its 3Q economic growth estimate north to +2.5%. Still, the FOMC minutes from November 3 weren't encouraging: the Federal Reserve thinks unemployment could stay above 9% in 2011, and it feels inflation could remain below 2% until 2013. The Fed's GDP forecast for 2010 was revised down to the range of 2.4-2.5%, which is hardly what is needed to reduce joblessness.^{1,2}

DEMAND LAGS IN HOUSING MARKET

Will that demand increase by next spring? Hopefully. Existing home sales were down 2.2% in October according to the National Association of Realtors. The Census Bureau said new home sales slipped by 8.1% last month, with the average price of a new home falling by a shocking 14.0%. Only 23,000 new homes were bought in the U.S. in October, and new home sales were down 28.5% in year-over-year terms.^{3,4}

CONSUMER SENTIMENT HITS A 5-MONTH PEAK

The final Reuters/University of Michigan consumer sentiment index for November rose to 71.6, the best reading since 76.0 in June and above the consensus 69.5 forecast of economists polled by Reuters. The sub-indexes measuring consumer expectations and current economic conditions were also at highs unseen since June.⁵

UNEXPECTED DROP IN DURABLE GOODS ORDERS

The Commerce Department reported a 3.3% decline in the category, on the heels of an upwardly revised 5.0% gain for September. The month-over-month drop in hard goods orders was the largest since January 2009.¹

NASDAQ ADVANCES DURING ABBREVIATED WEEK

The NASDAQ gained 0.65% across three-and-a-half trading days to settle at 2,534.56 at Friday's closing bell. The Dow was down 1.00% for the week, closing Friday at 11,091.87; the S&P 500 lost 0.86% last week, settling at 1,189.40 Friday.⁶

COMING NEXT WEEK: Tuesday, we have the September Case-Shiller index of home prices and the Conference Board's latest consumer confidence poll. Wednesday, we get the November ISM manufacturing report and the Fed's December Beige Book, along with data on November auto sales and October construction spending. Thursday, we receive data on October pending home sales plus the latest reports on jobless claims. Friday, we get November's unemployment report, the November ISM service sector report, and data on October factory orders.

| % CHANGE | Y-T-D | 1-YR CHG | 5-YR AVG | 10-YR AVG |
|------------|------------|----------|-----------|------------|
| DJIA | +6.37 | +6.81 | +0.29 | +0.52 |
| NASDAQ | +11.70 | +18.52 | +2.40 | -1.20 |
| S&P 500 | +6.66 | +8.97 | -1.24 | -1.18 |
| REAL YIELD | 11/26 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
| 10 YR TIPS | 0.75% | 1.15% | 2.05% | 4.03% |

Source: cnbc.com, bigcharts.com, ustreas.gov, bls.gov - 11/26/10^{6,7,8,9}
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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Renita M. Owens, CPA, PFS Disclosure:

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Citations.

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