

# WEEKLY ECONOMIC UPDATE

December 13, 2010

## WEEKLY QUOTE

“Many strokes overthrow the tallest oaks.”

– John Lyly

## WEEKLY TIP

As interest rates may move higher in the next couple of years, why not pay down credit cards with high interest rates if you have some extra cash? Getting rid of the balance (and the interest on it) is akin to getting a double-digit risk-free return.

## WEEKLY RIDDLE

You are to put five different letters into five addressed envelopes. If you do this completely at random, what are the chances that only four letters will end up in their correct envelopes?

## Last week's riddle:

What do these words have in common: pig, pony, bob, dove and cotton?

## Last week's answer:

By adding “tail” to the end of each of these words, you can create other words.

## CAPITOL HILL COMPROMISE MEETS FLAK

House Democrats chanted “just say no” prior to a symbolic vote Thursday against the tax deal worked out between the White House and Republicans – a deal some Democrats see as a sellout. The accord would preserve the Bush-era income tax cuts for two more years, restore the estate tax at 35% with a \$5 million exemption, cut payroll taxes by 2% for 2011 and extend unemployment insurance through the end of next year. Late last week, an addition was made to the agreement – an extension of incentives for wind and solar energy developers through the end of 2011.<sup>1,2</sup>

## OIL & GOLD FALL ... GASOLINE PRICES RISE

Gold lost \$21.10 last week to close at \$1,384.30 per ounce Friday on the COMEX, while oil lost \$1.40 across five days to conclude the week at \$87.79 a barrel on the NYMEX. Retail gasoline prices just climbed to levels unseen since 2008 – last week, they were 35 cents higher than a year ago with a gallon of regular unleaded averaging \$2.98 nationally. Industry analysts think pump prices will soon decline.<sup>3,4</sup>

## CONSUMER POLL SIGNALS HOLIDAY OPTIMISM

The preliminary December Reuters/University of Michigan consumer sentiment survey is in, and the result is upbeat – a reading of 74.2, a 2.6% improvement from the last index reading. This is the best number since May, and it beat the median estimate of 72.5 from economists surveyed by Bloomberg News.<sup>5</sup>

## WHOLESALE STOCKPILES INCREASE ALMOST 2%

The 1.9% October gain topped the 0.9% increase forecast by economists in a Bloomberg News poll. In another sign that economy has picked up steam, the Census Bureau said year-over-year inventory levels have improved by 9.9%.<sup>6</sup>

## ANOTHER WEEK ... ANOTHER TWO-YEAR HIGH

At Friday's closing bell, the S&P 500 stood at a fresh two-year peak of 1,240.40 after a 1.28% weekly gain. The blue chips also moved north: the DJIA rose 0.25% last week to settle at 11,410.32 Friday. The tech-heavy NASDAQ advanced 1.78% across five market days, closing at 2,637.54 at week's end. Have you noticed the year that the Russell 2000 is having? As of Friday's close, it was +24.22% YTD.<sup>7</sup>

**COMING NEXT WEEK:** Tuesday, we have the latest PPI, retail sales and business inventories figures plus an FOMC rate decision. Wednesday, the November CPI will be released, and the November report on industrial production. Thursday, we find out about November housing starts and get figures on initial and continuing claims. Friday, the Conference Board issues its November leading indicators index.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+9.42	+9.65	+1.17	+0.64
NASDAQ	+16.23	+20.39	+3.37	-1.25
S&P 500	+11.24	+12.52	-0.30	-1.01
REAL YIELD	12/10 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.16%	1.40%	2.18%	4.03%

Source: cnbc.com, bigcharts.com, ustreas.gov, bls.gov - 12/10/10<sup>7,8,9,10</sup>  
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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