

THE WEEKLY ECONOMIC UPDATE

July 26, 2010

QUOTE OF THE WEEK:

"The world demands the qualities of youth: not a time of life but a state of mind, a temper of will, a quality of the imagination, a predominance of courage over timidity of the appetite for adventure over the love of ease." – Robert F. Kennedy

Existing home sales fall ... and mortgage rates fall further

The June existing home sales figures from the National Association of Realtors show a 5.1% drop from May, an effect from the closing of the deadline for federal homebuying credits. On the positive side, NAR reports that sales are up 9.8% from a year ago. Interest rates on conventional home loans hit a record low of 4.56% in Freddie Mac's July 21 survey; average rates on 15-year FRMs also fell to a two-decade low of 4.03%.^{1,2}

Long-term jobless benefits extended

President Obama extended emergency unemployment benefits for about three million Americans Thursday, not long after the measure made it past strong opposition in the Senate. The program had ended in June; Obama's signature extends it for six more months.³

FDIC insurance permanently bumped up to \$250,000

This is a byproduct of the financial reform bill. The current \$250,000 FDIC insurance limit for banks and credit unions was set to expire in 2013. Incidentally, the \$250,000 ceiling has been made retroactive with regard to the six U.S. banks that failed from January 1, 2008 - October 3, 2008, such as IndyMac.⁴

Conference Board's leading indicators retreat 0.2%

They lost a little steam in June, but they beat expectations: economists surveyed by Thomson Reuters had expected the CB index to fall 0.3%. May's increase was revised upward to 0.5%.⁵

Dow gains 300+ points in a week

The DJIA settled at 10,424.62 Friday, gaining 0.99% last week. The S&P 500 and NASDAQ respectively rose to 1,102.66 and 2,269.47. Strong earnings reports helped the Dow advance by triple digits on Thursday, and when 84 of 91 European banks passed an EU stress test, the DJIA climbed 102.32 on Friday. On the NYMEX, oil futures slipped a little more than 3% last week to close at \$78.98 Friday.⁶

% Change	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-0.03	+14.94	-0.43	-0.24
NASDAQ	+0.01	+14.99	+0.82	-4.30
S&P 500	-1.12	+12.94	-2.12	-2.47
Real Yield	7/23	1 YR AGO	5 YRS AGO	10 YRS AGO
10YrTIPS	1.24%	1.80%	1.89%	4.03%

(Source: cnbc.com, bigcharts.com, ustreas.gov, bls.gov, 7/23/10)^{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.

RIDDLE OF THE WEEK

This vehicle has wheels and often flies, but it is certainly not an aircraft. What is it?

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

Last week's riddle: Observe the following sequence of numbers: 11, then 1,331, then 161,051, then 19,487,171. Given this sequence, what would the next number be?

Last week's riddle answer: 2,357,947,691. The numbers are 11 to the first power, 11 to the third power, 11 to the fifth power and 11 to the seventh power. Therefore, the missing number is 11 to the ninth power.

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«RepresentativeDisclosure»

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Citations.

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