



Rick Gardner Presents:

# WEEKLY ECONOMIC UPDATE

September 10, 2012

## WEEKLY QUOTE

“I have never let my schooling interfere with my education.”  
- Samuel Clemens

## WEEKLY TIP

Most homeowner insurance policies do not cover damage from floods and earthquakes. You will need to purchase separate coverage for protection from those calamities.

## WEEKLY RIDDLE

What 9-letter word remains an English word each time you remove a letter from it, until it becomes a 1-letter word? (Hint: You can remove letters from any part of the word.)

## Last week's riddle:

You hold 3 U.S. coins in your hand. None of them are dimes, pennies or quarters. They total 60¢. What 3 coins do you have in hand?

## Last week's answer:

A 50-cent piece and 2 nickels.

## WILL THIS JOBS REPORT PROMPT THE FED TO ACT?

In August, employers added 96,000 jobs – far short of the 144,000 consensus estimate of economists polled by Briefing.com. About 40% of the new hires were in four low-paying sectors (retail, leisure & hospitality, temporary help and home health care services). The jobless rate did fall to 8.1% last month – but that was because more Americans stopped looking for work. So will the Fed announce a stimulus later this week, or signal that interest rates will stay at record lows for another year or two? Some analysts think we will see both those moves made.<sup>1,2,3</sup>

## ECB ANNOUNCES THIRD ROUND OF EASING

Stocks climbed worldwide last week after European Central Bank President Mario Draghi unveiled the Outright Monetary Transactions program. The ECB would use the OMT to buy short-term government bonds of nations adopting austerity cuts to try and reduce borrowing costs for these countries. The proposal passed 22-1 in the ECB's governing council – only Germany voted against it. Wednesday, Germany's high court issues an opinion about the legality of the new EU bailout fund.<sup>4</sup>

## MANUFACTURING SLOWS, AUTO SALES UP

The Institute for Supply Management's manufacturing sector PMI was at 49.6 for August, down from 49.8 in July and indicating further (slight) contraction. ISM's service sector PMI improved to 53.7 in August from a 52.6 July mark. Overall U.S. auto sales in August were up 20% from a year before, with big increases for Honda (60%), Toyota (46%), Chrysler (14%), Ford (13%) and GM (10%).<sup>2,5</sup>

## BIG GAINS ON WALL STREET

Friday, the S&P 500 closed at 1,437.92 (a 4-year high), climbing 2.23% for the week. The NASDAQ (+2.26% to 3,136.42) and Dow (+1.65% to 13,306.64) also rose substantially. Oil futures ended the week at \$96.42; a gallon of gas averaged \$3.82 Friday. Gold settled at \$1,740.50 – its highest COMEX close since February 28.<sup>3,6</sup>

**THIS WEEK:** On Monday, Del Monte, OSH and Casey's General Stores issue earnings reports. Tuesday brings earnings from Texas Instruments. Wednesday, the German Constitutional Court rules whether that nation can continue to legally participate in the EU's sovereign debt relief effort; stateside, Apple is expected to announce a new iPhone. Thursday, the Fed will get the world's attention with its latest policy statement, the August PPI will be released along with weekly jobless claims figures, and Neiman Marcus presents earnings. Friday, the August CPI arrives plus the preliminary University of Michigan consumer sentiment survey for September and data on August's retail sales and industrial output.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+8.91	+16.57	+0.29	+5.79
NASDAQ	+20.39	+23.05	+4.45	+14.21
S&P 500	+14.34	+19.96	-0.22	+6.09
REAL YIELD	9/7 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	-0.68%	0.09%	2.19%	3.10%

Sources: money.msn.com, bigcharts.com, treasury.gov, treasurydirect.gov - 9/7/12<sup>3,7,8,9</sup>  
Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.  
These returns do not include dividends.

\*\* A referral is the greatest compliment I can receive. \*\*

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## Citations.

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