



Rick Gardner Presents:

WEEKLY ECONOMIC UPDATE

July 30, 2012

WEEKLY QUOTE

“Don't be intimidated by what you don't know. That can be your greatest strength and ensure that you do things differently from everyone else.”

- Sara Blakely

WEEKLY TIP

Each day brings breaking news; beware of abruptly altering your long-range financial strategy in response.

WEEKLY RIDDLE

You have been hired by an eccentric farmer, who requests that you build four pens for his nine sheep, but only allow an odd number of sheep in each pen. How do you accomplish this?

Last week's riddle: I nearly always lie on a surface, and I come in different shapes and sizes, often with curves. You can put me anywhere you like, yet there is only one proper place for me. What am I?

Last week's answer: A jigsaw puzzle piece.

CONSUMERS ARE STILL A BIT CYNICAL

The good news is that the University of Michigan's final July index of consumer sentiment improved from its 72.0 preliminary reading to a final mark of 72.3. Still, that represents a 2012 monthly low for the gauge, which had finished June at 73.2.¹

NEW & PENDING HOME SALES DECLINE

In year-over-year terms, things look sunny: new home sales were up 15.1% in June compared with June 2011 and pending home sales were 9.5% improved from a year before. June reports from the Census Bureau and National Association of Realtors were respectively gloomy, however: new home sales dropped an alarming 8.4% after two months of gains, and contracts to purchase existing homes decreased by 1.4%.^{2,3}

GDP LOOKS WEAK; HARD GOODS ORDERS SURPRISE

The federal government's second estimate of Q2 GDP (+1.5%) represents the tameest growth since Q3 2011. June's durable goods orders beat forecasts, registering a 1.6% increase (economists polled by Briefing.com had predicted a gain of 0.3%).^{1,4,5}

DOW LOGS BEST 3 DAYS OF THE YEAR

How could that happen with such negative indicators? Two words: renewed hope. Thursday, European Central Bank president Mario Draghi said the ECB would do whatever is needed to save the euro; Friday, Draghi was reportedly talking with Germany's central bank about coordinated sovereign debt purchases. So the Dow (+1.97% to 13,075.66), NASDAQ (+1.12% to 2,958.09) and S&P 500 (+1.71% to 1,385.97) all did well last week. COMEX gold rose 2.22% last week to end Friday at \$1,618.00; oil settled at \$90.13 Friday, as prices slipped 1.85% across five days.^{1,4,6}

THIS WEEK: Monday, earnings from Anadarko and HSBC are in. Tuesday, June consumer spending data and May's Case-Shiller Home Price Index arrive along with Q2 results from Aetna, Pfizer, Deutsche Bank, Goodyear, DreamWorks, BP, Honda, UBS, Valero and Electronic Arts. Markets will watch Washington on Wednesday as a Federal Reserve policy meeting ends; July's ISM manufacturing index, July auto sales figures and earnings from MasterCard, Yelp, Time Warner, Burger King, Marathon Oil, Hartford Financial, Green Mountain Coffee, Comcast, MetLife and Prudential Financial also appear. Will the ECB make a move when its policy meeting concludes Thursday? Stateside, that day brings the latest initial jobless claims, data on June factory orders and Q2 results from Clorox, GM, Kraft, AIG, Sony, Activision Blizzard, LinkedIn, Sunoco and Kellogg. Friday, the June jobs report and ISM's June service sector index appear; Q2 results come in from Beazer, Viacom, Toyota, NYSE Euronext, Procter & Gamble and Berkshire Hathaway.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+7.02	+6.28	-0.29	+5.82
NASDAQ	+13.55	+6.99	+3.09	+13.44
S&P 500	+10.21	+6.21	-1.00	+6.25
REAL YIELD	7/27 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	-0.61%	0.56%	2.48%	3.10%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 7/27/12^{4,7,8,9}
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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