



Rick Gardner Presents:

WEEKLY ECONOMIC UPDATE

June 4, 2012

WEEKLY QUOTE

“Love is a friendship set to music.”

- Joseph Campbell

WEEKLY TIP

Through tax-loss harvesting, long-term portfolio losses can be put to work. They may be used to offset long-term capital gains or to lower regular income.

WEEKLY RIDDLE

Name three consecutive days without using the words Monday, Wednesday, Friday, or Sunday.

Last week's riddle:

Five girls took part in a bicycle race. Barbara finished before Vicki but behind Susan. Katarina finished before Sara but behind Vicki. In what order did they finish?

Last week's answer:

1- Susan, 2- Barbara, 3- Vicki, 4- Katarina, 5- Sara.

IS IT TIME FOR QE3?

May's unemployment report threw Wall Street for a loop Friday. Economists polled by Reuters forecast a payroll gain of 150,000, but only 69,000 new jobs were created. Even worse, part-time positions accounted for all of the increase. The jobless rate ticked up to 8.2% in May, and the Labor Department also downwardly revised April and March job gains by a total of 49,000. All this has analysts wondering if the recovery is losing momentum, and if the Federal Reserve might rethink its stance and announce further easing at its summer policy meetings.^{1,2}

CONSUMER SPENDING RISES 0.3% IN APRIL

That gain was complemented by a 0.2% rise in consumer incomes. The Commerce Department's personal consumption expenditures (PCE) price index showed a 1.8% annual increase, in line with the Fed's inflation target. The personal savings rate was at 3.4% in April, matching the four-year low seen in February.^{1,3}

SILVER LININGS IN NEW HOUSING & FACTORY DATA

The National Association of Realtors reported a 5.5% drop in pending home sales for April, but also a 14.4% annual gain. March's S&P/Case-Shiller Home Price Index showed a 2.6% 12-month decline (the smallest since December 2010). The Institute for Supply Management's April manufacturing index fell 1.3% in May to 53.5, yet its new orders sub-index hit a 13-month peak at 60.1. Construction spending rose 0.3% in April with the Commerce Department noting a 6.8% annual gain.^{4,5,6}

A ROUGH START TO JUNE

The Dow lost 275 points Friday as investors came to grips with May's weak jobs report. The NASDAQ ended the week down 12.0% from its March 26 peak while the S&P 500 was 9.9% off its April 2 peak. The weekly performances: S&P 500, -1.33% to 1,278.04; DJIA, -2.03% to 12,118.57; NASDAQ, -1.13% to 2,747.48. Turning to the NYMEX and COMEX, gold climbed 3.39% last week to settle at \$1,622.10 Friday; oil dropped 8.40% in five days to end the week at \$83.23.^{1,7}

THIS WEEK: Monday brings a report on April factory orders and Q1 results from Dollar General. Tuesday, the May ISM service sector index arrives. On Wednesday, the European Central Bank weighs an interest rate decision, the Fed issues a new Beige Book and earnings come in from Hovnanian and Pep Boys. The Bank of England makes a policy statement Thursday; stateside, Ben Bernanke testifies in Congress and new initial claims numbers arrive along with earnings from Lululemon and J.M. Smucker. Friday, the Commerce Department reports the U.S. trade deficit.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-0.81	-1.40	-2.27	+2.21
NASDAQ	+5.46	-0.78	+1.02	+7.00
S&P 500	+1.63	-2.78	-3.36	+1.98
REAL YIELD	6/1 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	-0.59%	0.74%	2.57%	3.48%

Sources: money.msn.com, bigcharts.com, treasury.gov, treasurydirect.gov - 6/1/12^{1,8,9,10}
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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Citations.

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