



Rick Gardner Presents:

WEEKLY ECONOMIC UPDATE

September 3, 2012

WEEKLY QUOTE

“Variety is the soul of pleasure.”

- Aphra Behn

WEEKLY TIP

Understand that Newton’s fourth law of motion may carry over to your financial life: your returns may decrease as your trading activity increases.

WEEKLY 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 riddle:

A major league pitcher faces just 27 hitters in a baseball game. He retires all of them, allowing no runs and no hits. Still, his team loses the game 4-0. How is this possible?

Last week’s answer:

He was a relief pitcher who did not start the game.

BERNANKE: FED SHOULD NOT “RULE OUT” EASING

Speaking Friday at the Federal Reserve’s annual Jackson Hole, WY symposium, Fed Chairman Ben Bernanke gave Wall Street a bit of a lift. Commenting that the recovery is “far from satisfactory”, he expressed that the central bank “should not rule out” further stimulus. The Dow rose 90 points on the day, certainly helped by Bernanke leaving a door open for QE3.^{1,5}

CONSUMER SPENDING & INCOMES INCREASE

Personal spending rose 0.4% in July, and the Commerce Department also noted a second consecutive 0.3% monthly rise in household income. This was welcome news following last week’s revised yet still modest 1.7% Q2 GDP reading.²

PENDING HOME SALES HIT 27-MONTH HIGH

After a 2.4% July advance, the National Association of Realtors reported its pending home sales index at 101.7 – the healthiest reading since April 2010 and a 12.4% improvement from 12 months ago. Additionally, the S&P/Case-Shiller Home Price index posted an annual gain for the first time in 20 months in June (+0.5%).³

WHICH CONSUMER POLL IS CORRECT?

According to the Conference Board, pessimism has increased: its August consumer confidence gauge hit a 10-month low (60.6). Alternately, the University of Michigan’s final August consumer sentiment survey rose to a 3-month high of 74.3, a 2.0% gain that beat the forecast of economists polled by MarketWatch.^{4,5}

WEEKLY LOSSES, BUT DECENT GAINS FOR AUGUST

On the week, the DJIA lost 0.51% to slip to 13,090.84, the S&P 500 fell 0.32% to 1,406.57 and the NASDAQ edged down 0.09% to 3,066.96. Yet even with stocks on a 2-week losing streak, the Dow (+0.63%), S&P (+1.98%) and NASDAQ (+4.34%) put up August gains for the first time since 2009. Looking at the NYMEX, COMEX and AAA’s Daily Fuel Gauge Report, oil ended the month at \$96.47, gold at \$1,687.60 and unleaded gasoline at \$3.83.^{5,6,7}

THIS WEEK: Monday is Labor Day – U.S. markets are closed. The August ISM manufacturing index comes out Tuesday along with data on July construction spending and August auto sales; Q2 earnings arrive from Smithfield Foods and Campbell’s Soup. Wednesday, Dollar General and H&R Block issue earnings reports. Thursday brings new weekly jobless claims figures, the August ADP employment report, ISM’s latest service sector index and Q2 results from Hovnanian. Friday, August unemployment figures arrive plus earnings from Kroger and Lululemon.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+7.15	+12.72	-0.40	+5.11
NASDAQ	+17.73	+18.90	+3.63	+13.33
S&P 500	+11.85	+15.40	-0.91	+5.35
REAL YIELD	8/31 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	-0.68%	0.18%	2.34%	3.10%

Sources: cbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 8/31/12^{5,8,9,10}
 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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