

WEEKLY ECONOMIC UPDATE

February 13, 2012

WEEKLY QUOTE

“A successful person is one who can lay a firm foundation with the bricks that others throw at him or her.”

- David Brinkley

WEEKLY TIP

When it comes to couples and money, a plan is better than an assumption. Discuss your financial goals together and stick to the strategy you make to pursue them.

WEEKLY RIDDLE

A train moving as fast as it can go strikes a man's hand, yet he is uninjured and the train goes off its tracks. Under what circumstances could this happen?

Last week's riddle:

The wind is blowing east through the mountains. A lone pine tree stands on a cliff.

Which way do its leaves blow?

Last week's answer:

A pine tree has needles, not leaves. So no leaves are blowing in the first place.

WILL THE MORTGAGE ACCORD BRING MUCH RELIEF?

While the \$25+ billion settlement reached last week between five large mortgage servicers and 49 states was momentous, it may not help many borrowers in trouble. Only about 1 million of the estimated 11 million underwater homeowners will see relief as loans sold to Fannie Mae and Freddie Mac aren't included in the deal. Much of the settlement money will go toward mortgage modification. Roughly 750,000 homeowners are slated to receive financial compensation from the accord (an average of about \$2,000 per household). The lenders involved are JPMorgan Chase, Bank of America, Ally Financial, Citigroup and Wells Fargo; other banks could join them. (The state of Oklahoma forged its own agreement with the five lenders.)^{1,2}

CONSUMER CONFIDENCE TAKES A DIP

The University of Michigan's initial February consumer sentiment survey fell to 72.5 from its one-year peak of 75.0 at the end of January. Economists polled by Bloomberg News had expected a 74.8 reading. However, the percentage of consumers who felt the jobless rate would fall in future months was at the highest level the survey had seen in 28 years.³

GOLD SLIPS, OIL GAINS

Gold futures pulled back \$14.60 last week, settling at \$1,723.30 on the COMEX Friday; that left gold up 10.06% YTD. Oil is still hovering around \$100: NYMEX crude finished Friday at \$98.67, advancing 0.85% for the week.⁴

STOCKS RETREAT FOR THE WEEK ON FRIDAY LOSSES

When the Dow's worst day of 2012 brings only an 89-point loss, it seems the year is off to a good start. That loss occurred Friday after another stall in the Greek debt negotiations. On the week, the major U.S. indices pulled back a bit: DJIA, -0.47% to 12,801.23; S&P 500, -0.17% to 1,342.64; NASDAQ, -0.06% to 2,903.88.^{5,6}

THIS WEEK: Monday, President Obama submits his 2013 fiscal budget proposal to Congress. Tuesday, the Census Bureau publishes January retail sales figures and MetLife issues Q4 earnings. Wednesday, the Fed issues the 1/25 FOMC minutes, the federal government comes out with figures on January industrial output and Q4 results arrive from Comcast, Deere, CBS, Abercrombie & Fitch and Nvidia. On Thursday, General Motors, Nordstrom and Baidu come out with earnings and new initial jobless claims are announced; January's PPI is also released plus data on January housing starts, and Fed chairman Ben Bernanke speaks at an FDIC hearing. Friday, January's CPI comes out along with the Conference Board's newest leading economic indicator index; Q4 results come in from Heinz and Campbell's Soup.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+4.78	+4.68	+0.35	+2.95
NASDAQ	+11.47	+4.06	+3.61	+5.73
S&P 500	+6.76	+1.57	-1.33	+2.07
REAL YIELD	2/10 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	-0.24%	1.39%	2.43%	3.48%

Sources: online.wsj.com, bigcharts.com, treasury.gov, treasurydirect.gov - 2/10/12^{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.

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