

THE WEEKLY ECONOMIC UPDATE

July 5, 2010

QUOTE OF THE WEEK:

"You are never too old to set another goal or to dream a new dream." – Les Brown

Jobless rate drops to 9.5%

The Labor Department said 83,000 new jobs were created in the private sector in June, yet non-farm payrolls shrank by 125,000 positions (an effect of temporary U.S. Census workers being laid off). Still, the 0.2% drop in unemployment was considerably better than the 0.1% increase anticipated on Wall Street.¹

Gains in personal spending, personal income & personal savings

Consumer spending rose by 0.2% as incomes climbed 0.4% in May, the Commerce Department stated last week. The personal savings rate reached 4.0% in May, a high unseen since September 2009. So consumers are aiding the recovery, albeit cautiously.²

\$8K homebuyer tax credit is back

The real estate market got some relief Friday morning as President Obama signed an extension of the federal homebuyer tax credit (\$8,000 for first-time home purchasers and \$6,500 for existing homeowners who move). The credit is now extended until September 30.³

Cheapest fixed-rate mortgages in decades

Right now, conventional home loans are almost as cheap as they were in the 1950s. The national average interest rate on 30-year FRMs fell to 4.58% last week, according to Freddie Mac's final June estimate. This is the lowest rate Freddie Mac has recorded since the start of its Primary Mortgage Market Survey.⁴

Surprise drop in factory orders, but ISM index shows further growth

Factory orders fell 1.4% in May. Economists surveyed by Bloomberg had forecast a 0.5% slip. Minus transportation orders, the category was down 0.6% for the month. The Institute for Supply Management's June manufacturing index slipped to 56.2 from 59.7 in May, but that still means growth.^{5,6}

Wall Street in sell mode

It seemed like every market day started with a descent last week. The S&P 500 ended the week at 1,022.58, the Dow at 9,686.48, and the NASDAQ at 2,091.79. It was rough going - on the week, the marquee U.S. indices lost between 4.5%-5.9%. On June 30, the yield on the 10-year Treasury note fell to 2.95%, which was the first time it went below 3% since April 2009.^{4,7}

% Change	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-7.11	+16.98	-1.20	-0.83
NASDAQ	-7.82	+16.44	+0.33	-4.76
S&P 500	-8.30	+14.07	-2.88	-3.04
Real Yield	7/2	1 YR AGO	5 YRS AGO	10 YRS AGO
10YrTIPS	1.27%	1.87%	1.75%	4.34%

(Source: usatoday.com, bigcharts.com, ustreas.gov, bls.gov, 7/2/10)^{7,8,9,10}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.

RIDDLE OF THE WEEK
It can certainly be measured, yet it has no length, width or height. What is it?

Contact my office or see next week's Update for the answer!

Last week's riddle: Can you determine four consecutive prime numbers that add up to 220?

Last week's riddle answer: 47 + 53 + 59 + 61 = 220.

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will contact them first and request their permission to add them to our list.

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Citations.

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- 2 – voices.washingtonpost.com/economy-watch/2010/06/may_income_spending_and_person.html [6/28/10]
- 3 – marketwatch.com/story/home-buyers-win-more-time-to-claim-tax-credit-2010-07-02 [7/2/10]
- 4 – cnbc.com/id/38037896 [7/1/10]
- 5 – dailyfinance.com/story/May-factory-orders-fall-economic-slowdown/19539948/ [7/2/10]
- 6 – bloomberg.com/news/2010-07-01/u-s-manufacturing-grows-at-slower-pace-than-forecast-in-ism-s-june-index.html [7/1/10]
- 7 – cnbc.com/id/38064102 [7/2/10]
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