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Michael Wooden CFS - Presents

Weekly Economic Update for the Week of February 1, 2010

Quote of the week. "Reputation is what other people know about you. Honor is what you know about yourself." – Lois McMaster Bujold

4Q GDP: 5.7%: That is the preliminary reading from the Commerce Department, and that is the best reading since 3Q 2003. Economists pointed out that much of the increase reflected companies rebuilding their inventories rather than personal spending.¹

Consumers think positive. The final University of Michigan/Reuters consumer sentiment index for January improved 1.6 points to 74.4. Economists polled by Briefing.com felt it would come in at 73.0.²

New concerns about home sales. Both new and existing home sales retreated markedly in December with the threat of federal tax credits being pulled. Existing home sales fell by 16.7% in that month while new home sales slipped 7.6%. In annual terms, residential resales for 2009 were about 5% higher than 2008 totals. Just 373,000 new single-family homes were sold in 2009, the fewest since the government began tracking sales stats in 1963.^{3,4}

A \$5K hiring rebate? Last week, President Obama pitched the idea of giving companies of all sizes a \$5,000 credit to offset payroll taxes for each new worker, up to a \$500,000 ceiling. Net new hires (increasing employee hours) and salary increases could also make companies eligible. A proposal to enact the plan is now in the Senate.⁵

Dollar hits highest level since August. The buck

went on an intraday climb to 90.92 yen and the euro traded below \$1.39. The new GDP report helped.⁶

So long to a subpar month. Stocks retreated in the last week of January, with the Dow ending the month at 10,067.33, the NASDAQ at 2,147.35 and the S&P 500 at 1,073.87.⁷

% Change	Y-T-D	1-Yr Chg	5-Yr Avg	10-Yr Avg
DJIA	-3.46	+23.54	-0.69	-0.63
NASDAQ	-5.37	+42.41	+1.10	-4.48
S&P 500	-3.70	+27.06	-1.66	-2.10
Real Yield	1/29	1 Yr Ago	5 Yrs Ago	10 Yrs Ago
10YrTIPS	1.30%	1.83%	1.65%	4.34%

(Source: CNBC.com, CNNMoney.com, ustreas.gov, bls.gov, 1/29/10)^{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. A plastic bottle filled with cola weighs one liter. What do you need to add to it to make it weigh less than two ounces?
Contact my office or see next week's Update for the answer.

Last week's riddle: A glass of water has an ice cube in it. If the ice cube fully melts, will the water level increase, decrease or remain the same?

Last week's riddle answer: The water level will stay the same as the ice cube just displaces its weight.

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Citations.

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