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*Michael Wooden, CFS - Presents*

## Weekly Economic Update for the Week of February 22, 2010

**Quote of the week.** "Avoid having your ego so close to your position that when your position falls, your ego goes with it." – Gen. Colin Powell

**Fed bumps discount rate up to 0.75%.** The exit strategy had to get rolling at some point, yet the Federal Reserve's Thursday decision to raise the federal funds discount rate came sooner than many analysts expected. Yet the move did not prompt the big selloff some traders had predicted. Stocks posted tiny gains Friday after new CPI data was released.<sup>1</sup>

**Inflation remains tame.** Core CPI fell by 0.1% in January, in the first monthly decline since 1982. Overall CPI rose 0.2% for the fifth straight month. From January 2009 to January 2010, CPI rose 2.6% with core CPI up 1.6%.<sup>2</sup>

**PPI soars.** Producer prices, on the other hand, rose 1.4% for January, spiked by a double-digit increase in costs of gasoline and heating oil. Core PPI advanced by 0.3% last month.<sup>3</sup>

**Good news on housing & factory output.** The Commerce Department had housing starts up 2.8% in January. Industrial production rose by 1.0% last month, powered by a gain of almost 5% in the auto industry.<sup>4</sup>

**Great days for oil, gold & copper.** Oil futures jumped 7.66% last week, putting prices at \$79.81 on the NYMEX at Friday's close. Gold settled at \$1,121.30 after a 2.92% weekly advance. Copper trumped that with a 9.03% weekly gain, its best week

since last July; copper prices settled at \$3.36 per pound Friday.<sup>5</sup>

**More big gains on Wall Street.** Across four market days, the S&P 500 rose 3.13% to 1,109.17, the NASDAQ gained 2.76% to 2,243.87, and the Dow rose 3.00% to close at 10,402.35 on Friday.<sup>1</sup>

% Change	Y-T-D	1-Yr Chg	5-Yr Avg	10-Yr Avg
DJIA	-0.25	+39.33	-0.71	+0.18
NASDAQ	-1.11	+55.52	+1.80	-4.91
S&P 500	-0.53	+42.39	-1.54	-1.76
Real Yield	2/19	1 Yr Ago	5 Yrs Ago	10 Yrs Ago
10YrTIPS	1.52%	1.73%	1.67%	4.34%

(Source: CNBC.com, CNNMoney.com, ustreas.gov, bls.gov, 2/19/10)<sup>1,6,7,8</sup>  
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.** In 15 minutes, a dress will dry on a clothes wire. How long would it take you to dry five dresses?

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

**Last week's riddle:** A supermarket sign says you can buy energy bars at \$12 a dozen. At that price, how much would it cost you to buy 100 energy bars?

**Last week's riddle answer:** \$100. At \$12 per dozen, the unit price comes to \$1 per bar.

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## **Citations.**

- 1 [cnbc.com/id/35482890](http://cnbc.com/id/35482890) [2/19/10]
- 2 [marketwatch.com/story/core-inflation-drops-on-falling-housing-costs-2010-02-19](http://marketwatch.com/story/core-inflation-drops-on-falling-housing-costs-2010-02-19) [2/19/10]
- 3 [marketwatch.com/story/producer-prices-soar-14-on-energy-costs-2010-02-18](http://marketwatch.com/story/producer-prices-soar-14-on-energy-costs-2010-02-18) [2/18/10]
- 4 [google.com/hostednews/ap/article/ALeqM5gNiyJ905Ho0Ur96V2TQhsBX19lGwD9DU53SG1](http://google.com/hostednews/ap/article/ALeqM5gNiyJ905Ho0Ur96V2TQhsBX19lGwD9DU53SG1) [2/17/10]
- 5 [blogs.wsj.com/marketbeat/2010/02/19/data-points-energy-metals-226/](http://blogs.wsj.com/marketbeat/2010/02/19/data-points-energy-metals-226/) [2/19/10]
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- 8 [treasurydirect.gov/instit/annceresult/press/preanre/2000/ofm11200.pdf](http://treasurydirect.gov/instit/annceresult/press/preanre/2000/ofm11200.pdf) [1/12/00]