

# WEEKLY ECONOMIC UPDATE

April 18, 2011

## WEEKLY QUOTE

"Things turn out best for those who make the best of the way things turn out."

– Jack Buck

## WEEKLY TIP

If you own a small business or work for yourself, the remote deposit option at many banks may save you money. There may be monthly fees and set-up fees, but in the long run you can save on gas and reduce your check float.

## WEEKLY RIDDLE

They never move, even when we walk on them, but signs and arrows may indicate that they go "up" and "down". What are they?

## Last week's riddle:

Can you rearrange the letters in *new door* to make *one word*?

## Last week's answer:

Yes, you can spell out "ONE WORD" by rearranging the letters in "NEW DOOR".

## INFLATION LIVES UP TO EXPECTATIONS

Economists polled by Briefing.com felt that the federal government's Consumer Price Index would rise 0.5% in March, and it did. They thought core CPI would advance by 0.1% for the month; they also got that right. If this keeps up, America will be staring at 6% annualized inflation. Should we instead focus on the tiny core CPI increase that strips out food and energy prices? It is pretty hard to ignore energy costs given that the Producer Price Index rose by another 0.7% in March, with the wholesale price of gasoline rising 5.7%. The PPI has climbed 5.8% over the past 12 months. Economists and investors are wondering how much mind the Federal Reserve will pay to all this at its next FOMC meeting, scheduled for April 26-27.<sup>1,2,3</sup>

## KEY CONSUMER SENTIMENT INDEX IMPROVES

The initial April Thomson Reuters/University of Michigan consumer sentiment survey came in at 69.6, a 2.1% increase from the final 67.5 reading for March. Economists polled by Bloomberg News had forecast the index would only rebound to 68.8 from this 16-month low.<sup>4</sup>

## NEW REPORTS ON RETAIL SALES, FACTORY OUTPUT

Retail sales increased by 0.4% in March, according to the Commerce Department. The year-over-year improvement was 7.1%. The asterisk: with retail gasoline sales factored out of the data, the overall March gain was just 0.1%. Factory output was up 0.7% in March, much better than the 0.1% rise for February. In a nice sign for real estate, production of construction goods was up 1.5% last month.<sup>2,5</sup>

## A SMALL RETREAT

The Dow couldn't quite manage to extend its weekly winning streak to four last week. The marquee indices performed like so across five trading days: DJIA, -0.31% to 12,341.83; S&P 500, -0.64% to 1,319.68; NASDAQ, -0.25% to 2,764.65.<sup>6</sup>

**THIS WEEK:** On Monday, Citigroup, Texas Instruments and Eli Lilly issue earnings reports – and of course, April 18 is the federal tax deadline. Tuesday is a huge day for 1Q results – we'll hear from IBM, Goldman Sachs, Intel, Johnson & Johnson and Yahoo, and March housing starts data will also arrive. Wednesday is just as momentous, with 1Q earnings announced by AT&T, Amgen, Apple, AmEx, Wells Fargo and Yum Brands ... and in addition, we'll get the March existing home sales report from the NAR. Thursday brings more attention-getting earnings from McDonald's, Morgan Stanley, Verizon, GE, and DuPont plus weekly initial and continuing claims data and the Conference Board's leading indicator index. Friday is Good Friday, so the financial markets will be closed (banks will stay open).

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+6.60	+10.74	+2.16	+2.15
NASDAQ	+4.21	+9.90	+3.77	+4.48
S&P 500	+4.93	+8.91	+0.47	+1.19
REAL YIELD	4/15 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.82%	1.49%	2.43%	3.52%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 4/15/11<sup>6,7,8,9</sup>  
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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## Art Aube, EA, CFS, CFP

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