

# WEEKLY ECONOMIC UPDATE

May 16, 2011

## WEEKLY QUOTE

“There are no gains without pains.”  
– Ben Franklin

## WEEKLY TIP

What do your children know about money? There’s never a wrong time to talk to your children about its value and impact – whether they’re just out of diapers, heading off to college, or beyond.

## WEEKLY RIDDLE

There is a word (four letters long) that begins with the letter I. If you put the letter A at the front of this four-letter word, it becomes a five-letter word which is pronounced exactly the same. Name both words.

## Last week’s riddle:

You have a can of soda in your hand and someone tells you to drink the bottom half of it first. How can you do that?

## Last week’s answer:

Use a straw.

## INFLATION SPRINGS AHEAD

Consumer inflation increased by 0.4% in April after rising 0.5% in March. (You can cite food and energy costs - gasoline prices rose 3.3% alone last month.) Annualized inflation is the real story here: the federal government’s Consumer Price Index has advanced 3.2% in the past 12 months. That is the biggest annual gain since October 2008. As for wholesale inflation, the Producer Price Index was up 0.8% for April; it showed an annual increase of 6.8% (the most since September 2008).<sup>1,2,3</sup>

## GAINS IN RETAIL SALES, CONSUMER SENTIMENT

The Census Bureau announced that retail sales were up 0.5% in April; it also revised the March gain from 0.4% to 0.9%. The University of Michigan’s preliminary April consumer sentiment survey came in at 72.4, better than the 70.0 forecast by economists polled by Reuters and the final April reading of 69.8.<sup>1,4</sup>

## KEY COMMODITIES BOUNCE BACK

Last week, there was a bit of a rebound in precious metals and energy futures. Gold actually advanced 0.15% for the week; silver’s five-day loss was 0.77%. Oil futures gained 2.5% for the week on the NYMEX, while RBOB gasoline futures lost 0.6%.<sup>5,6</sup>

## BLEAKER OUTLOOK FOR MEDICARE, SOCIAL SECURITY

New reports from trustees of the entitlement systems project that Medicare’s trust fund will be depleted by 2024 and that Social Security’s trust fund will be exhausted by 2036 ... if no action is taken. (Prior respective estimates were 2029 and 2037.) By these forecasts, Medicare would only be able to pay out 90% of retiree hospital insurance costs after 2024; after 2036, Social Security would only be able to pay out about 77% of scheduled benefits.<sup>7</sup>

## A FAIRLY FLAT WEEK

While the NASDAQ pulled off a tiny weekly advance (+0.03% to 2,828.47), the Dow and S&P 500 ended up with some minor weekly losses (DJIA, -0.34% to 12,595.67; S&P 500, -0.18% to 1,337.78.)<sup>1</sup>

**THIS WEEK:** No major economic releases come out Monday, but Federal Reserve Chairman Ben Bernanke speaks at Georgetown University. Tuesday offers reports on April housing starts and industrial output plus 1Q results from Wal-Mart, Dell and Home Depot. Wednesday, the most recent FOMC minutes are released and we have earnings from Target and HP. Thursday brings weekly jobless claims figures, data on April existing home sales, the Conference Board’s April LEI index and 1Q results from Sears, Gap and GameStop. No economic releases are scheduled for Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+8.79	+16.81	+2.13	+1.58
NASDAQ	+6.62	+18.13	+5.21	+3.59
S&P 500	+6.37	+15.58	+0.72	+0.71
REAL YIELD	5/13 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.79%	1.28%	2.47%	3.52%

Sources: cbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 5/13/11<sup>1,8,9,10</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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## Citations.

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