



Frank DeMaio Presents:

WEEKLY ECONOMIC UPDATE

January 2, 2012

WEEKLY QUOTE

“You must do the thing you think you cannot do.”

– Eleanor Roosevelt

WEEKLY TIP

It may be a good idea to make your 2012 IRA contribution at the start of the year, rather than waiting until the tax filing deadline of the following year. That way the contributed assets will have more time to compound.

WEEKLY RIDDLE

They can run side by side for thousands of miles; they are made of steel. While they constantly touch the ground, they seldom meet or touch each other. What are they?

Last week's riddle:

They are sometimes stomped on, yet they can also be very tasty and sweet. What are they?

Last week's answer:

Grapes.

STOCKS IN 2011: DJIA +5.5%, S&P 500 ENDS FLAT

The Dow Jones Industrial Average bucked a global trend and advanced in 2011. The index rose 11.95% in the fourth quarter, a move that separated it from a pack of overseas benchmarks that finished the year with double-digit percentage losses. In terms of price return, the S&P 500 recorded its smallest annual change since 1947 (see below). The S&P's total return for 2011 was +2.11%. With all the fears about Europe and the Federal Reserve keeping interest rates incredibly low, long-term Treasuries had their best year since 2008 with a total return of 33%.^{1,2,3}

CONSUMER CONFIDENCE BAROMETER RISES

The Conference Board's index of consumer confidence saw a big jump north in December, soaring 9.3 points to 64.5. Economists surveyed by Reuters had expected it to come in at 58.3.⁴

HOME SALE PRICES DOWN, HOME SALE CONTRACTS UP

The good news? The National Association of Realtors said its pending home sales index reached a 19-month peak in November, moving to 100.1 for a 5.9% annual gain. The bad news? The October edition of the S&P/Case-Shiller Home Price Index slipped 1.2% from its September level.^{4,5}

HIGHS & LOWS IN KEY COMMODITIES FOR 2011

Gold lost 10.48% for the month but went +10.23% for the year, in contrast to copper (-22.73%) and silver (-9.77%). Crude oil advanced 8.15% in 2011, while retail gas prices rose 6.41%. Notable yearly dives were made by natural gas (-32.15%) and cotton (-36.69%). The U.S. Dollar Index gained 1.56% on the year.²

A MINOR RETREAT TO END THE YEAR

All three major U.S. stock indices lost ground in the last trading week of 2011. The four-day performances across December 27-30: DJIA, -0.62% to 12,217.56; NASDAQ, -0.52% to 2,605.15; S&P 500, -0.61% to 1,257.60.^{1,6}

THIS WEEK: The NYSE is closed Monday in celebration of the New Year's Day holiday. Tuesday, the ISM manufacturing index for December is released, plus the most recent FOMC minutes. No major economic releases are scheduled on Wednesday. On Thursday, Monsanto, Amgen and Family Dollar announce earnings, ISM issues its December service sector PMI and new initial claims figures arrive. Friday brings the December jobs report from the Labor Department.

% CHANGE	2011	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+5.53	+5.53	-0.39	+2.19
NASDAQ	-1.80	-1.80	+1.57	+3.36
S&P 500	-0.003	-0.003	-2.27	+0.95
REAL YIELD	12/30 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	-0.07%	1.08%	2.41%	3.50%

Sources: online.wsj.com, bigcharts.com, treasury.gov, treasurydirect.gov - 12/30/11^{1,7,8,9}
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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