



Frank DeMaio Presents:

WEEKLY ECONOMIC UPDATE

January 30, 2012

WEEKLY QUOTE

“Judge each day not by the harvest you reap but by the seeds you plant.”

- Robert Louis Stevenson

WEEKLY TIP

Spending and value should go hand in hand. Reduce or forego spending money on things that don't bring you much value.

WEEKLY RIDDLE

It has no crown, yet when the chips are down it is more powerful than a king or queen. What is it?

Last week's riddle:

I'm usually standing on a city sidewalk, and I'll always stand by your car. But if you don't feed me, you may get into trouble. What am I?

Last week's answer:

A parking meter.

ECONOMY GROWS 2.8% IN Q4

While this is the best GDP reading since Q2 2010, the initial estimate from the Bureau of Economic Analysis still disappointed the markets. Many economists and investors were looking for growth of 3.0% or better. The majority of the growth actually came from increased inventories. Consumer spending rose 2.0% last quarter, with auto sales being the biggest factor. Durable goods orders did see 3.0% growth in December, putting them 45% above the recession low hit in April 2009.^{1,2,3}

DIPS IN NEW & PENDING HOME SALES

The number of signed home sale contracts fell 3.5% in December, according to the National Association of Realtors. Separately, a Census Bureau report showed that new home sales declined 2.2% in December.^{4,5}

MARQUEE SENTIMENT INDEX AT 11-MONTH PEAK

The Thomson Reuters/University of Michigan consumer sentiment index ended January at 75.0. This was way up from December's 69.9 mark, and it beat the 74.1 reading forecast by economists surveyed by Reuters.^{6,7}

PRECIOUS METALS GAIN ALLURE

At Friday's COMEX close, gold was +10.56% YTD, copper +13.18% YTD and silver +21.05% YTD. Crude futures finished last week at \$99.56 per barrel on the NYMEX, putting oil merely at +0.74% YTD. (Retail gas prices were +3.67% for the month as of Friday.)²

A STRONG MONTH COMES TO A CLOSE

With just a couple of trading days left, January is shaping up to be the best month for U.S. equities since October (see the YTD numbers below). Across last week, the S&P 500 rose 0.07% to 1,316.33 and the NASDAQ gained 1.07% to 2,816.55; the Dow slipped 0.47% to fall to 12,660.46.¹

THIS WEEK: The December consumer spending report comes out Monday. On Tuesday, earnings reports arrive from Amazon.com, Broadcom, ExxonMobil, UPS, Pfizer and Eli Lilly - and we also get the latest S&P/Case-Shiller home price index and the Conference Board's January consumer confidence poll. Wednesday, Q4 results roll in from Qualcomm, Electronic Arts, Aetna and Marathon Oil and the latest ISM manufacturing index appears. Besides new initial claims figures, Thursday brings Q4 results from Unilever, Sony, Deutsche Bank, Merck and Beazer Homes. Friday, the January unemployment report is out along with ISM's service sector index and data on December factory orders; Clorox also issues Q4 results.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+3.63	+5.59	+0.28	+2.83
NASDAQ	+8.11	+2.22	+3.13	+4.49
S&P 500	+4.67	+1.29	-1.49	+1.62
REAL YIELD	1/27 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	-0.18%	1.16%	2.48%	3.48%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 1/27/12^{1,8,9,10}

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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