Hirling Financial Group

WEEKLY ECONOMIC UPDATE

February 3, 2014

WEEKLY QUOTE

"No two persons ever read the same book."
- *Edmund Wilson*

WEEKLY TIP

Review your will every 3-5 years or whenever a life event occurs.

WEEKLY RIDDLE

Joe showed up at a business meeting fresh and alert, even though he had not slept a wink during any of the past four days. Why wasn't he tired?

Last week's riddle: You can make it and read about it today, and many classes are taught in it, but it is not part of the future. What is it?

Last week's answer: History.

CONSUMER MORALE, CONSUMER SPENDING IMPROVE

On Friday, the Commerce Department announced that consumer spending rose 0.4% in December, even as consumer incomes stayed flat. The University of Michigan's final January consumer sentiment index came in at 81.2 (up 0.8 points from December) and the Conference Board's January consumer confidence index posted a reading of 80.7 (up 3.2 points from last month). Analysts surveyed by Briefing.com thought both indices would be flat for January.[1]

HOME SALES DIP, BUT PRICES RISE

Brutal weather sent pending home sales down 8.7% in December to a 43-month low, as reported by the National Association of Realtors. The Census Bureau measured a 7.0% drop in new home buying last month. In better news, November's Case-Shiller Home Price Index showed a 13.7% yearly advance (the best 12-month gain in housing values since February 2006), and new home prices rose 8.4% in 2013.[2,3]

FEWER ORDERS FOR BIG-TICKET ITEMS

Durable goods orders fell 4.3% in December, but the Census Bureau said the retreat was only 1.6% when transportation orders were factored out. This was a switch from the (revised) 3.4% gain in hard goods orders in November.[1]

FED TAPERS FURTHER, STOCKS SLIP

As expected, the Federal Reserve announced last week that it would reduce its monthly bond purchases by another $10 billion starting in February. Wall Street struggled for most of the week, with the 5-day performances as follows: DJIA, -1.13% to 15,698.85; NASDAQ, -0.59% to 4,103.88; S&P 500, -0.43% to 1,782.59.[4,5]

THIS WEEK: On Monday, Janet Yellen will be sworn in as Fed chair, ISM puts out its January manufacturing PMI, the Commerce Department issues December auto sales figures, and Anadarko, Hartford Financial, Yum! Brands and Sysco release quarterly results. SiriusXM, Archer Daniels Midland, Michael Kors and Aflac post earnings Tuesday, and data on December factory orders also arrives. Wednesday brings January's ISM service sector index, January's ADP employment report and earnings from Merck, Time Warner, Green Mountain Coffee, Aramark, Allstate, CBRE, Yelp!, Ralph Lauren, Marathon Oil, Walt Disney, Twitter, Tesoro and Pandora. Thursday, earnings from AOL, Expedia, Zynga, GM, Kellogg, Aetna, Towers Watson, Fidelity, Activision Blizzard, Vulcan Materials, Monster, Phillip Morris, Invacare, Amtech, 21st Century Fox, Lions Gate, Universal and LinkedIn all arrive, plus new initial claims figures and a new Challenger job-cut report. Friday, the Labor Department releases the January employment report.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-5.30	+13.26	+19.24	+4.97
NASDAQ	-1.74	+30.61	+35.59	+9.86
S&P 500	-3.56	+18.99	+23.17	+5.76
REAL YIELD	1/31 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.53%	-0.57%	1.73%	1.85%

Sources: USATODAY.com, bigcharts.com, treasury.gov - 1/31/14[6,7,8,9]
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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