



# WEEKLY ECONOMIC UPDATE

January 14, 2013

## WEEKLY QUOTE

“Always forgive your enemies. Nothing annoys them so much.”

- Oscar Wilde

## WEEKLY TIP

Divorcing spouses should check to see if they will have sufficient insurance coverage after the end of their marriage. This detail is too often overlooked.

## WEEKLY RIDDLE

It has avenues, rivers and parks – but no grass, water or asphalt. What is it?

### Last week’s riddle:

You serve it, but you can’t eat it. You hold it, only to smash it. Sometimes love is involved when you use it. What is it?

### Last week’s answer:

A tennis ball.

## NEW YEAR, NEW LAWS AFFECTING YOU

Singles earning more than \$200,000 and couples earning more than \$250,000 will face a 3.8% Medicare surtax and a 0.9% increase in Medicare payroll tax. Tax rates on dividends and long-term capital gains remain at 15% for most, but have risen to 20% for the wealthiest. A scheduled 2% cut to Medicare spending has been delayed until at least March. Social Security recipients will see benefits rise 1.7% this year.<sup>1,2,3</sup>

## HUGE CHANGES AHEAD FOR HOME LOANS

Last week, the Consumer Financial Protection Bureau presented new rules for the mortgage industry – rules that will ban teaser-rate mortgages and “liar loans” in 2014. Next year, no legal protection will be available for banks offering interest-only or negative-amortization loans, and restrictions will prevent lenders from originating mortgages with balloon payments and severe upfront points and fees. Banks will also be barred from offering mortgages with a payment-to-income ratio exceeding 43%, though FHA/VA loans or mortgages backed by Fannie Mae or Freddie Mac could be exempt from this restriction.<sup>4</sup>

## JACK LEW NOMINATED FOR TREASURY SECRETARY

The former hedge fund manager and current White House chief of staff has strong ties to Wall Street, which worries some members of Congress. Still, opposition to the nomination does not seem to be widespread. If confirmed, Lew could start his new job in late January, when Timothy Geithner is slated to leave the post.<sup>5</sup>

## A SECOND STRAIGHT WINNING WEEK

The S&P 500 settled at 1,472.05 Friday, up 0.38% in five trading days. The Dow rose 0.40% last week to 13,488.43, while the NASDAQ gained 0.77% to settle at 3,125.63. The CBOE VIX fell 3.33% on the week to go -25.80% YTD.<sup>6,7</sup>

**THIS WEEK:** Fed Chairman Ben Bernanke speaks at the University of Michigan Monday; the Detroit Auto Show also begins. Tuesday, the December PPI and December retail sales figures are out; Lennar offers Q4 results. Wednesday brings December’s CPI, a Fed Beige Book, a report on December industrial output and earnings from Goldman Sachs, eBay, JPMorgan and Bank of NY Mellon. Thursday, December housing starts data arrives plus earnings from Bank of America, BB&T, BlackRock, Capital One, Citigroup, UnitedHealth, American Express and Intel. Friday, earnings are in from Morgan Stanley and General Electric.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+2.93	+8.35	+1.40	+5.35
NASDAQ	+3.51	+15.30	+5.62	+11.59
S&P 500	+3.22	+13.89	+1.01	+5.87

	REAL YIELD	1/11 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
	10 YR TIPS	-0.63%	-0.10%	1.56%	2.34%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 1/11/12<sup>6,8,9,10</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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