



# WEEKLY ECONOMIC UPDATE

December 31, 2012

## WEEKLY QUOTE

“Growth itself contains the germ of happiness.”

- Pearl S. Buck

## WEEKLY TIP

Do your money decisions reflect your values? If they don't, you can wind up conflicted, stressed out and unhappy.

## WEEKLY RIDDLE

It is found in the ground, round as a circle and yards deeper than a cup, and a hundred horses cannot pull it up. It isn't going anywhere, it cannot think; it might provide you with something to drink. What is it?

## Last week's riddle:

George lives on the 26th floor of an apartment building. Each day, he takes the elevator down to lobby and goes to work. When he returns home, he stands in the lobby and presses the elevator button for the 20th floor, gets off on that floor and walks 6 flights up to his residence without

## CRUNCH TIME IN WASHINGTON

After a bipartisan meeting failed to produce a deal to avert the fiscal cliff, President Obama had a terse message for Congress Friday evening: if the Senate couldn't come up with a new proposal during the weekend, he would urge its leaders to arrange a simple up-or-down vote on a small-scale fix, a bill that would extend long-term jobless benefits into 2013 and sustain the Bush-era tax cuts for those earning \$250,000 or less. “I'm optimistic we may still be able to reach an agreement that can pass both houses in time,” the President noted Friday. That certainly contrasted with Senate Majority Leader Harry Reid's view of prospects for a deal last Thursday: “I don't know timewise how it can happen now.”<sup>1</sup>

## UNSURPRISINGLY, CONSUMER CONFIDENCE WANES

Worries over the fiscal cliff presumably factored into the big December drop in the Conference Board's Consumer Confidence Index. It tumbled down to 65.1 from November's 71.5 mark, declining for a second consecutive month.<sup>2</sup>

## HOME SALES, HOME PRICES IMPROVE

New home sales rose 4.4% in November, according to the Census Bureau; the National Association of Realtors announced a 1.7% gain in pending home sales for that month. These increases took new home sales and pending home sales to their highest levels since April 2010. October's S&P/Case-Shiller Home Price Index came out last week and showed prices up 4.3% overall from a year before.<sup>3</sup>

## S&P 500 GIVES BACK ITS DECEMBER GAINS

The S&P slipped 1.94% last week to 1,402.43 as doubts over a fiscal cliff deal mounted. The NASDAQ dropped 2.01% last week to settle at 2,960.31 Friday; the DJIA slipped 1.92% in five days to end the week at 12,938.11. As for the CBOE VIX, it closed above 22 on Friday. On the NYMEX, oil gained 2.4% last week to a Friday close of \$90.80 a barrel; gold futures lost 0.3% on the week to settle Friday at \$1,656.30 an ounce.<sup>4,5,6,7</sup>

**THIS WEEK:** The fiscal cliff deadline arrives Monday on Capitol Hill. Tuesday is New Year's Day; U.S. financial markets will be closed. Wednesday, at least some tax hikes and federal spending cuts may kick in; ISM comes out with its December manufacturing index, and the Commerce Department releases December auto sales figures. Thursday brings new initial jobless claims figures, new Challenger and ADP reports, December's FOMC minutes and earnings from Family Dollar. December's jobs report is out Friday, plus ISM's service sector index and earnings from Mosaic.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+5.90	+6.47	-0.64	+5.58

stopping. Why doesn't he just press the button for the 26th floor?  <b>Last week's answer:</b> He is too short to reach the button for the 26th floor.	NASDAQ	+13.63	+13.95	+2.14	+11.96
	S&P 500	+11.52	+12.23	-1.03	+6.02
	<b>REAL YIELD</b>	<b>12/28 RATE</b>	<b>1 YR AGO</b>	<b>5 YRS AGO</b>	<b>10 YRS AGO</b>
	10 YR TIPS	-0.73%	-0.07%	1.78%	3.10%

Sources: cnbc.com, usatoday.com, bigcharts.com, treasury.gov, treasurydirect.gov - 12/28/12<sup>4,5,6,8,9,10</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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