

December 27, 2010

Weekly Economic Update

Attached you will find this week's Economic Update:

Stocks and Commodities: The stock markets continued their YE rally last week as the Dow Jones Industrials gained 0.7%, up 11% YTD. Other major equity indexes showed gains from 13% to 26% YTD. The international index EAFE is up only 4% YTD. The price of Gold is holding just below \$1,400 an ounce while speculation has pushed the price of Crude Oil above \$91.50 a barrel (almost a 26% price rise in 2010).

Bond, Mortgage and Deposit Rates: The Treasury yield curve increased 5 to 16 basis points across the entire curve last week. The spread between the 2-year Note and the 10-year Bond remained the same. LIBOR rates remained steady, but Swap rates lost up to 14bp on longer maturities. Mortgage rates fell last week after rising the five previous weeks. The average Freddie Mac 30-year fixed-rate loan dropped to 4.81 percent from last week's 4.83 percent. Mortgage rates fell on all products as the national average rate on a 30-year mortgage dropped below 5%. Local mortgage rates continue to be lower than national rates and are less volatile. The average earnings rate on state and local Money Market accounts and CDs remains stable.

The Wall Street Journal Outlook: *The Wall Street Journal Sunday Edition* printed its outlook for 2011. Like New Year's resolutions and other predictions, we won't know how good their picks are until this time next year. Here are a few for your consideration:

- Economic Growth: up 3%
- Inflation: (maybe gold prices are scaring us.....but) none in 2011
- Interest Rates: Looking over the past three weeks, Federal Reserve policy and China They're going up↑
- The Value of the US Dollar: Looking over the past year, Federal Reserve policy and China They're going down↓
- Employment: It should start to come down a little in 2011, but not that fast
- Taxes: The large national debt, government programs, and other national costs will require a higher tax environment; maybe not in the first 6 months, but right after November elections
- Exports: The good news is a weak dollar and rising economic growth will bring more export demand which will help our economy, our employment, and bring more tax revenue

Next week will be our last Weekly Economic Update for 2010 as new benchmarks are set for January 1, 2011. Happy New Year everyone and thanks for reading,



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