

WealthViews Economic & Market Update

September 2011

From The Desk of Labrum Capital Advisors, LLC



MONTHLY QUOTE

“If you want to go somewhere, it is best to find someone who has already been there.”

– Robert Kiyosaki

MONTHLY TIP

Save your business \$ by buying furnishings and equipment at bankruptcy auctions, government sales, closeouts and furniture rental outlets.

MONTHLY RIDDLE

Take a 5-letter word identifying a crop. Take away the first letter, and you have a form of energy. Take away the first 2 letters and you have a verb. Rearrange the 3 letters left and you have a drink. What is this 5-letter word?

Last month's riddle:

2 boxes each hold 4 hot sauce packets and 4 soy sauce packets. Without looking, you take 1 packet from each box. What are the chances that at least 1 of the packets you draw is a hot sauce packet?

Last month's answer:

You have a 75% chance. You could pull out 1 hot sauce packet and 1 soy sauce packet, 1 soy sauce packet and 1 hot sauce packet, 2 hot sauce packets or 2 soy sauce packets. So 3 out of 4 times, you'll draw at least 1 hot sauce packet.

CPI, PPI TELL DIFFERENT STORIES

According to the Bureau of Labor Statistics, the Consumer Price Index rose 0.4% in August – and annualized inflation came in at 3.8%, the highest rate in nearly three years. Annualized core inflation was +2.0% given a 0.2% rise in core CPI last month. On the other hand, producer prices showed the smallest annual gain since March: in August, they were up 6.5% year-over-year, compared to a 7.3% differential in May. The overall Producer Price Index was flat last month; core PPI went +0.1%.^{1,2}

RETAIL SALES UNCHANGED FOR AUGUST

U.S. retail sales were flat last month, and that news from the Commerce Department wasn't surprising in light of the recent pressures on household spending. This comes after (revised) gains of 0.2% in June and 0.3% in July.³

CONSUMERS FEEL A BIT MORE OPTIMISTIC

The University of Michigan's initial September consumer sentiment survey showed some improvement: it came in at 57.8, up from the troublingly low 55.7 final August reading. Economists polled by Dow Jones Newswires had expected a rise to 57.0.⁴

GOLD DROPS, OIL ADVANCES

Gold futures went -2.39% last week, part of a 3.29% two-week decline. The precious metal settled at \$1,812.10 an ounce on the COMEX Friday. NYMEX crude closed at \$87.96 a barrel Friday, going +0.83% last week and +6.93% in the last four weeks.⁵

CENTRAL BANK PLEDGE GIVES STOCKS A LIFT

Thursday, the Federal Reserve and four other central banks stated they would offer 3-month dollar loans to European commercial lenders to help them address any 4Q dollar liquidity problems. This aided a rally: U.S. stocks rose each day last week. The S&P 500 had its best week since late June (+5.35%), settling at 1,216.01 Friday. The NASDAQ (+6.25% to 2,622.31) and the Dow (+4.70% to 11,509.09) also climbed.^{6,7}

THIS WEEK: Monday, markets will be poised to respond to the weekend efforts of Eurozone finance ministers (and Treasury Secretary Timothy Geithner) to craft possible solutions to the EU's sovereign debt problems; also, Lennar issues earnings. Tuesday, we get data on August housing starts and results from Adobe, ConAgra and Oracle. Wednesday, the Fed's September policy meeting wraps up, and August existing home sales figures and earnings from General

Mills arrive. On Thursday, Nike, FedEx, Discover, Cintas and CarMax issue results; new initial claims figures come in along with September's Conference Board LEI index. KB Home announces earnings on Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-0.59	+8.63	-0.09	+2.91
NASDAQ	-1.15	+13.85	+3.46	+6.60
S&P 500	-3.31	+8.12	-1.57	+1.71
REAL YIELD	9/16 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.13%	1.00%	2.38%	3.50%

Sources: online.wsj.com, usatoday.com, bigcharts.com, treasury.gov, treasurydirect.gov - 9/16/11^{8,9,10,11}
 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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