

*Tim Hummel and Steve Newman Present*

## Weekly Economic Update for the Week of July 21, 2008

*These views are those of Peter Montoya Inc., and not the presenting Representative or the Representative's Broker/Dealer, and should not be construed as investment advice.*

**Quote of the week.** "Never answer a critic, unless he's right." – Bernard Baruch

### **Federal pledges for Freddie, Fannie.**

Last week, the Federal Reserve offered a special lending option to help Freddie Mac and Fannie Mae and the Treasury Department proposed to inject money into the troubled mortgage giants by buying up newly issued stock. Shares of both firms regained ground last week, and Freddie Mac received Securities and Exchange Commission approval to issue stock to help raise a projected \$5.5 million in new capital.<sup>1</sup>

**Oil falls 11% in a week.** Oil hasn't had a week this bad since 2005. On July 11, futures hit a record \$147.27 on the New York Mercantile Exchange; at Friday's close, oil settled at \$128.88 per barrel.<sup>2</sup>

**Big spikes in PPI, CPI.** The Producer Price Index shot up 1.8% in June, according to the Labor Department – but core PPI (minus food and energy prices) only went up 0.2%.<sup>3</sup> The Consumer Price Index rose a sobering 1.1% in June.<sup>4</sup>

**Housing starts up.** A change New York City construction rules led builders to start new apartment projects, resulting in a 9.1% rise in U.S. housing starts for June. But Commerce Department data showed single-family housing starts down 5.3% from May.<sup>5</sup>

**Stocks surge.** Stronger earnings reports, declining oil prices and pledges of federal support drove the market up. The Dow rose 3.57%, the NASDAQ 1.95% and the S&P 500 1.71% for the week.<sup>6</sup>

| % Change           | Y-T-D         | 1-Year        | 5-Yr Avg     |
|--------------------|---------------|---------------|--------------|
| <b>DJIA</b>        | <b>-13.33</b> | <b>-21.06</b> | <b>+5.02</b> |
| <b>NASDAQ</b>      | <b>-13.93</b> | <b>-18.25</b> | <b>+6.72</b> |
| <b>S&amp;P 500</b> | <b>-14.14</b> | <b>-22.65</b> | <b>+5.38</b> |

*(Source: CNBC.com, CNNMoney.com, 7/18/08) <sup>6,7</sup>*

*Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.*

**Riddle of the week.** A father tells his young son, "I will pay you \$6.00 per hour for the 6 seconds you took to wash your hands before dinner." So how much does the boy earn for these 6 seconds of effort?

*Contact my office or see next week's Update for the answer.*

**Last week's riddle:** I am a port city in Canada, a state in southeast Australia, a big lake in Africa, and a renowned queen. What is my name?

**Answer:** Victoria.

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Delete from Newsletter before sending. Answer to this week's riddle – not to be included. *One cent. At a rate of \$6 paid per 60 minutes, \$6 divided by 60 works out to 10 cents a minute. Six seconds is one-tenth of a minute, so the boy earns 1 cent.*

- Citations.** <sup>1</sup> [money.aol.com/news/articles/\\_a/bbdp/freddie-mac-takes-step-toward-issuing/89583](http://money.aol.com/news/articles/_a/bbdp/freddie-mac-takes-step-toward-issuing/89583) [7/18/08]
- <sup>2</sup> [bloomberg.com/apps/news?pid=20601012&sid=aUkx0plAm.r4&refer=commodities](http://bloomberg.com/apps/news?pid=20601012&sid=aUkx0plAm.r4&refer=commodities) [7/18/08]
- <sup>3</sup> [forbes.com/markets/equities/2008/07/15/ppi-inflation-closer-markets-econ-cx\\_cg\\_la\\_l\\_0715markets46.html](http://forbes.com/markets/equities/2008/07/15/ppi-inflation-closer-markets-econ-cx_cg_la_l_0715markets46.html) [7/15/08]
- <sup>4</sup> [money.cnn.com/2008/07/16/markets/bondcenter/treasurys/?postversion=2008071615](http://money.cnn.com/2008/07/16/markets/bondcenter/treasurys/?postversion=2008071615) [7/16/08]
- <sup>5</sup> [abcnews.go.com/Business/IndustryInfo/wireStory?id=5392760](http://abcnews.go.com/Business/IndustryInfo/wireStory?id=5392760) [7/17/08]
- <sup>6</sup> [cnbc.com/id/25739267](http://cnbc.com/id/25739267) [7/18/08]
- <sup>7</sup> [money.cnn.com/quote/historical/historical.html?pg=hi&close\\_date=7%2F18%2F07&mode=add&symb=DJIA](http://money.cnn.com/quote/historical/historical.html?pg=hi&close_date=7%2F18%2F07&mode=add&symb=DJIA) [7/18/08]
- <sup>7</sup> [money.cnn.com/quote/historical/historical.html?pg=hi&close\\_date=7%2F18%2F03&mode=add&symb=DJIA](http://money.cnn.com/quote/historical/historical.html?pg=hi&close_date=7%2F18%2F03&mode=add&symb=DJIA) [7/18/08]
- <sup>7</sup> [money.cnn.com/quote/historical/historical.html?pg=hi&close\\_date=7%2F18%9F07&mode=add&symb=COMP](http://money.cnn.com/quote/historical/historical.html?pg=hi&close_date=7%2F18%9F07&mode=add&symb=COMP) [7/18/08]
- <sup>7</sup> [money.cnn.com/quote/historical/historical.html?pg=hi&close\\_date=7%2F18%2F03&mode=add&symb=COMP](http://money.cnn.com/quote/historical/historical.html?pg=hi&close_date=7%2F18%2F03&mode=add&symb=COMP) [7/18/08]
- <sup>7</sup> [money.cnn.com/quote/historical/historical.html?pg=hi&close\\_date=7%2F18%2F07&mode=add&symb=SPX](http://money.cnn.com/quote/historical/historical.html?pg=hi&close_date=7%2F18%2F07&mode=add&symb=SPX) [7/18/08]
- <sup>7</sup> [money.cnn.com/quote/historical/historical.html?pg=hi&close\\_date=7%2F18%2F03&mode=add&symb=SPX](http://money.cnn.com/quote/historical/historical.html?pg=hi&close_date=7%2F18%2F03&mode=add&symb=SPX) [7/18/08]