

Market Week: August 31, 2009

The Markets

The last full week of August is typically a relatively sleepy time for the markets, and last week was no exception. Compared to the pace of recent months, the equity markets seemed to level off as though they were stretching out at the beach. Except for the Global Dow, the major indexes ended the week a fraction of a percent (mostly positive) from where they started. The bond market continued resilient in the face of a new round of Treasury issuance.

Market/Index	2008 Close	Prior Week	As of 8/28/09	Week Change	YTD Change
DJIA	8776.39	9505.96	9544.20	.4%	8.75%
NASDAQ	1577.03	2020.90	2028.77	.39%	28.64%
S&P 500	903.25	1026.13	1028.93	.27%	13.91%
Russell 2000	499.45	581.51	579.86	-.28%	16.10%
Global Dow	1526.21	1819.50	1841.91	1.23%	20.69%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	2.24%	3.57%	3.45%	-12 bps	121 bps

Last Week's Headlines

- Consumer spending rose 0.2% in July, but three-fourths of the increase was spurred by the "Cash for Clunkers" program. Wages and salaries rose 0.1%; in June, they had fallen by 0.3%.
- Not counting food and energy, inflation rose at an annual rate of 1.4%--slightly less than the previous month, and well within the 1.5%-2% Fed target.
- Home prices rose in June for the second month in a row, though the S&P/Case-Shiller national home price index is still at levels last seen in 2003 and is down 30% from the 2006 high. The index rose 2.9% in the second quarter--the first quarterly increase in three years. And though prices were down 14.9% from the previous year, the year-over-year decline was less than Q1's 19.1% decline.
- July new-home sales rose more than expected. The 9.6% increase was accompanied by a drop in the nation's inventory of unsold homes, which fell to a 7.5-months supply--the lowest since April 2007.
- Large orders for aircraft helped push durable goods orders up 4.9% in July. However, excluding such defense spending, orders for nondefense capital goods fell 0.3%.
- The Conference Board's measure of consumer confidence reversed course in August, rising to 54.1%; it had dropped to 47.4% in July. However, statisticians with Reuters/University of Michigan obviously weren't talking to the same people; their index of consumer sentiment fell in August to its lowest point in four months.
- Ben Bernanke avoided joining the ranks of the unemployed as President Obama nominated him for another term as chairman of the Federal Reserve Board.

Eye on the Week Ahead

During the run-up to the Labor Day weekend, any traders left in the office will be watching employment data to see if the rate of job loss continues to slow. Auto sales figures are expected to reflect the impact of "cash for clunkers."

Key data releases: Manufacturing activity, auto & home sales (9/1); productivity (9/2); unemployment (9/4).

Data source: Includes data provided by Brounes & Associates. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indexes listed are unmanaged and are not available for direct investment.