



For the week of April 16, 2012 - Vol. 10, Issue 16

>> Market Update

QUOTE OF THE WEEK... *"Faced with the choice between changing one's mind and proving that there is no need to do so, almost everyone gets busy on the proof." --John Kenneth Galbraith, Canadian-American economist*

INFO THAT HITS US WHERE WE LIVE... When people tell you the housing market isn't showing many positive signs, here are some facts that may change their minds. As of January, the National Association of Realtors (NAR) reported ***the housing inventory of for-sale homes has fallen to its lowest level since March 2005*** -- 2.3 million homes, about a six-month supply. Meanwhile, ***total home sales rose 13% in the last six months***, according to another industry survey.

The NAR also reports that sales of second homes in 2011 shot up to their highest market share since the height of the housing boom. This includes both vacation and investment homes. A survey of real estate economists and analysts reported home prices should stabilize this year, rebound in 2013 and accelerate in 2014. Finally, Freddie Mac's weekly survey revealed that national average mortgage rates hit new all-time lows for 15-year fixed-rate loans and were just above the record low for 30-year mortgages.

BUSINESS TIP OF THE WEEK... *When you have more problems than you can handle, start with the ones that are most important. Ask yourself, "what's the most valuable thing I could be doing right now?"*

>> Review of Last Week

SECOND DOWN... The S&P 500 and the Nasdaq lodged their first back-to-back weekly losses, while ***the Dow had its worst week of the year***. Some observers felt stock prices were simply due for a correction after zooming UP 30% since October. But others pointed to genuine economic concerns after ***China reported its economic growth slowing more than anticipated, dropping from 8.9% in Q4 to 8.1% for Q1***. Of course, that's still over 2.5 times our growth rate! Spain's rising borrowing costs also worried Wall Street.

Over here, corporate earnings season got off to a great start with Alcoa, Google, JPMorgan Chase and Wells Fargo all coming in better than expected. The February Trade Deficit was lower than expected, as U.S. exports gained, a good thing. BUT weekly unemployment claims shot up to 380,000, Michigan Consumer Sentiment dropped for April and the CPI inflation reading showed consumer prices shot UP 0.3% in March after being UP 0.4% in February.

For the week, the Dow ended down 1.6%, at 12850; the S&P 500 closed down 2.0%, to 1370; and the Nasdaq sank 2.2%, to 3011.

*Good corporate earnings and increasing inflation would have hurt bond prices, but worries over European sovereign debt and China's economic growth kept investors committed to the safe haven of bonds. The FNMA 3.5% bond we watch finished the week off just .01, at \$103.15. **National average mortgage rates slipped again last week, as economic concerns kept investors in mortgage bonds, holding prices up and rates down.***

***DID YOU KNOW?...** Crude Inventories is the DOE's estimate of the weekly change in barrels of crude oil held by commercial facilities. Growing inventories may lower oil prices, diminishing inventories can raise them.*

>> This Week's Forecast

***BUILDERS AND EXISTING HOME SALES HANGING IN THERE...** A lot of this week's economic indicators are expected to slip but stay in positive territory, as the economy continues to grow so slowly it's barely perceptible. But our key points of interest -- **Tuesday's Housing Starts and Thursday's Existing Home Sales** -- are actually forecast UP, though just by a tick.*

*Keep an eye on today's **Retail Sales** numbers, as they indicate consumers' willingness to spend at the store on everything up through autos, which are included in the overall number. Cars, of course, are the second biggest consumer purchase after homes.*

>> The Week's Economic Indicator Calendar

Weaker than expected economic data tends to send bond prices up and interest rates down, while positive data points to lower bond prices and rising loan rates.

Economic Calendar for the Week of Apr 16 - Apr 20

Date	Time (ET)	Release	For	Consensus	Prior	Impact
M Apr 16	08:30	Retail Sales	Mar	0.3%	1.1%	HIGH
M Apr 16	08:30	Retail Sales ex-auto	Mar	0.6%	0.9%	HIGH
M Apr 16	08:30	Empire State Manufacturing	Apr	17.5	20.2	Moderate
M Apr 16	10:00	Business Inventories	Feb	0.5%	0.7%	Moderate
Tu Apr 17	08:30	Housing Starts	Mar	700K	698K	Moderate
Tu Apr 17	08:30	Building Permits	Mar	710K	717K	Moderate
Tu Apr 17	09:15	Industrial Production	Mar	0.2%	0.0%	Moderate
Tu Apr 17	09:15	Capacity Utilization	Mar	78.5%	78.4%	Moderate
W Apr 18	10:30	Crude Inventories	04/14	NA	2.791M	Moderate
Th Apr 19	08:30	Initial Unemployment Claims	04/07	375K	380K	Moderate
Th Apr 19	08:30	Continuing Unemployment Claims	03/31	3.275M	3.251M	Moderate
Th Apr 19	10:00	Existing Home Sales	Mar	4.62M	4.59M	Moderate
Th Apr 19	10:00	Philadelphia Fed Mfg	Apr	10.3	12.5	Moderate
Th Apr 19	10:00	Leading Economic Indicators (LEI)	Mar	0.2%	0.7%	Moderate

>> Federal Reserve Watch

Forecasting Federal Reserve policy changes in coming months... Last week, Fed Vice Chairman Janet Yellen suggested the central bank could keep the Funds Rate super low through 2015 if necessary. *Note: In the lower chart, a 1% probability of change is a 99% certainty the rate will stay the same.*

Current Fed Funds Rate: 0%-0.25%

After FOMC meeting on:	Consensus
Apr 25	0%–0.25%
Jun 20	0%–0.25%
Jul 31	0%–0.25%

Probability of change from current policy:

After FOMC meeting on:	Consensus
Apr 25	<1%
Jun 20	<1%
Jul 31	<1%

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