

## Timothy C. Hucks, CEP, President, Rising Tide, Inc., presents Weekly Economic Update for the Week of January 25, 2010

**Quote of the week.** "Popularity: it is glory's small change." – Victor Hugo

**"Volcker rule" worries Wall Street.** Investors frowned last week as the President talked of rules that would bar banks and bank holding firms from getting involved in hedge funds or conducting proprietary trading operations. Crafted with input from former Federal Reserve chairman Paul Volcker and past SEC head William Donaldson, the new regulatory proposal is likely to face stiff opposition from Senate Republicans.<sup>1,2</sup>

% Change	Y-T-D	1-Yr Chg	5-Yr Avg	10-Yr Avg
DJIA	-2.45	+25.24	-0.42	-0.96
NASDAQ	-2.81	+50.48	+1.68	-4.79
S&P 500	-2.09	+31.93	-1.30	-2.43
Real Yield	1/22	1 Yr Ago	5 Yrs Ago	10 Yrs Ago
10YrTIPS	1.31%	1.97%	1.69%	4.34%

(Source: CNBC.com, CNNMoney.com, ustreas.gov, bls.gov, 1/22/10)<sup>7,8,9,10</sup>  
Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.

**Big gain in leading indicators.** The Conference Board's index of leading indicators rose 1.1% in December, with November's gain revised to 1.0% from 0.7%. The index, a forecast of future economic activity, rose 5.2% across the second half of 2009.<sup>3</sup>

**PPI up 0.2% for December.** That gain was much smaller than November's 1.8% jump. Core producer prices (minus food and energy) were flat last month.<sup>4</sup>

**Encouraging housing news.** While new home construction decreased by 4.0% in December, housing starts were up 0.2% from a year before, marking the first year-over-year gain since March 2006. Building permits were up 10.9% in December.<sup>5</sup>

**30-year loans back under 5%.** For the third consecutive week, Freddie Mac measured a decline in average rates on 30-year FRMs: they were at 4.99% last week, down from 5.06% a week prior. 15-year FRMs averaged 4.40%. Rates on 5-year and 1-year ARMs respectively averaged 4.27% and 4.32%.<sup>6</sup>

**A quick pullback.** Besides the envisioned limits on bank risk, investors got news of China's instruction to its banks to raise capital ratios. These factors took stocks south: the Dow closed Friday at 10,172.98, the NASDAQ at 2,205.29, and the S&P 500 at 1,091.76.<sup>7</sup>

**Riddle of the week.** A glass of water has an ice cube in it. If the ice cube fully melts, will the water level increase, decrease or remain the same?

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

**Last week's riddle:** If it were two hours later than right now, it would be half as long until midnight as it would be if it were an hour later than right now. What time is it?

**Last week's riddle answer:** 9:00 p.m.

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If you would like us to add them to our list, please reply with their address  
and we will contact them and ask for their permission to be added.***

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## Citations.

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