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Presents

Weekly Economic Update for the Week of October 22, 2007

Quote of the week. “Great spirits have always encountered violent opposition from mediocre minds.”
– Albert Einstein

Stocks suffer. On the 20th anniversary of Black Monday, fears seemed to haunt Wall Street as the Dow Jones Industrial Average sank 367 points. Comments from Caterpillar spread a wave of pessimism on Friday, as the world’s #1 supplier of construction equipment said the U.S. economy will be “near to, or even in, recession” in 2008. It was also a week in which oil prices climbed and Bank of America, Wachovia and Citigroup reported 3Q profit declines. To top it off, Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke both expressed concerns that the housing crisis was likely to last longer than expected. Bonds gained all week, and two-year notes enjoyed their biggest weekly increase since 2001.

Huge jump in jobless claims. On Friday, the Commerce Department announced the biggest week-over-week rise in jobless claims in nine months – an increase of 28,000 newly laid-off workers, more than four times as many claims as analysts expected. Moody’s Economy.com economist Andrew Gledhill noted that “the labor market is weakening, but it remains to be seen if this week’s reading is just a one-week occurrence or the start of a new trend.”

Oil tops \$90 a barrel. Crude oil prices retreated to \$88.60 Friday from a new record high of \$90.07 per barrel, after a rally spurred by speculators,

the weak dollar and the intensifying geopolitical crisis between Turkey and Iraq. Oil prices shot up 6% last week while retail gas prices climbed an average of \$0.53, according to survey data from AAA and the Oil Price Information Service. “The market seems to have a mind of its own at this stage, and only something seismic could force prices down,” noted MF Global UK Ltd. analyst Edward Meir.

A week of retreat. Stocks had their worst week since early August. The DJIA, the NASDAQ and the S&P 500 all lost more than 2.9% for the week.

% Change	1-Week	4-Week	Y-T-D
DJIA	-4.22	-2.21	+8.50
NASDAQ	-2.95	+1.98	+12.83
S&P 500	-4.08	-1.67	+5.80

(Source: CNNMoney.com, 10/19/07)

Riddle of the week. You can hold me, but I am nearly weightless. I can’t run, but you can always catch me. I can be taken away from you, but you can get me back. What am I?

Read the answer here next week.

Answer to last week’s riddle. The year (1961) reads the same when turned upside down. This will not happen again until 6009.

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