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Presents

Weekly Economic Update for the Week of October 29, 2007

Quote of the week. “Change is the law of life. And those who look only to the past or present are certain to miss the future.” – John F. Kennedy

Housing? Still hurting. Economists thought the latest data would be bad, and it turned out to be worse – but there was one bright spot. New data from the National Association of Realtors showed U.S. residential resales down 8% for September – nearly twice the drop that economists had forecast. Also, the median resale price dropped 4.2% for the month, down to \$211,700. The late-summer buyer incentives offered by major homebuilders did boost new home sales, which rose 4.8% in September. But “there is no way that [it] signals an end to a housing downswing,” remarked National Association of Home Builders chief economist David Seiders.

A broken record. Every week seems to bring a new record high for crude oil prices. This week’s surge sent crude prices to another new overnight high of \$92.22 per barrel and a new record close of \$91.86 per barrel on the New York Mercantile Exchange on Friday. Oil futures went up 8% from Wednesday to Friday in the wake of declining inventories and the lingering possibility of Turkey attacking northern Iraq.

Dollar dips again. The U.S. dollar declined against 15 of 16 major currencies last week and traded at \$1.44 per euro Friday afternoon. “The market is in a one-way street against the dollar,” noted Shaun Osborne, chief currency strategist at TD Securities Inc.

“Further dollar weakness is pretty much a certainty.” However, nearly 50 analysts and brokerages polled in a Bloomberg survey expect the dollar will trade at roughly \$1.40 versus the euro by June 2008.

Week ends with rally. The DJIA shot up a percentage point in Friday trading to put an exclamation point on a very positive week for stocks, even with troubling headlines and indicators. Countrywide Financial’s claim that it will be in the black for 2008 cheered the markets, and anticipation began building for the Federal Reserve’s October 30-31 policy meeting, with the chance that the housing slump and high oil prices could prompt an interest rate cut.

% Change	1-Week	4-Week	Y-T-D
DJIA	+2.06	-0.64	+10.78
NASDAQ	+2.82	+3.66	+16.10
S&P 500	+2.26	+0.56	+8.25

(Source: CNNMoney.com, 10/26/07)

Riddle of the week. What is the fewest number of colors you can use to color the states of the U.S.A. on a map if no states of the same color can touch?

Read the answer here next week.

Answer to last week’s riddle. Your breath.

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