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Presents

Weekly Economic Update for the Week of September 4, 2007

Quote of the week. “Conformity is the jailer of freedom and the enemy of growth.” – John F. Kennedy

Bernanke & Bush speak, stocks gain.

Federal Reserve Chairman Ben Bernanke said Friday that the Fed “would act as needed to limit the adverse effects on the broader economy that may arise from the disruptions in financial markets.” Analysts saw his remark as a signal for an interest rate cut. Also Friday, President Bush said he would let the Federal Housing Administration guarantee loans for delinquent borrowers, and let homeowners with subprime loans refinance through a new program, FHA Secure. “The government’s got a role to play,” he noted, adding that “it’s not the government’s job to bail out speculators.” The big indexes posted gains before and after these remarks; the Dow gained 119 points on the day.

Economy grows 4% in 2Q. The Commerce Department revised its 2Q 2007 GDP reading upward to 4.0% last week, with new data revealing improved business spending and a surge in exports. But many analysts foresee growth of 2.5% or less in 3Q and 4Q 2007, given the credit crisis and the instability of Wall Street. Analysts did not expect jobless claims to rise by 9,000 last week; most polled anticipated a decrease.

Home prices fall 3.2% in 2Q. That is the biggest quarterly drop since Standard & Poor’s created its national housing index in 1987. In other news, the National Association of Realtors noted last week that

existing home sales fell for the fifth month in a row in July as the number of unsold homes hit the highest level since 1991. The July median sale price was \$230,200,.6% below the median price a year ago.

Increase in consumer spending. We don’t yet know about August, but we do know that wage growth hit a four-month high in July (a 0.5% gain), and consumer spending rose 0.4%, according to data from the Commerce Department. Factory orders rose 3.7% in July, exceeding expectations.

Up, down and back. Another Wall Street week of triple-digit ascents and descents ended with virtually flat results.

% Change	1-Week	4-Week	Y-T-D
DJIA	-0.16	+1.32	+6.69
NASDAQ	+0.76	+3.28	+6.50
S&P 500	-0.36	+2.78	+3.80

(Source: CNNMoney.com, 8/31/07)

Riddle of the week. A six-sided dice is sitting on a table. You count 17 dots on all the sides that you can see. What side of the dice is resting on the table?

Read the answer here next week.

Answer to last week’s riddle. There aren’t any stairs – it is a single-story house.

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