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*Presents*

## Weekly Economic Update for the Week of July 2, 2007

**Quote of the week.** “If you’ve been in the game for thirty minutes and you don’t know who the patsy is, you’re the patsy.” – Warren Buffett

**Interest rates untouched.** The Federal Reserve left the federal funds rate alone last week, even as its policymakers noted that, “sustained moderation in inflation pressures has yet to be convincingly demonstrated.” Most prime interest rates should stay at 8.25% as a result of the Fed’s choice. Core inflation has run 2.0% in the last 12 months. The Fed’s official statement noted that “the economy is likely to continue to expand at a moderate pace over coming quarters.”

**Home sales: slowest pace since 2003.** If the real estate market has bottomed out, statistics aren’t confirming it. The National Association of Realtors announced last week that residential resales fell by 0.3% in May, the tenth straight month of decline (a new record). The nation’s inventory of unsold homes hit its highest level in 15 years, and the pace of existing home sales was 10.3% below the May 2006 level. A Commerce Department report revealed that new home sales fell 1.6% in May.

**Incomes, consumer spending grow.** On Friday, the Commerce Department announced that consumer spending grew by 0.5% in May, while incomes rose 0.4% and construction spending went up 0.9%, the biggest monthly increase in a year-and-a-half. But Economists polled at Briefing.com had predicted consumer spending to grow by 0.7% and

incomes by 0.6% in May. (In inflation-adjusted terms, consumer spending rose by only 0.1% for the month.)

**Oil futures top \$70 per barrel.** Crude oil prices hit levels not seen since September last week, while the average price of a gallon of regular unleaded remained under \$3 (\$2.975 per gallon). Why the spike? On Thursday, an Energy Department report showed gasoline inventories decreasing at the height of the summer driving season. Friday, oil futures closed at \$70.68 on the New York Mercantile Exchange.

**Indexes edge up.** Surging oil prices, Friday’s UK bomb scare, and residential fears from the subprime fallout tempered weekly gains by the major indexes.

% Change	1-Week	4-Week	Y-T-D
<b>DJIA</b>	<b>+0.36</b>	<b>-1.94</b>	<b>+6.97</b>
<b>NASDAQ</b>	<b>+0.55</b>	<b>-0.41</b>	<b>+6.92</b>
<b>S&amp;P 500</b>	<b>+0.05</b>	<b>-2.19</b>	<b>+5.77</b>

(Source: CNNMoney.com, 6/29/07)

**Riddle of the week.** Walk on them when they live, they don’t even mumble. Walk on them when dead, they mutter and grumble. What are they? [Contact us](#) for the answer.

**Answer to last week’s riddle.** Ware.

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