

THE MASTERS, LLC. WEALTH MANAGEMENT GROUP

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Gary C. Mastrodonato, CEA info@masterswealth.com

GARY MASTRODONATO Presents:

WEEKLY ECONOMIC UPDATE

October 31, 2011

WEEKLY QUOTE

"A happy marriage is the union of two good forgivers."

- Robert Quillen

WEEKLY TIP

If you're a new parent, you have 18 years to save for your child's college education. Start now, because who knows what college will cost by 2030.

WEEKLY RIDDLE

A man brings a silver antique wrapped up in a towel to an appraiser, claiming it is a trophy engraved "To General Stonewall Jackson, presented after the first Battle of Bull Run, 1861." The appraiser

HOUSEHOLDS EARN & SAVE LESS, YET SPEND MORE

On Friday, Commerce Department data showed that personal incomes have declined in each of the past three months when adjusted for inflation. However, personal spending has increased in each of those months; it improved by 0.6% in September. The personal savings rate fell by 0.5% last month to 3.6%, a low unseen since December 2007.^{1,2}

CONTRASTING CONSUMER SENTIMENT FINDINGS

October's final University of Michigan consumer sentiment survey improved from its September predecessor, moving to 60.9 from 59.4. Yet the Conference Board's monthly consumer confidence index slipped from 46.4 last month to 39.8 this month, a reading more like the ones from the Great Recession.³

NEW HOME SALES UP 5.7%

September's increase was the first in four months, aided by a 3.1% monthly dip in prices and ultra-low mortgage rates. The Census Bureau said that new home sales were down 0.9% from a year before. Turning to residential resales, the National Association of Realtors pending home sales index unexpectedly fell 4.6% for September. On the bright side, the August Case-Shiller Home Price Index was up 0.2% for August, a fifth straight monthly advance; there were price gains for 10 of 20 metro areas surveyed.^{4,5,6}

A TERRIFIC WEEK FOR STOCKS

Last week, Eurozone leaders struck a deal in which the region's banks would accept a 50% writedown on Greek bonds. They also agreed to boost the euro area bailout fund fivefold and announced a bank recapitalization plan. Pair that with U.S. 3Q GDP coming in at an initial estimate of +2.5%, and you have two of the factors that brought about these big weekly gains : DJIA, +3.58% to 12,231.11; S&P 500, +3.78% to 1,285.08; NASDAQ, +3.78% to 2,737.15.^{7,8,9}

THIS WEEK: On Monday, Allstate and Humana issue earnings reports. Tuesday, the ISM October manufacturing index is released and 3Q results come in from Pfizer, Valero, MetroPCS and Archer Daniels Midland. Wednesday, Ben Bernanke speaks as the Federal Reserve wraps up a two-day policy meeting; earnings are released by Molson Coors, Tesoro, Qualcomm, Kraft Foods, Comcast and MasterCard. Thursday we get earnings from CVS, Starbucks, CBS, Genworth, AIG, Fluor, Sunoco, Kellogg, PG&E and Public Storage; there will also be an ECB rate decision, and the ISM service sector index for October comes out. On Friday, October's unemployment report will be released.

knows it is a fake without even looking at it. Why?

Last week's riddle:

I am in the center of gravity, and part of every victory. I am clearly seen in the midst of a river. I could name three who are in love with me and have three associates in vice. What am I?

Last week's answer:

The letter V.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+5.65	+10.05	+0.23	+3.20
NASDAQ	+3.18	+9.16	+3.29	+6.11
S&P 500	+2.18	+8.56	-1.34	+1.92
REAL YIELD	10/28 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.19%	0.57%	2.37%	3.50%

Sources: cnbc.com, bigcharts.com, treasury.gov, treasurydirect.gov - 10/28/11^{9,10,11,12}
 Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.
 These returns do not include dividends.

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Gary C. Mastrodonato, CEA info@masterswealth.com

CEA

THE MASTERS, LLC. WEALTH MANAGEMENT GROUP

www.masterswealth.com

807 Broad St Suite C, Oriental, NC 28571

PO Box 306

Phone: 252-249-0100 252-249-0100 **Fax:** 252-249-0105

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