

Last Week in the News

Orders to U.S. factories for manufactured goods rose by 0.7% in May, significantly better than the 0.1% increase analysts had been expecting, the Commerce Department reported July 5. Much of the rise stemmed from a 1.6% increase in demand for nondurable products -- items not expected to last more than three years.

The service sector of the economy expanded for a 39th consecutive month in June, albeit at a slower pace than May, according to the Institute for Supply Management's index of activity released on July 6. June's reading of 57 was less than May's index of 60.1 and below analysts' expectations of 59. (Any reading of 50 or more indicates expansion.)

Retail sales were sluggish in June, creeping up 2.6%, compared to the 4.1% average gain in the first five months of 2006. Among the sales figures compiled by the International Council of Shopping Centers, Wal-Mart Stores Inc. reported a sales increase of 1.2% in their stores that have been open a year or more.

Meanwhile, construction spending fell 0.4% to a seasonally adjusted annual rate of \$1.206 trillion in May from April's \$1.211 trillion. The two straight monthly declines were the first back-to-back drops since February and March 2003. Analysts had forecast a 0.2% rise.

Against a backdrop of rising geopolitical tensions, oil prices set another record on July 7, reaching \$75.78 a barrel. Yet the U.S. Department of Energy's weekly inventory report showed that the country's supply of gasoline unexpectedly rose by 700,000 barrels to 231 million barrels, or 1.4% better than a year ago.

This week look for an update on retail sales on July 14.