

## Last Week in the News

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Ending a streak of 17 straight increases, the Federal Reserve voted on August 8 to leave the benchmark Fed Funds rate (the rate banks charge one another for overnight loans) at 5.25%. In announcing its decision, the Fed said, "Economic growth has moderated from its quite strong pace earlier this year." Fed Chairman Ben Bernanke, however, left the door ajar for future rate hikes if inflation does not recede as expected.

On the same day as the Fed announcement, the Labor Department issued two reports, one on U.S. productivity and the other covering unit labor costs, that showed inflation was still a concern. Growth in non-farm productivity slowed in the second quarter from 4.3% in the first quarter to 1.1% in the second quarter. Furthermore, unit labor costs (the cost of producing items) rose from 2.5% in the first quarter to 4.2% in the second quarter, higher than Wall Street anticipated.

The U.S. trade deficit improved in June as the nation registered record sales of U.S. farm products. The deficit dipped 0.3% to \$64.8 billion in June from \$64.97 billion in May. Despite the improvement, the shortfall was still the fifth largest on record.

Retail sales snapped back in July, with retailers reporting sales gains of 1.4% for the month, after falling 0.4% in June. Wall Street analysts had forecast a 0.8% gain.

Mortgage rates fell for the third straight week, with fixed-rate mortgages reaching their lowest levels in three months, Freddie Mac said, citing the Fed's pause on interest rates for the decline.

This week look for updates on building permits, housing starts and the Consumer Price Index on August 16.