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CLIENT BULLETIN

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➤ *Egyptian Crisis*

Watching the events of the past week unfold in Egypt evokes mixed emotions. In one corner there is hope that this is the end of an autocratic regime that has ruled Egypt for decades and as a result, the beginning of a democracy. In the other corner, there is the fear associated with watching a country fall apart with little law and order. The situation in Egypt is evolving daily and any attempt to predict the ultimate outcome would be hopelessly outdated even as it was being made.

➤ *Sewing the Seeds of Turmoil*

While decades of autocratic government control and a lack of free elections are the main drivers of the turmoil, there are significant economic causes as well. With an official unemployment rate of 10% (and an unofficial rate of 20%) and a GDP per capita of \$6,200 (compared to Mexico at \$13,200), Egyptians had clearly grown tired of Hosni Mubarak and his National Democratic (in name only) Party. Adding additional fuel to the fire, Egypt imports 40% of its' food and is the largest importer of wheat in the world. In the second half of 2010, many agricultural price indexes were up 30%-60%, devastating the average standard of living in Egypt. No wonder there is unrest.

➤ *Economic Impact*

The risk to oil is often cited as a potential economic impact of the crisis. Egypt, however, is only the 29th largest producer of oil in the world; and the Suez Canal, which is too narrow for supertankers, is not a crucial trade route for oil. The issue of contagion is a far more significant economic risk. If a revolt in Egypt becomes a revolution that encourages similar revolutions in the states that surround the Persian Gulf, the result could be a temporary, but serious, disruption in oil supply to the world. Even a \$10 rise in the price of oil has the potential to cut U.S. real GDP by .3%.

➤ *Inflation – What’s Up; What’s Down*

While inflation readings are still benign, as consumers it still feels like inflation is present in our day-to-day spending. The main reason is that needs (basic items) have seen the greatest price increases over the past twelve months while wants (“luxury” items) have seen the largest price declines. The table below shows why the overall mild inflation rate feels worse than the CPI numbers reflect.

NEEDS!		WANTS!	
largest category INCREASES in price the last 12 months	Inflation rate	largest category DECREASES in price the last 12 months	Inflation rate
Used cars and trucks	+17.05%	Televisions	–24.19%
Delivery services	+16.23%	Other video equipment	–14.09%
Fuel oil	15.09%	Computer software & accessories	–10.23%
State vehicle registration & license fees	+10.99%	Other appliances	–9.34%
Lamb and mutton	+10.66%	Photographic equipment	–8.36%
Propane, kerosene, & firewood	+10.60%	Clocks, lamps, & decorator items	–8.29%
Airline fares	+10.17%	Bedroom furniture	–7.29%
Beef and veal	+9.37%		

Source: Sources: BLS and myinflationrate.com

➤ *Morningstar Winners*

Morningstar recently named the top five 529 college-savings plans. Plans were rated based on low fees, strong investment performance and breadth of investment choices. Among the top plans was the Virginia-based College America plan backed by American Funds investment choices.

➤ *Home Sweet Home*

There are 51 million households in the U.S. that own a home and have a mortgage. The average outstanding debt is \$200,000. There are an additional 24 million households that own their home free and clear. (Source: Census Bureau).

➤ *Getting Older*

Life expectancy at birth for Americans has increased by over 10 years in the last 60 years, reaching 78.3 years today. Thus since 1950, **life expectancy at birth has increased by 2 months every year.** (Source: Hartford Financial Services Group)

The information contained in this newsletter is of a general nature and should not be acted upon in your specific situation without further details and/or professional assistance.