*In this week’s recap: the Fed hikes, consumers feel optimistic, personal income and new home sales improve, and the major indices have a mixed week.*

**Weekly Economic Update**



*Presented by* ***Ellen Dorle, CFP*** *October 1, 2018*

**FEDERAL RESERVE MAKES ITS THIRD RATE HIKE OF 2018**

The central bank set the target range for the federal funds rate at 2.00-2.25% last week, in a move that economists and investors widely expected. One development was unexpected: the Fed removed the word “accommodative” from its latest policy statement, a hint that it may be on the verge of altering its monetary policy outlook. The Fed dot-plot still shows one more interest rate hike for 2018 and three hikes in 2019.1

**HOUSEHOLDS SEE A VERY STRONG ECONOMY**

Both marquee U.S. consumer confidence indices finished September in good shape. The Conference Board’s index reached an 18-year peak of 138.4, rising 3.7 points from its August mark. The University of Michigan’s gauge declined 0.7 points to a still-impressive reading of 100.1.2,3

**A PERSONAL SPENDING MISS; A NEW HOME SALES GAIN**

Looking at other economic indicators in a data-heavy week, consumer spending rose 0.3% in August, falling short of the 0.4% gain forecast by economists polled by Briefing.com. While reporting that advance, the Commerce Department also announced an improvement of 0.3% for personal incomes in August. The National Association of Realtors said that its pending home sales index declined 1.8% in the eighth month of the year; in better real estate news, the Census Bureau found new home buying up 3.5% in August, measuring a 12.7% yearly increase in the pace of new home sales.3,4

**NASDAQ ADVANCES FOR THE WEEK, BUT S&P and DOW RETREAT**

The S&P 500 finished the month at 2,913.98, losing 0.54% during a relatively calm week on Wall Street, which also saw the Dow Jones Industrial Average head 1.07% lower to 26,458.31. In contrast, the Nasdaq Composite gained 0.74% on the week to wrap up September at 8,046.35. Across the month, the S&P rose 0.43%, and the Dow, 1.90%, while the Nasdaq declined 0.78%. The small-cap Russell 2000 sank 2.62% in September, settling Friday at 1,695.10.5



T I P O F T H E W E E K



***When you inherit real estate, you immediately face some financial questions.*** *Do you want to sell the property, rent it out, or keep it? What would each choice mean, tax-wise? Can you handle payments on an outstanding mortgage and maintenance costs? Talking to tax or real estate professionals is essential.*



**THIS WEEK**

Monday, the Institute for Supply Management presents its September manufacturing PMI. | Paychex and PepsiCo announce earnings Tuesday morning; just before the closing bell, Fed chairman Jerome Powell delivers a speech on the U.S. inflation and employment outlook in Boston. | On Wednesday, ADP’s latest payrolls report appears along with the latest ISM service sector PMI and earnings from Lennar. | The September Challenger job-cut report and a new weekly initial jobless claims snapshot arrive Thursday, plus earnings from Constellation Brands and Costco. | The Department of Labor issues its September employment report on Friday.



Q U O T E O F T H E W E E K



*“A pound of* ***pluck*** *is worth a ton of* ***luck****.”*

*James garfield*



|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **% CHANGE** | **Y-T-D** | **1-YR CHG** | **5-YR AVG** | **10-YR AVG** |
| DJIA | 7.04 | 18.22 | 14.68 | 15.53 |
| NASDAQ | 16.56 | 24.68 | 22.56 | 30.56 |
| S&P 500 | 8.99 | 16.09 | 14.45 | 16.34 |
|  |  |  |  |  |
| **REAL YIELD** | **9/28 RATE** | **1 YR AGO** | **5 YRS AGO** | **10 YRS AGO** |
| 10 YR TIPS | 0.91 | 0.44 | 0.46 | 2.03 |

Sources: wsj.com, bigcharts.com, treasury.gov - 9/28/185,6,7,8

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends. 10-year TIPS real yield = projected return at maturity given expected inflation.



T H E W E E K L Y R I D D L E



*What can be* ***broken****, but should not be* ***forgotten****?*

*LAST WEEK’S RIDDLE: You go into the forest and get it, you sit down to find it, and then you go home, just wanting to get it out. What is it?*

*ANSWER: A splinter.*



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