

*In this week's recap: a milestone for the current bull market, new record highs for two equities benchmarks, a dip in home sales, and a win for oil.*

# Weekly Economic Update

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*Presented by Anthony E. Kalinowski CFP® President, August 27, 2018*

## **BULL MARKET MAKES HISTORY**

At the close on August 22, the current bull marked its 3,453th day, a record by S&P Dow Jones standards. Between March 9, 2009 and last Wednesday, the S&P 500 advanced 323%, with an annualized return of about 19%. Besides optimism, four other factors drove the market higher in the last nine-and-a-half years: easing by the Federal Reserve, earnings growth (corporate profits have improved in 30 of the past 35 quarters, with the only slump happening in 2015-16), share repurchases, and dip-buying on the assumption that stocks would recover from declines.<sup>1</sup>

## **HOME SALES WEAKEN**

New National Association of Realtors data shows existing home sales fell 0.7% during July. Last month, the sales pace was the slowest recorded since February 2016. New home buying declined 1.7% in July after a 2.4% June drop, with the sales rate hitting a 9-month low.<sup>2,3</sup>

## **OIL FUTURES JUMP 5% IN FIVE DAYS**

Crude just left its 7-week losing streak behind. Oil rose 5.4% on the NYMEX last week, settling at \$68.72 after a 1.3% advance during the Friday trading session. News indicating Iran's output might fall with the imposition of U.S. sanctions helped the commodity.<sup>4</sup>

## **S&P 500, NASDAQ SETTLE AT NEW PEAKS**

The S&P gained 0.86% last week to finish at 2,874.69, surpassing its record close of January 26. Entering fresh record territory of its own, the Nasdaq Composite pushed toward the 8,000 level, closing at 7,945.98 on Friday after advancing 1.66% across five days. The week was good to the blue chips as well: the Dow Jones Industrial Average added 0.47%, settling Friday at 25,790.35. The CBOE VIX fell 4.67% across the week to 12.05.<sup>5,6</sup>

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## TIP OF THE WEEK



*Certain **life insurance policies** now offer **long-term care riders**. If premiums for a standalone LTC policy seem too expensive, consider these policies as alternatives.*

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## THIS WEEK

Monday, nothing major is scheduled. | BMO Financial Group and Best Buy present earnings on Tuesday, while the Conference Board's August consumer confidence index and the latest S&P CoreLogic Case-Shiller home price index also arrive. | The federal government's second estimate of Q2 economic growth appears Wednesday, as do the NAR's July pending home sales index and quarterly results from Dick's Sporting Goods. | Thursday offers July personal spending figures, the July PCE price index, and a new initial unemployment claims report. | On Friday, the University of Michigan releases its final August consumer sentiment index.

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## QUOTE OF THE WEEK



*“He who **learns** but does not **think**, is lost. He who **thinks** but does not **learn** is in great danger.”*

*KONG QIU (CONFUCIUS)*

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% CHANGE

Y-T-D

1-YR CHG

5-YR AVG

10-YR AVG

|         |       |       |       |       |
|---------|-------|-------|-------|-------|
| DJIA    | 4.33  | 18.39 | 14.36 | 12.65 |
| NASDAQ  | 15.10 | 26.70 | 23.45 | 23.59 |
| S&P 500 | 7.52  | 17.86 | 14.56 | 12.69 |

| REAL YIELD | 8/24 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
|------------|-----------|----------|-----------|------------|
| 10 YR TIPS | 0.73      | 0.44     | 0.69      | 1.64       |

Sources: wsj.com, bigcharts.com, treasury.gov - 8/24/18<sup>5,7,8,9</sup>

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.

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## THE WEEKLY RIDDLE



*It drapes the hills in white, it does not swallow, but it does bite.  
What is it?*

*LAST WEEK'S RIDDLE: What is ready when you add a letter at its end?*

*ANSWER: The word "read."*

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