*In this week’s recap: inflation moderates, oil prices head south, and equities have a tough week.*

**Weekly Economic Update**



*Presented by Ellen Dorle CFP, December 17, 2018*

**As FUEL GROWS CHEAPER, INFLATION BECOMES TAMER**

Last week, the latest Consumer Price Index arrived, showing no move for headline inflation in November and a 0.2% core inflation increase. That precisely matched the consensus forecast of economists polled by Reuters. What held the headline CPI in check last month? You can credit a sudden drop in gas prices, which fell 4.2%. Annualized inflation declined to 2.2%. Overall producer prices only rose 0.1% last month, compared to an October ascent of 0.6%.1,2

**A MIDDLING ADVANCE FOR RETAIL SALES**

During October, American households boosted their retail spending by 1.1% (originally reported by the Department of Commerce as a gain of 0.8%), but November presented a different story. Sales rose last month, but only by 0.2%. The gain remained at 0.2% with auto buying removed.2

**OIL HEADS 2.6% LOWER**

That was the weekly loss for light sweet crude, influenced by two factors: increasing dollar strength and concerning economic data from China, which made traders wonder if the P.R.C.’s demand for crude could lessen. Oil settled at $51.20 Friday on the NYMEX.3

**STOCKS HEAD LOWER**

Bothered by anxieties about global growth, bulls lost some of their appetite for risk last week. Across five trading days, the S&P 500 ceded 1.26%; the Dow Jones Industrial Average, 1.18%; the Nasdaq Composite, 0.84%. That left them at the following settlements on Friday: S&P, 2,599.95; DJIA, 24,100.51; COMP, 6,910.66. The small-cap Russell 2000 index had it worse, falling 2.57% to 1,410.81 over five days. While all this happened, volatility actually declined, at least according to the CBOE VIX; the leading gauge of Wall Street instability retreated 6.89% for the week to 21.63.4



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



*A simple tip to keep* ***credit card******spending*** *under control: only use a card for purchases you know you can pay off within* ***one month****.*



**THIS WEEK**

Oracle and Red Hat share quarterly results on Monday. | On Tuesday, the Census Bureau offers a snapshot of November residential construction activity, and Darden Restaurants, FedEx, Jabil, Micron Technology, Navistar, Steelcase, and Worthington Industries present earnings. | Wednesday, the Federal Reserve releases its latest policy statement, followed by a press conference with Fed chair Jerome Powell; in addition, investors will consider October existing home sales numbers and earnings from General Mills, Paychex, Rite Aid, and Winnebago. | On Thursday, earnings roll in from Accenture, BlackBerry, Conagra Brands, Nike, and Walgreens Boots Alliance, and the Department of Labor issues a new initial claims report. | Friday, Wall Street reviews November consumer spending and capital goods orders data, the federal government’s third estimate of Q3 growth, and earnings from CarMax.



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



*“****Laughter*** *is an instant vacation.”*

*MILTON BERLE*



|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **% CHANGE** | **Y-T-D** | **1-YR CHG** | **5-YR AVG** | **10-YR AVG** |
| DJIA | -2.50 | -1.67 | 10.59 | 18.14 |
| NASDAQ | 0.11 | 0.79 | 14.54 | 35.82 |
| S&P 500 | -2.76 | -1.96 | 9.29 | 19.93 |
|  |  |  |  |  |
| **REAL YIELD** | **12/14 RATE** | **1 YR AGO** | **5 YRS AGO** | **10 YRS AGO** |
| 10 YR TIPS | 1.07 | 0.48 | 0.72 | 2.43 |

Sources: wsj.com, bigcharts.com, treasury.gov - 12/14/184,5,6,7

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



*Dave says that the small city he lives in has a municipal building with more than a hundred stories. What building is this?*

*LAST WEEK’S RIDDLE: Take a word with four letters. Take away one, and what remains will be better … better than zero, anyway. What word is this?*

*ANSWER: Gone.*



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**Know someone who could use information like this?**Please feel free to send us their contact information via phone or email. (Don’t worry – we’ll request their permission before adding them to our mailing list.)



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