

WEEKLY ECONOMIC UPDATE

January 1, 2018

WEEKLY QUOTE

“We are not entitled to our opinions; we are entitled to our informed opinions. Without research, without background, without understanding, it’s nothing.”

- Harlan Ellison

WEEKLY TIP

Do you think you will have a 2018 tax refund? Consider using it to pay off a high-interest debt. If you have a debt at 18% interest, doing away with it is effectively like getting an 18% return.

WEEKLY RIDDLE

It occasionally comes up in conversation, and it never goes down. What is it?

Last week’s riddle:

Emily takes a picture at an art museum in Michigan. Why is she subsequently told not to leave the museum?

Last week’s answer:

She took a picture off the wall and took it with her.

CONSUMER CONFIDENCE DECLINES

In December, the Conference Board’s monthly index fell sharply from its lofty November reading of 128.6. That number was a 17-year high. Economists polled by Bloomberg expected a retreat to 128.0; instead, the gauge dropped to 122.1, which was still one of its best readings in the past 15 years. Lynn Franco, the Conference Board’s director of economic indicators, noted that consumer expectations remain at “historically strong levels, suggesting economic growth will continue well into 2018.”¹

OIL ENDS 2017 ABOVE \$60

The yearlong comeback of light sweet crude culminated in a December 29 NYMEX close of \$60.42, marking the commodity’s best settlement since the spring of 2015. Signs of reduced output and supply disruptions helped oil rally last week.²

HOME PRICES UP 6.2% IN 12 MONTHS

That is the conclusion of the October S&P CoreLogic Case-Shiller home price index, a survey of home values across 20 U.S. regions released last week. In other housing news, the National Association of Realtors pending home sales index rose 0.2% in November, taking its annualized gain to 0.8%. The small advance is understandable; across the 12 months ending in November, existing home inventory thinned by nearly 10%.³

A TERRIFIC YEAR FOR EQUITIES CONCLUDES

In 2017, the Dow Jones Industrial Average gained 25.08%; the S&P 500, 19.42%; the Nasdaq Composite, 28.24%. The year’s last market week saw investors pocketing some gains: across four days, the Dow retreated 0.06% to 24,719.22; the S&P, 0.38% to 2,673.61; the Nasdaq, 0.80% to 6,903.39. The Russell 2000 small-cap benchmark finished 2017 at 1,535.51, rising 13.14% for the year; the CBOE VIX “fear index” lost 21.37% during 2017, wrapping up the year at 11.04.^{4,5}

THIS WEEK: Monday, U.S. financial markets are closed in observance of New Year’s Day. Nothing major is slated for Tuesday. Wednesday, the Federal Reserve releases the minutes from its December policy meeting, the Institute for Supply Management presents its December factory PMI, and Rite Aid announces quarterly earnings. Thursday, a new Challenger job-cut report and ADP payrolls report arrive along with earnings from Monsanto, Sonic, and Walgreens Boots Alliance. The Department of Labor’s December employment report appears Friday, plus quarterly results from Constellation Brands.

| % CHANGE | 2017 | 1-YR CHG | 5-YR AVG | 10-YR AVG |
|------------|------------|----------|-----------|------------|
| DJIA | +25.08 | +24.72 | +18.21 | +8.49 |
| NASDAQ | +28.24 | +27.09 | +26.64 | +15.81 |
| S&P 500 | +19.42 | +18.87 | +18.13 | +8.08 |
| REAL YIELD | 12/29 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
| 10 YR TIPS | 0.44% | 0.55% | -0.73% | 1.78% |

Sources: wsj.com, bigcharts.com, treasury.gov - 12/29/17^{4,6,7,8}

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.

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Citations.

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