

In this week's recap: stocks soar, the USMCA is signed, households spend more, and two housing market indicators fall short.



Weekly Economic Update

December 3, 2018

COMMENTS FROM JEROME POWELL INSPIRE A RALLY

Wall Street liked what it heard from Federal Reserve chairman Jerome Powell last week. While speaking Wednesday to an audience in New York, Powell stated that interest rates “remain just below the broad range of estimates of the level that would be neutral for the economy – that is, neither speeding up nor slowing down growth.” He also noted there was “no preset policy path” for raising interest rates in the near term. These dovish signals helped to send all three major U.S. stock indices 2.3-3.0% higher for the day, and their weekly performances were stellar: across five trading sessions, the Nasdaq Composite gained 5.64%; the Dow Jones Industrial Average, 5.16%; the S&P 500, 4.85%. They settled Friday as follows: Nasdaq, 7,330.54; Dow, 25,538.46; S&P, 2,760.16.^{1,2}

NAFTA REPLACEMENT DEAL TAKES ANOTHER STEP FORWARD

Friday, President Donald Trump, Canadian Prime Minister Justin Trudeau, and Mexican President Enrique Peña Nieto formally signed the United States-Mexico-Canada Agreement (USMCA) at the 2018 G20 summit in Buenos Aires. The legislatures of each nation must now vote to approve the accord. The USMCA may face significant resistance in Congress.³

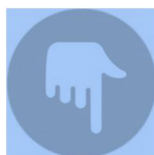
CONSUMER SPENDING PACE ACCELERATES; CONFIDENCE GAUGE STILL HIGH

In October, personal spending rose 0.6%, while incomes improved 0.5%. (In noting this, the Department of Commerce revised the 0.4% personal spending gain of September down to 0.2%.) The monthly consumer confidence index, maintained by the Conference Board, declined 2.2 points in November to 135.7; that still exceeded the 135.5 consensus forecast from analysts polled by Briefing.com.⁴

NEW HOME SALES AND PENDING HOME SALES DECLINE

Demand for new homes has faded in the last 12 months. The Census Bureau said that sales slipped 8.9% in October, leaving the annualized sales pace 12.0% below where it was in October 2017. Housing contract activity also waned in October: the National Association of Realtors announced a 2.6% dip for pending home sales, which had increased 0.7% during September.^{4,5}

TIP OF THE WEEK



When you write a will, you must name an executor: either a friend or relative, or a financial or legal professional. A financial or legal professional who serves as your executor will probably be paid with assets from your estate.

THIS WEEK

The Institute for Supply Management presents its November manufacturing PMI on Monday. | Tuesday brings some earnings: AutoZone, Bank of Montreal, Dollar General, Hewlett Packard Enterprise, Restoration Hardware, and Toll Brothers. | On Wednesday, Federal Reserve chair Jerome Powell testifies on the U.S. economic outlook in the Senate; the Fed also releases its latest Beige Book, ADP unveils its November employment change report, ISM offers its November service sector PMI, and American Eagle Outfitters, H&R Block, Five Below, Hudson's Bay Co., Korn/Ferry, Land's End, and Lululemon Athletica all share earnings news. | The latest Challenger job-cut numbers are out Thursday, along with a new initial jobless claims report and earnings from Broadcom, Hovnanian Enterprises, Kroger, Michaels Companies, Thor Industries, Toro, and Ulta Beauty. | Friday, the Department of Labor's newest employment report takes center stage.

QUOTE OF THE WEEK



“Resolve to be thyself: and know, that he who finds himself, loses his misery.”

MATTHEW ARNOLD

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	3.31	5.22	11.75	21.34
NASDAQ	6.19	6.64	16.11	42.43
S&P 500	3.24	4.25	10.57	23.82

REAL YIELD	11/30 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.04	0.56	0.60	2.38

Sources: wsj.com, bigcharts.com, treasury.gov - 11/30/18^{2,6,7,8}

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.

THE WEEKLY RIDDLE



It can be open, closed, empty, or full. Sometimes you see one, sometimes two. It can be bare, but never a bear. What is it?

LAST WEEK'S RIDDLE: What two things will you never eat for dinner?

ANSWER: Breakfast and lunch.

Richard J. Falck, CFP®, CLU, ChFC
509 Professional Drive · P.O. Box 530 Northfield, MN 55057
Phone ~ 507-645-2993 · Toll Free ~ 800-601-6638
www.falckfinancial.com · rfalck@falckfinancial.com

Securities offered through **First Heartland Capital, Inc.** Member FINRA/SIPC.

Advisory Services offered through First Heartland Consultants, Inc.

1839 Lake St. Louis Blvd., Lake St. Louis, Missouri 63367. (636) 625-0900

Falck Financial Services is not affiliated with First Heartland Capital, Inc.

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. The information herein has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All market indices discussed are unmanaged and are not illustrative of any particular investment. Indices do not incur management fees, costs, or expenses. Investors cannot invest directly in indices. All economic and performance data is historical and not indicative of future results. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the "NYSE") and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. MarketingPro, Inc. is not affiliated with any person or firm that may be providing this information to you. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

CITATIONS:

- 1 - investors.com/news/economy/fed-chairman-jerome-powell-fed-rates-neutral-dow-jones/ [11/28/18]
- 2 - markets.wsj.com/us [11/30/18]
- 3 - businessinsider.com/g20-summit-trump-signs-usmca-nafta-update-mexico-canada-2018-11 [11/30/18]
- 4 - briefing.com/investor/calendars/economic/2018/11/26-30 [11/30/18]
- 5 - cnbc.com/2018/11/28/new-home-sales-october.html [11/28/18]
- 6 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=11%2F30%2F17&x=0&y=0 [11/30/18]
- 6 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=11%2F30%2F17&x=0&y=0 [11/30/18]
- 6 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=11%2F30%2F17&x=0&y=0 [11/30/18]
- 6 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=11%2F29%2F13&x=0&y=0 [11/30/18]
- 6 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=11%2F29%2F13&x=0&y=0 [11/30/18]
- 6 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=11%2F29%2F13&x=0&y=0 [11/30/18]
- 6 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=12%2F1%2F08&x=0&y=0 [11/30/18]
- 6 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=12%2F1%2F08&x=0&y=0 [11/30/18]
- 6 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=12%2F1%2F08&x=0&y=0 [11/30/18]
- 7 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield [11/30/18]
- 8 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll [11/30/18]