

In this week's recap: inflation pressure mounts, a household sentiment index dips, gold settles lower, and stocks rally as a new earnings season begins.



Weekly Economic Update

July 16, 2018

INFLATION NEARS 3%

The federal government's Consumer Price Index rose 2.9% across the 12 months ending in June, a level of annualized inflation last seen in February 2012. Yearly inflation has now increased for five straight months (although the headline CPI went north only 0.1% last month). The core CPI, which removes food and fuel costs, rose 0.2% in June, bringing its 12-month gain to 2.3%. Over the past 12 months, the cost of fuel oil climbed 30.8%; the cost of gasoline, 24.3%. Feeling the effect of those advances, the Producer Price Index rose 3.4% in the year ending in June.^{1,2}

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT GAUGE DECLINES

At a mark of 97.1, the preliminary July edition of this consumer sentiment index came in 1.1 points underneath its final June reading. Still, it was close to its average reading over the past year (97.7). One year ago, the index stood at 93.4. Thirty-eight percent of consumers felt tariffs would negatively affect the economy, an increase from 21% in June and 15% in May.³

GOLD FALLS TO A 12-MONTH LOW

With a strengthening dollar providing a stiff headwind for the metals market, it was unsurprising that the key precious and base metals (gold, silver, copper, palladium, platinum) all retreated last week. Gold suffered the least, declining 1.2% to a Friday settlement of \$1,241.20, its lowest COMEX close since July 17, 2017.⁴

DOW CLIMBS BACK ABOVE 25,000

Finishing Friday's trading session at 25,019.41, the blue chips rose 2.30% for the week, and outperformed the Nasdaq Composite and the S&P 500 over five days. The Nasdaq gained 1.79% to close out the week at 7,825.98, while the S&P advanced 1.50% to end the week at 2,801.31.⁵

TIP OF THE WEEK



There are multiple reasons why you should avoid taking a loan from your workplace retirement plan. One excellent argument against this move: you will deprive the funds you borrow of compounding power.

THIS WEEK

Earnings take center stage: Bank of America, BlackRock, J.B. Hunt, and Netflix lead the way on Monday, when investors will also consider June retail sales figures. | Federal Reserve chair Jerome Powell begins two days of testimony before Congress on monetary policy on Tuesday; on the earnings front, Charles Schwab, Comerica, CSX, Fidelity National, Goldman Sachs, Johnson & Johnson, and UnitedHealth all announce. | Wednesday, earnings news rolls in from Abbott Labs, Alcoa, American Express, eBay, Grainger, IBM, Morgan Stanley, Northern Trust, Novartis, and U.S. Bancorp, and complementing all this, analysts consider June housing starts and building permits and a new Fed Beige Book. | On Thursday, BoNY Mellon, BB&T, Blackstone Group, Capital One, Celanese, Cintas, Dominos, E*TRADE, Fifth Third, GATX, KeyCorp, Microsoft, Nucor, Philip Morris, Snap-On, Sonoco, Travelers Companies, Unilever, and Union Pacific present earnings, and a new initial jobless claims report arrives. | Friday, earnings appear from Baker Hughes, General Electric, Honeywell International, Manpower, Regions Financial, Schlumberger, Stanley Black & Decker, State Street, and SunTrust Bank.

QUOTE OF THE WEEK



"Always aim at complete harmony of thought and word and deed."

MAHATMA GANDHI

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	1.21	16.08	12.36	12.63
NASDAQ	13.36	24.73	23.48	25.37
S&P 500	4.78	14.44	13.35	12.81

REAL YIELD	7/13 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.72	0.58	0.55	1.43

Sources: wsj.com, bigcharts.com, treasury.gov - 7/13/18^{5,6,7,8}

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



How many times can you subtract 100 from 1,000?

LAST WEEK'S RIDDLE: Regina is about to meet her cousin Lydia for the first time. Regina has no idea what she looks like. She arrives at Lydia's house at night. The door opens, and she sees a mail carrier, a UPS driver, and a police officer watching television. She immediately hugs Lydia. How does she know which one of the three is her cousin?

ANSWER: Two of the three are men.

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