

WEEKLY ECONOMIC UPDATE

January 22, 2018

WEEKLY QUOTE

“The art of life lies in a constant readjustment to our surroundings.”

- Okakura Kakuzo

WEEKLY TIP

If you introduce new equipment to your company, bear in mind that your firm’s productivity may drop as your workers ride the learning curve. Make sure you have the financing in place to contend with that possibility.

WEEKLY RIDDLE

Rob looks out at a boat full of people in a harbor. He is in disbelief when his friend Christine looks at the same boat and says there is not a single person on board. Is Rob seeing things? How could Christine be right in her assertion?

Last week’s riddle:

You will never see it. It brings you down, but never up. What is it?

Last week’s answer:

Gravity.

CONSUMER SENTIMENT READING COOLS

The initial January University of Michigan consumer sentiment index came in at 94.4 last week, 1.5 points beneath its final reading of 2017 and 4.1 points under its level of one year ago. Without prompting, 34% of respondents to the latest UMich survey brought up the subject of the recent federal tax reforms; 70% of them felt the reforms would have a positive effect on their lives; 18%, a negative effect.¹

WINTER WEAKENS HOUSING STARTS

New Census Bureau data shows groundbreaking decreased 8.2% in December after a (revised) 3.0% November gain. Building permits ticked down 0.1% last month.²

BITCOIN PLUMMETS & RECOVERS; OIL DESCENDS

Commodity investors watched the premier digital currency crest above \$14,000 Monday, sink under \$10,000 Wednesday, and rebound to a price of \$11,400.35 as Wall Street’s trading week ended. Friday, the International Energy Agency predicted U.S. oil output would near a 50-year peak in 2018. That hurt prices and left WTI crude 1.5% lower for the week; it fell to \$63.37 at Friday’s closing bell.^{3,4}

DOW REACHES ITS SECOND MILESTONE IN A MONTH

Last week, the blue chips improved 1.04% on the way to a Friday settlement of 26,071.72. On Tuesday, the benchmark closed above 26,000 to complete the quickest 1,000-point climb in its history: it took only eight days. (The previous record was 23 trading sessions.) The Nasdaq Composite (+1.04% to 7,336.38) and S&P 500 (+0.86% to 2,810.30) also logged weekly advances.^{5,6}

THIS WEEK: Halliburton, Netflix, TD Ameritrade, UBS, and Zions Bancorp issue earnings Monday. Capital One, Fifth Third, Johnson & Johnson, Kimberly-Clark, Procter & Gamble, State Street, Texas Instruments, Travelers Companies, and Verizon join the earnings parade Tuesday. December existing home sales figures appear Wednesday, plus earnings from Abbott Labs, Ameriprise Financial, Comcast, Discover, Ford Motor Co., General Dynamics, General Electric, Grainger, Legg Mason, Northern Trust, Novartis, Rockwell Automation, Royal Caribbean International, Stanley Black & Decker, United Rentals, and Whirlpool. On Thursday, December new home sales numbers emerge, plus the latest initial jobless claims report and earnings from 3M, Alaska Air Group, American Airlines, Biogen, Caterpillar, Celanese, Celgene, Fiat Chrysler, Freeport-McMoRan, Intel, JetBlue, Northrop Grumman, Raytheon, Sherwin Williams, Southwest Airlines, Starbucks, Union Pacific, and Western Digital. The first estimate of Q4 economic expansion arrives Friday, along with earnings news from Colgate-Palmolive, Honeywell, NextEra Energy, and Rockwell Collins.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+5.47	+32.13	+18.20	+11.55
NASDAQ	+6.27	+32.42	+26.81	+21.35
S&P 500	+5.11	+24.15	+17.82	+11.21
REAL YIELD	1/19 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.58%	0.43%	-0.66%	1.42%

Sources: wsj.com, bigcharts.com, treasury.gov - 1/19/18^{6,7,8,9}

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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