

WEEKLY ECONOMIC UPDATE

February 5, 2018

WEEKLY QUOTE

“There are no speed limits on the road to excellence.”

- David W. Johnson

WEEKLY TIP

Smart households invest with diversification. They recognize that directing most of their invested assets into one or two investment classes potentially heightens their risk exposure.

WEEKLY RIDDLE

No matter the time of day, it can open what you can't. If not for it, on your front porch you would stand. What is it?

Last week's riddle: Frank got behind the wheel and traveled from Fort Lauderdale to Norfolk without any tires. How did he pull this off?

Last week's answer: He was behind the captain's wheel of a boat.

WAGE GROWTH PICKS UP AT LAST

In January, average hourly pay was 2.9% higher than it was a year earlier. That was the key takeaway from the Department of Labor's latest jobs report, which noted the addition of 200,000 net new workers last month. In January, the headline unemployment rate stayed at 4.1%; the broader U-6 rate, which counts the underemployed, ticked up to 8.2%.¹

ISM: FACTORY SECTOR IN GREAT SHAPE

The Institute for Supply Management released its January purchasing manager index for the manufacturing industry last week, and the reading of 59.1 surpassed the forecast, made by economists surveyed by MarketWatch, by half a point. A reading approaching 60 indicates significant expansion.²

HOUSEHOLDS SPEND MORE, REMAIN OPTIMISTIC

Personal spending and incomes rose 0.4% in December, according to a Department of Commerce report. The Conference Board's consumer confidence index climbed 2.3 points to 125.4 in January, while the University of Michigan's final January consumer sentiment index came in at 95.7 Friday, 1.3 points above its prior reading.²

STOCKS SLUMP AS FEBRUARY BEGINS

As the 10-year Treasury yield hit 2.85% during Friday's Wall Street trading session, bears came out of hiding. New wage growth data only added to investor concerns about rising inflation – and how the Federal Reserve might respond to it. For the week: the S&P 500 fell 3.85% to 2,762.13; the Dow Industrials, 4.12% to 25,520.96; the Nasdaq Composite, 3.53% to 7,240.95.^{3,4}

THIS WEEK: ISM's service sector PMI appears Monday, along with earnings from Bristol-Myers, Macerich, Panasonic, Suzuki, and Sysco. Akamai, Allergan PLC, Anadarko Petroleum, Aramark, Beazer Homes, BP, Chipotle, Container Store, Cummins, Dunkin' Brands, General Motors, Genworth Financial, Gilead Sciences, Netgear, Snap, Spirit Airlines, and Walt Disney Co. release earnings Tuesday. Wednesday's earnings roll call includes news from Allstate, Callaway Golf, Exelon, GlaxoSmithKline, Hasbro, Humana, Invacare, Michael Kors, NetEase, O'Reilly, Peabody Energy, Prudential Financial, Rio Tinto, Take-Two Interactive, Tesla, Twenty-First Century Fox, Valvoline, Yelp, and Zynga. Thursday, a new initial claims report arrives, plus earnings from Activision Blizzard, CBRE, Coty, CVS Health, Expedia, Goodyear, GrubHub, HanesBrands, Kellogg, Lions Gate, NCR, Nvidia, Penske, Philip Morris, Teva Pharmaceuticals, The Hartford, Twitter, Tyson Foods, VeriSign, Viacom, W.R. Grace, and Yum! Brands. Friday, nothing major is scheduled.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+3.24	+28.34	+16.43	+10.03
NASDAQ	+4.89	+28.47	+25.55	+20.00
S&P 500	+3.31	+21.10	+16.51	+9.79
REAL YIELD	2/2 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.70%	0.43%	-0.55%	1.31%

Sources: wsj.com, bigcharts.com, treasury.gov - 2/2/18^{4,5,6,7}

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.

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