

WEEKLY ECONOMIC UPDATE

April 10, 2017

WEEKLY QUOTE

“You think adventure is dangerous, try routine. It’s lethal.”

- Paul Coelho

WEEKLY TIP

Anyone who wants to avoid or lower probate costs and simplify distribution of their assets after their death would be wise to consider a revocable living trust. These trusts can be modified during the grantor’s lifetime.

WEEKLY RIDDLE

I was born as a rock, being molded to great degree. I dance around a fiery neighbor, who does not dance with me. Instead, it provides my people with some long-lasting energy. What am I?

Last week’s riddle:

What contains thousands of ears, but hears absolutely nothing?

Last week’s answer:

A corn field.

COMPANIES ADDED FEWER WORKERS IN MARCH

Just 98,000 net new jobs were created last month, and some analysts think Winter Storm Stella may have held hiring back. Even so, the Department of Labor’s latest employment report showed the U-3 jobless rate decreasing 0.2% to 4.5%; the broader U-6 rate fell 0.3% to 8.9%. The big factor in both declines: 326,000 people leaving the ranks of the unemployed. If all this seems incongruous, consider that the Bureau of Labor Statistics compiles data from two separate surveys: one focusing on payroll growth; the other, on the employment status of individuals.¹

STRONG EXPANSION FOR SERVICE, FACTORY SECTORS

Another month, another wave of growth for industry and retail businesses – this was the tale told by the two purchasing manager indices at the Institute for Supply Management. For March, ISM’s service sector PMI came in at 55.2; its factory PMI, at 57.2. The services PMI lost 2.4 points from its February mark; the factory PMI, 0.5 points. Still, these readings were well above the crucial 50 level.²

FED MAY START TO REDUCE ITS BALANCE SHEET

According to the minutes of the March Federal Reserve policy meeting, most Federal Open Market Committee members believe that the central bank should begin shrinking its vast portfolio of mortgage-backed securities and Treasuries later in 2017. The minutes noted that whether the FOMC decides to phase out or halt reinvestments, the shift in balance sheet policy “should be communicated...well in advance of an actual change.”³

STOCKS MOVE SLIGHTLY LOWER

Wall Street’s three major equity indices pulled back a bit last week. Over five days, the Dow ceded just 0.03% to 20,656.10. But the S&P 500 (closed at 2,355.54) and Nasdaq (closed at 5,877.81) took deeper respective losses of 0.30% and 0.57%. The Russell 2000 slipped 1.54% for the week to 1,364.56; the CBOE VIX “fear index” rose 4.04% to 12.87.⁴

THIS WEEK: On Monday evening, Federal Reserve chair Janet Yellen discusses monetary policy at the University of Michigan. Bank of the Ozarks reports Q1 results Tuesday. Earnings from Delta Air Lines, Fastenal, and Pier 1 Imports arrive Wednesday. On Thursday, the Q1 earnings season gathers steam, with Citigroup, JPMorgan Chase, PNC Financial Services Group, and Wells Fargo all reporting; apart from that, the March Producer Price Index, the preliminary April University of Michigan consumer sentiment index, and a new initial claims report also appear. Friday brings March retail sales figures and the March Consumer Price Index.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+4.52	+17.75	+11.63	+6.45
NASDAQ	+9.19	+21.23	+18.16	+13.78
S&P 500	+5.21	+15.36	+13.70	+6.32
REAL YIELD	4/7 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.44%	0.12%	-0.16%	2.27%

Sources: wsj.com, bigcharts.com, treasury.gov - 4/7/17^{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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