

WEEKLY ECONOMIC UPDATE

May 14, 2018

WEEKLY QUOTE

“The secret of happiness is not in what one likes to do, but in what one has to do.”

- J.M. Barrie

WEEKLY TIP

If you receive a big bonus, a windfall, or a sizable inheritance, you may feel like taking some time out of the workforce. If so, keep in mind that there will be a cost linked to that decision – a lack of earned income, which counts in Social Security benefit calculations.

WEEKLY RIDDLE

I grind my feet upon the earth, my forward motion supported by a metal hearth. What I call food and drink was left behind by changes made in an ancient time. What am I?

Last week's riddle:

I went into the woods and got it. I brought it home in my hand and removed it. What am I talking about?

Last week's answer:

A splinter.

OIL HITS A 4-YEAR PEAK

The price of WTI crude settled at \$71.36 on Thursday, hours after Bank of America Merrill Lynch analysts forecast \$90 oil by spring 2019 and a “risk of \$100 a barrel” Brent crude next year. Thursday’s close was oil’s highest settlement since November 2014. Futures rallied 1.4% on the week after the Trump administration said that the U.S. would exit the Iran nuclear deal and reinstate sanctions against that OPEC member. That implies reduced global oil supply. As of Friday evening, no other OPEC country had committed to produce more oil in response. WTI crude closed at \$70.70 on the NYMEX on Friday.¹

CONSUMER SENTIMENT HOLDS STEADY

At a mark of 98.8, the University of Michigan’s initial May consumer sentiment index was unchanged from its final April reading. At this time in 2017, the index was at 97.1.²

INFLATION PRESSURE MODERATES

In April, the Consumer Price Index rose 0.2%, while the core CPI ticked up just 0.1%. This left annualized inflation unchanged at 2.5%, while yearly core inflation fell 0.1% to 2.1%. Thanks to a mere 0.1% April gain in the Producer Price Index, wholesale inflation rose 2.6% in the 12 months ending in April, down from 3.0% in the year ending in March.³

BIG GAINS FOR EQUITY BENCHMARKS

The S&P 500 advanced 2.41% in five days to a Friday settlement of 2,727.72. Meanwhile, a 2.68% rise took the Nasdaq Composite north to 7,402.88, and the Dow Jones Industrial Average added 2.34% to reach 24,831.17. The Russell 2000 finished the week 2.63% higher at 1,606.79.⁴

THIS WEEK: Agilent Technologies announces earnings on Monday. Tuesday, investors look at April retail sales data and Q1 results from Home Depot. Wednesday’s earnings roster includes results from Cisco, Jack in the Box, Macy’s, NetEase, and Take-Two Interactive; in addition, reports on April industrial output and construction activity emerge. Applied Materials, Nordstrom, JCPenney, and Walmart present earnings Thursday, when the Street also considers the latest initial jobless claims figures and the Conference Board’s April leading indicator index. On Friday, AstraZeneca, Campbell Soup, and Deere & Co. offer earnings calls.

| % CHANGE | Y-T-D | 1-YR CHG | 5-YR AVG | 10-YR AVG |
|------------|-----------|----------|-----------|------------|
| DJIA | +0.45 | +18.70 | +12.85 | +9.28 |
| NASDAQ | +7.24 | +21.04 | +23.08 | +19.75 |
| S&P 500 | +2.02 | +13.92 | +13.39 | +9.43 |
| REAL YIELD | 5/11 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
| 10 YR TIPS | 0.82% | 0.51% | -0.45% | 1.41% |

Sources: wsj.com, bigcharts.com, treasury.gov - 5/11/18^{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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