

WEEKLY ECONOMIC UPDATE

May 29, 2017

WEEKLY QUOTE

“You cannot escape the responsibility of tomorrow by evading it today.”

- Abraham Lincoln

WEEKLY TIP

Some of the financial choices you make in the years just before and after your retirement may be unalterable. In recognition of that, an objective review of your retirement plan is a must as you approach your sixties.

WEEKLY RIDDLE

If you push me to extremes, I can rage and boil, but an hour later, I may be silent and stiff. What am I?

Last week's riddle:

What four U.S. states have names that start and end with the same vowel?

Last week's answer:

Alabama, Alaska, Arizona, and Ohio.

CONSUMER SENTIMENT DECLINES JUST A BIT

Ending May at a mark of 97.1, the University of Michigan's consumer sentiment index fell 0.6 points from its preliminary reading for the month. Economists polled by MarketWatch had forecast the gauge to remain at 97.7.¹

FEWER HOMES WERE BOUGHT IN APRIL

Both new and existing home sales tapered off last month. The National Association of Realtors said that resales fell 2.3% for April, while the Census Bureau announced an 11.4% retreat for new home purchases. While demand was high, tight supply reduced the number of buyers.²

FED MINUTES: Q1 SLUMP “LIKELY TO BE TRANSITORY”

With the Federal Open Market Committee expressing that exact opinion in the record of its May 2-3 meeting, investors saw little that would delay the central bank from raising interest rates in June. Still, the minutes sounded a cautious note. Fed policymakers “generally judged that it would be prudent to await additional evidence,” confirming that the winter economic slowdown was short lived prior to tightening further. The Bureau of Economic Analysis did revise its Q1 GDP estimate up to 1.2% last week, compared with an initial evaluation of 0.7%.^{1,3}

MORE RECORD HIGHS FOR NASDAQ, S&P 500

A great week for stocks saw gains of 2.08% for the Nasdaq Composite, 1.43% for the S&P 500, and 1.32% for the Dow Jones Industrial Average. Friday's settlements: Dow, 21,080.28; S&P, 2,415.82; Nasdaq, 6,210.19. Friday's S&P and Nasdaq closes were historic peaks for both indices. The S&P advanced for a seventh straight trading session to end the week, something it had not done since February. The Nasdaq 100 ended last week up 19.01% YTD.^{4,5}

THIS WEEK: Monday is Memorial Day – U.S. stock and bond markets will be closed. Tuesday, the April personal spending report and PCE price index appear. A new Federal Reserve Beige Book and the NAR's April pending home sales report surface Wednesday, plus earnings from Analog Devices, Hewlett-Packard Enterprise, Michael Kors, and Palo Alto Networks. Thursday is heavy on jobs data, as investors look at the ADP payroll and Challenger job-cut reports and the latest initial claims numbers; ISM's May factory PMI also arrives, along with earnings from Boot Barn, Broadcom, Dollar General, Express, Five Below, and Lululemon Athletica. Friday, the Department of Labor issues its May employment report, and Hovnanian announces earnings.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+6.67	+18.24	+13.85	+5.61
NASDAQ	+15.36	+26.69	+23.77	+14.29
S&P 500	+7.91	+15.58	+16.66	+5.94
REAL YIELD	5/26 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.44%	0.25%	-0.38%	2.49%

Sources: wsj.com, bigcharts.com, treasury.gov - 5/26/17^{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.

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