

WEEKLY ECONOMIC UPDATE

February 26, 2018

WEEKLY QUOTE

“True knowledge exists in knowing that you know nothing.”

- Socrates

WEEKLY TIP

Thinking of going into business? Most new firms are sole proprietorships, but with the recent federal tax reforms, now is an excellent time to consider other business entities and weigh which one might be best for you.

WEEKLY RIDDLE

It is not a pool yet it has a cover, not a tree yet it has leaves, not a website yet it has pages, and not a shirt yet it has sleeves. What could it be?

Last week's riddle:

You can crack it, share it, tell it, make it, play it. What is it, can you name it?

Last week's answer:

A joke.

FEWER HOMES ARE SELLING

Demand is high, prices are high, and inventory is slim. In view of these factors, the 4.8% year-over-year fall for existing home sales just reported by the National Association of Realtors is not surprising. It represents the largest annual decline seen since August 2014. Other January NAR data showed homebuying down 3.2% from December levels and a median sale price of \$240,500, up 5.8% in 12 months.¹

FED MINUTES EMPHASIZE THE “GRADUAL”

Minutes from the January Federal Open Market Committee meeting appeared Wednesday, and while FOMC members saw “substantial underlying economic momentum,” they also stated that “gradual policy firming would be appropriate.” To many investors and economists, that hinted at a March rate increase. The CME Group’s FedWatch tool puts the odds of a quarter-point March move at 83.1%.^{2,3}

OIL ADVANCES FOR A SECOND STRAIGHT WEEK

A 1.2% Friday climb left WTI crude 3.3% higher than it had been seven days earlier on the NYMEX. Oil settled at \$63.55 a barrel Friday, still down 1.8% for February.⁴

STOCKS RISE

Across February 20-23, all three major Wall Street benchmarks advanced. The Nasdaq Composite set the pace with a 1.35% gain, wrapping up the week at 7,337.39. The S&P 500 and Dow Jones Industrial Average added a little less: the former rose 0.55% to 2,747.30; the latter, 0.36% to 25,309.99.⁵

THIS WEEK: On Monday, Wall Street eyes results from Boise Cascade, CoreLogic, Dean Foods, Fitbit, Nutrisystem, and Palo Alto Networks, and January new home sales numbers also appear. New Federal Reserve chair Jerome Powell testifies on monetary policy in Congress Tuesday; investors will also look at the Conference Board’s latest consumer confidence index, January hard goods orders, and earnings from AutoZone, Bank of Montreal, Discovery Communications, Etsy, Express Scripts, Extended Stay America, Frontier Communications, Hertz Global, IMAX, Live Nation, Macy’s, Papa John’s, Priceline, Sempra Energy, Square, TiVo, and Toll Brothers. On Wednesday, the Street reviews the second estimate of Q4 GDP, January pending home sales, and earnings from Analog Devices, Bayer, Chico’s FAS, Hilton Grand Vacations, Hostess Brands, L Brands, La Quinta Holdings, Lowe’s, Office Depot, Snyder’s-Lance, and Valeant Pharmaceuticals. Thursday offers ISM’s February factory PMI, January personal spending data, and earnings from AMC, Anheuser-Busch, Barnes & Noble, Best Buy, Gap, Kohl’s, and Nordstrom. On Friday, Foot Locker and JCPenney present earnings, and the University of Michigan issues its latest consumer sentiment index.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+2.39	+21.62	+16.16	+10.44
NASDAQ	+6.29	+25.74	+26.41	+21.86
S&P 500	+2.76	+16.22	+16.25	+10.30
REAL YIELD	2/23 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.76%	0.35%	-0.57%	1.44%

Sources: wsj.com, bigcharts.com, treasury.gov - 2/23/18^{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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