

WEEKLY ECONOMIC UPDATE

February 19, 2018

WEEKLY QUOTE

“Courage is resistance to fear, mastery of fear – not absence of fear.”

- Mark Twain

WEEKLY TIP

If at all possible, avoid taking a loan from your workplace retirement plan. If you withdraw funds from it before age 59½, you will usually incur a penalty, and you will be drawing down money that should be left to grow and compound in a tax-favored account.

WEEKLY RIDDLE

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

Last week's riddle:

Cheryl was driving a black car. Its lights were off, and there was no moonlight. A cat walked into the middle of the road. How did she know to stop?

Last week's answer:

She was driving in the daylight.

INFLATION SUDDENLY INTENSIFIES

The Consumer Price Index rose 0.5% in January, its greatest month-over-month advance since January 2017. Core inflation (minus food and energy prices) increased 0.3%, marking the largest monthly gain in almost 13 years.¹

RETAIL SALES PACE SLOWS

Contradicting perceptions that the economy might be overheating, retail purchases fell 0.3% in January. Minus car buying, retail sales would have been unchanged for a second straight month, as a Department of Commerce revision rendered the previously announced December gain flat.²

DEVELOPERS BUILT MORE IN JANUARY

Groundbreaking increased 9.7% last month, according to a Census Bureau report. The first month of the year also brought a 7.4% rise in building permits.³

TAILWINDS RETURN TO WALL STREET

In the wake of the correction, the major indices rebounded nicely last week. The Nasdaq Composite led the way, rising 5.31% to a Friday settlement of 7,239.47. Bulls also sent the Dow Industrials and S&P 500 much higher: the Dow gained 4.25% on the week to 25,219.38, while the S&P rose 4.30% to 2,732.22. The CBOE VIX volatility index is certainly on a wild ride: it fell 33.52% across last week to 19.32, but remained up 75.00% YTD. In the commodities sector, oil staged a notable comeback, rallying 4.2% in five days to finish the week at \$61.68 on the NYMEX.^{4,5}

THIS WEEK: Monday is Presidents Day: U.S. financial markets are closed. The earnings roll call for Tuesday includes results from Cardtronics, Cracker Barrel, Domino's Pizza, Duke Energy, Fluor, Fresh Del Monte Produce, Home Depot, HSBC, Medtronic, Noble Energy, Public Storage, Sempra Energy, Transocean, and Walmart. On Wednesday, Wall Street considers January existing home sales, minutes from the Federal Reserve's January policy meeting, and earnings from Avis Budget Group, Cheesecake Factory, Dish Network, Garmin, Kaiser Aluminum, Owens Corning, Pandora Media, Roku, Sunoco, and Wendy's. A new initial jobless claims report arrives on Thursday, plus earnings news from Bloomin' Brands, Chesapeake Energy, Edison International, First Solar, GoDaddy, Herbalife, Hewlett-Packard, Hormel, Intuit, Planet Fitness, Wayfair, and Wingstop. Huntsman and KBR present earnings Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+2.02	+22.31	+16.07	+10.42
NASDAQ	+4.87	+24.50	+25.36	+21.18
S&P 500	+2.19	+16.40	+15.96	+10.24
REAL YIELD	2/16 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.78%	0.43%	-0.53%	1.48%

Sources: wsj.com, bigcharts.com, treasury.gov - 2/16/18^{4,6,7,8}

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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