

WEEKLY ECONOMIC UPDATE

January 2, 2017

WEEKLY QUOTE

“The first duty of love is to listen.”

- Paul Tillich

WEEKLY TIP

Sometimes, high earners accumulate substantial cash reserves in addition to significant retirement savings accounts. With interest rates still near historic lows and many bank accounts yielding next to nothing, some of that cash might be better off invested.

WEEKLY RIDDLE

Kylie tells her friend Danielle that she knows of a place where Valentine’s Day comes after Independence Day. Where is this place?

Last week’s riddle:

What time of day is spelled the same forwards and backwards?

Last week’s answer:

Noon.

A SURGE IN CONSUMER OPTIMISM

The Conference Board’s consumer confidence index continued to climb in December. Analysts polled by MarketWatch projected a reading of 110.0 for the gauge, but it beat that forecast, rising 4.3 points to a 15-year peak of 113.7. The major factor in the gain? Growing expectations of a better economy, particularly among older Americans. The CB’s monthly expectations index reached a high unseen since December 2003.^{1,2}

PENDING HOME SALES SLIP

Housing contract activity declined 2.5% in November, according to the latest research from the National Association of Realtors. In October, pending sales were up by just 0.1%.¹

YEARLY HOME PRICE GAINS INCREASE

October’s S&P/Case-Shiller national home price index came out last week, showing a 5.6% annualized improvement. In its September edition, the 12-month advance was 5.4%. The 20-city composite version of the index rose 5.1% in the year ending in October.^{1,2}

A BULLISH YEAR COMES TO A CLOSE

Stocks descended during the last trading week of 2016. The S&P 500 gave back 1.10% of its winter gains to end the year at 2,238.83. Blue chips held up better, as the Dow Jones Industrial Average fell just 0.86% for the week to 19,762.60. Meanwhile, the Nasdaq Composite slumped 1.46% for the week, closing Friday at 5,383.12. For the year, the Dow gained 13.42%; the Nasdaq, 7.50%; the S&P 500, 9.54%; and the Russell 2000, 19.48%. The CBOE VIX lost 22.95%. A barrel of light sweet crude was worth \$53.72 on the NYMEX as Wall Street’s trading week ended. WTI crude rose 45% in 2016 to have its best year since 2009.^{3,4}

THIS WEEK: Wall Street takes Monday off to observe the New Year’s Day holiday. Trading resumes Tuesday, with the December ISM manufacturing PMI being the big news item. Wednesday, minutes from the December Federal Reserve policy meeting arrive, plus the December ADP payrolls report and Q4 results from Sonic. Thursday offers the December ISM services PMI, the latest initial jobless claims numbers, the December Challenger job-cut report, and earnings from Constellation Brands, Container Store, Monsanto, PriceSmart, Ruby Tuesday, and Walgreens Boots Alliance. The Department of Labor’s December jobs report comes out Friday, along with data on November factory orders.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+13.42	+12.26	+12.35	+5.86
NASDAQ	+7.50	+6.26	+21.33	+12.29
S&P 500	+9.54	+8.50	+15.60	+5.79
REAL YIELD	12/30 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.50%	0.77%	-0.07%	2.41%

Sources: wsj.com, bigcharts.com, treasury.gov - 12/30/16^{3,5,6,7}

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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