

WEEKLY ECONOMIC UPDATE

June 19, 2017

WEEKLY QUOTE

“We learn by example and by direct experience because there are real limits to the adequacy of verbal instruction.”

- Malcolm Gladwell

WEEKLY TIP

Do you have a child heading off to college this fall? Financially, it may be time for his or her first credit card. One idea: have your son or daughter sign up for a basic, low-limit card through a credit union or independent bank and have the monthly statements sent to you.

WEEKLY RIDDLE

What are you able to keep after you give it to someone?

Last week's riddle:

I often stand straight and tall. I can illuminate your wall or hall. If you push me, I may fall. What am I?

Last week's answer:

A candle.

FED DELIVERS EXPECTED & UNEXPECTED NEWS

As Wall Street anticipated, the Federal Reserve raised interest rates on June 14. The Federal Open Market Committee voted 8-1 to take the benchmark interest rate north by a quarter-point to the 1.00-1.25% range. The Fed also said it would begin to reduce its \$4.5 trillion balance sheet at some point “this year” by slowing reinvestments. As a start, it will let \$6 billion per month in Treasury holdings run off, along with \$4 billion per month in agency debt and mortgage-linked securities. This implies upward pressure on long-term interest rates.^{1,2}

RETAIL SALES, HEADLINE INFLATION BOTH RETREAT

The Consumer Price Index declined 0.1% in May, noted the Bureau of Labor Statistics; core consumer inflation rose 0.1%. A bigger May decline came for retail purchases – the Census Bureau said that they fell 0.3% even with car sales factored out.³

HOUSING STARTS SLIP

The Census Bureau's new residential construction snapshot showed groundbreaking at an 8-month low, with total housing starts down 5.5% in May. Total building permits decelerated 4.9% last month to their slowest pace since April 2016.⁴

GAUGE OF SENTIMENT DESCENDS

In its preliminary June edition, the University of Michigan's consumer sentiment index fell short of expectations. Economists, polled by Briefing.com, forecast a reading of 97.0 for the index, but it came in at 94.5.³

DOW 30 OUTPACES S&P 500

Rising 0.53% in five days, the Dow Jones Industrial Average ended the week at 21,384.28. The S&P 500 made a weekly advance of 0.06% to a Friday close of 2,433.15. Tech shares kept selling off, resulting in the Nasdaq Composite's 0.90% weekly descent to a Friday settlement of 6,151.76. The Dow Jones Utility Average had the best week among consequential U.S. equity indices, rising 1.75%.⁵

THIS WEEK: Nothing major is scheduled for Monday. Tuesday, Adobe Systems, FedEx, La-Z-Boy, Lennar, and Red Hat all present earnings. Wednesday offers May existing home sales figures and earnings announcements from CarMax, Oracle, and Winnebago. Earnings news from Accenture, Barnes & Noble, Bed Bath & Beyond, Carnival, and Sonic arrives Thursday, plus new initial jobless claims numbers. Friday, investors consider May new home sales and Q2 results from Finish Line.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+8.21	+20.59	+13.50	+5.68
NASDAQ	+14.28	+26.97	+22.83	+13.42
S&P 500	+8.68	+17.09	+16.24	+5.87
REAL YIELD	6/16 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.49%	0.15%	-0.54%	2.73%

Sources: wsj.com, bigcharts.com, treasury.gov - 6/16/17^{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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