

In this week's recap: inflation moderates, oil prices head south, and equities have a tough week.



Weekly Economic Update

December 17, 2018

AS FUEL GROWS CHEAPER, INFLATION BECOMES TAMER

Last week, the latest Consumer Price Index arrived, showing no move for headline inflation in November and a 0.2% core inflation increase. That precisely matched the consensus forecast of economists polled by Reuters. What held the headline CPI in check last month? You can credit a sudden drop in gas prices, which fell 4.2%. Annualized inflation declined to 2.2%. Overall producer prices only rose 0.1% last month, compared to an October ascent of 0.6%.^{1,2}

A MIDDLING ADVANCE FOR RETAIL SALES

During October, American households boosted their retail spending by 1.1% (originally reported by the Department of Commerce as a gain of 0.8%), but November presented a different story. Sales rose last month, but only by 0.2%. The gain remained at 0.2% with auto buying removed.²

OIL HEADS 2.6% LOWER

That was the weekly loss for light sweet crude, influenced by two factors: increasing dollar strength and concerning economic data from China, which made traders wonder if the P.R.C.'s demand for crude could lessen. Oil settled at \$51.20 Friday on the NYMEX.³

STOCKS HEAD LOWER

Bothered by anxieties about global growth, bulls lost some of their appetite for risk last week. Across five trading days, the S&P 500 ceded 1.26%; the Dow Jones Industrial Average, 1.18%; the Nasdaq Composite, 0.84%. That left them at the following settlements on Friday: S&P, 2,599.95; DJIA, 24,100.51; COMP, 6,910.66. The small-cap Russell 2000 index had it worse,

falling 2.57% to 1,410.81 over five days. While all this happened, volatility actually declined, at least according to the CBOE VIX; the leading gauge of Wall Street instability retreated 6.89% for the week to 21.63.⁴

TIP OF THE WEEK



A simple tip to keep credit card spending under control: only use a card for purchases you know you can pay off within one month.

THIS WEEK

Oracle and Red Hat share quarterly results on Monday. | On Tuesday, the Census Bureau offers a snapshot of November residential construction activity, and Darden Restaurants, FedEx, Jabil, Micron Technology, Navistar, Steelcase, and Worthington Industries present earnings. | Wednesday, the Federal Reserve releases its latest policy statement, followed by a press conference with Fed chair Jerome Powell; in addition, investors will consider October existing home sales numbers and earnings from General Mills, Paychex, Rite Aid, and Winnebago. | On Thursday, earnings roll in from Accenture, BlackBerry, Conagra Brands, Nike, and Walgreens Boots Alliance, and the Department of Labor issues a new initial claims report. | Friday, Wall Street reviews November consumer spending and capital goods orders data, the federal government's third estimate of Q3 growth, and earnings from CarMax.

QUOTE OF THE WEEK



“Laughter is an instant vacation.”

MILTON BERLE

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-2.50	-1.67	10.59	18.14
NASDAQ	0.11	0.79	14.54	35.82
S&P 500	-2.76	-1.96	9.29	19.93
REAL YIELD	12/14 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.07	0.48	0.72	2.43

Sources: wsj.com, bigcharts.com, treasury.gov - 12/14/18^{4,5,6,7}

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.

THE WEEKLY RIDDLE



Dave says that the small city he lives in has a municipal building with more than a hundred stories. What building is this?

LAST WEEK'S RIDDLE: Take a word with four letters. Take away one, and what remains will be better ... better than zero, anyway. What word is this?

ANSWER: Gone.

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